



DESTINY RESOURCE SERVICES CORP.

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DESTINY RESOURCE SERVICES CORP. ANNOUNCES 2005 RESULTS,

CALGARY, ALBERTA
March 23, 2006

STOCK EXCHANGE: TSX
SYMBOL: DSC

Destiny Resource Services Corp. (DSC:T) announced today its 2005 year end and fourth quarter results.

“2005 was a year of significant progress and success for Destiny. And we are encouraged by all we see for 2006.” said Bruce Libin, Executive Chairman and Chief Executive Officer.

Financial Highlights

The following table highlights certain financial information of the Company’s continuing operations for the quarters and years ended December 31, 2005 and 2004:

<i>(000's, except per share amounts)</i>	Year ended		Change
	2005	2004	
	\$	\$	%
Revenue	64,457	33,630	+92
Gross margin	12,946	4,085	+217
EBITDA ⁽¹⁾	9,652	2,876	+236
Income from continuing operations	7,237	943	+667
Per share – basic and diluted	1.31	0.36	+264
Income from discontinued operations	N/A	404	N/A
Per share – basic and diluted	N/A	0.15	N/A
Net income	7,237	1,347	+437
Per share – basic and diluted	1.31	0.51	+157
Cash flow from operations	9,547	2,137	+347
Per share – basic and diluted	1.73	0.81	+114
Capital expenditures :			
For cash	7,710	1,707	+352
For shares	967	---	N/A
Total	8,677	1,707	+408
Weighted average shares outstanding:			
Basic	5,533	2,643	+110
Diluted	5,542	2,643	+110
Total assets	21,744	11,391	+91
Shareholders' equity	11,787	7,845	+50
Book value per share outstanding	2.13	2.97	(28)

(1) EBITDA is provided to assist investors in determining the ability of Destiny to generate cash from operations and is calculated from the consolidated statement of income as gross margin less general and administrative expenses (not including gain on disposal of property and equipment). This measure does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

(2) There are 5,575,081 outstanding shares and 53,000 outstanding options as at March 23, 2006.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Destiny will hold its annual general meeting of shareholders on May 9, 2006.

CEO Letter to Shareholders from Annual Report

Fellow Shareholders,

2005 was a full and successful year for Destiny, and 2006 looks to be as well.

During the past several months, we have had a number of inquiries from shareholders, potential shareholders and other interested parties. The questions asked sometimes reflect a basic understanding of Destiny and our circumstances, sometimes a more sophisticated view and occasionally are from those just discovering our Company. I thought it might be helpful to repeat several of the questions and the tone and tenor of our responses here, for the benefit of all shareholders. What follows is not in a particular order of priority, and the responses have been edited more here than usually happens over the phone or email.

An expanded version of this letter, containing several more questions and answers, appears on Destiny's website.

Q: What are the prospects for Destiny?

A: Destiny is well positioned to grow with and enjoy the advantages of the markets in which we operate. In western Canada, each of our 3 historic businesses (Wolf Survey & Mapping, Destiny Resources, Double R Drilling) is a leader in its market and experienced growing market share in 2005. We are experiencing a strong first quarter in 2006 and are encouraged by the outlook for the year, and beyond. Our Kodiak Nav Solutions business, acquired in January 2005, is solidifying its position in its market and rolling out new products that will make our existing businesses stronger and more profitable. Wolf Survey & Mapping U.S. attained traction in 2005, its first year of operation and we like what we see for the prospects of growth and profitability there.

Q: What factors contributed to the growth in 2005?

A: 2005 was a year when so much came together for us. It was, in part, a return on the investment of the past few years in training, in equipment, in systems, in keeping current with our markets and the needs of our clients.

Double R Drilling, operating from our owned facility in Grande Prairie, Alberta, provides shot-hole drilling services. Double R Drilling, our largest business by revenue, had an exceptional year. From running a maximum of 2 heli-portable drill crews in 2003 and a maximum of 4 in 2004, Double R actually ran 6 heli-portable drill crews for part of the summer of 2005. In addition, Double R was able to respond to the growing select needs of clients, in western Canada and in the Canadian Arctic. In fact, this division declined a significant amount of work offered to it, choosing to maintain quality and safety.

Wolf Survey & Mapping Canada, operating from our leased facility (corporate office, sales for all divisions, operations for Wolf Survey and Kodiak Nav Solutions) in Calgary, provides survey, mapping, GIS and other services. Wolf Survey & Mapping Canada, our second largest business by revenue, also had a sterling year. Wolf expanded its manpower, its equipment and its capacity to serve clients and laid the groundwork for additional gains for 2006.

Destiny Resources, our line-clearing business, also operates from our facility in Grande Prairie. During 2005, Destiny Resources expanded its fleet of specialized equipment from 4 to 13 and was successful at increasing the utilization rates of its equipment. Revenue and margin dollars grew meaningfully. This division and Wolf Canada continue to benefit from cross-marketing of services and the efficiencies achieved when they work together on projects.

Kodiak Nav Solutions provides navigation and positioning services to Destiny divisions and to third party clients. In 2005, Kodiak Nav Solutions successfully went through the transition of joining Destiny and advanced its products and technology throughout the year, as well as greatly increasing capacity.

Wolf Survey & Mapping US operates from our leased facility in the Denver, Colorado area. In 2005, this division got launched and started well, working on a large program in Wyoming, which project will have additional components in 2006. This division weathered the trials and tribulations of a start-up and established itself as a competitor in the markets we selected.

Safety. We view our commitment to safety and the emphasis on achieving a safe workplace as almost another division. 2005 saw a continuation of the strong focus on safety and the delivery of results with low incident rates. For the second year in a row, Wolf Survey & Mapping Canada was awarded a Best Safety Performer designation by the Alberta Government. We appointed a Chief Safety Officer and committed to a new safety tracking system.

Q: With all the things that went right, what were some of the short-comings of 2005?

A: While the year was "full and successful", we did not hit every pitch, let alone out of the park.

We were disappointed with the limited amount of summer work (and consequent impact on Q3'05) for Destiny Resources, our line-clearing division. Some work we had been expecting was diverted from us very late in the day, too late to be able to fill the gaps created. This will cause us to be more careful in planning and allocating resources, and to be especially mindful of the difficulties of conducting line-clearing operations in British Columbia.

Destiny acquired Kodiak Nav Solutions in January, 2005 with the expectation of being able to rapidly deploy the Kodiak technology in support of our Wolf Survey & Mapping division. As it turned out, most of Kodiak's successes during the year were generated by the business they had been doing prior to being bought by Destiny as we encountered technological difficulties in attaining the efficiencies sought at the internal level. A great deal of time, intellect and effort has been invested in solving the technology gaps discovered and we believe we now have answers to all of the issues. Our present expectation is to be deploying the upgraded Kodiak technology in the second quarter of this year and to be back on track with our business plans.

Our US start was slower and with less margin dollars for the year than we had budgeted. Some of this is directly a function of over-optimism in our budgeting, some is from learning the nuances of doing business outside of our backyard. I am of the view we will be ahead of our 3 year plan by the end of 2006, notwithstanding the somewhat lesser 2005.

Q: In view of the small public float, will you be issuing more shares?

A: We view our business and its prospects with enthusiasm. As owners of Destiny, each director and officer, shareholders all, is mindful of the value inherent in a share of Destiny. As such, we are in no rush to issue shares. Today we have more than enough cash flow and debt capacity to finance our operations and capital expenditures and make our anticipated dividends. Should an opportunity present itself which requires capital beyond that which we can generate internally, the Board will wrestle with the choices of debt, dividend reduction, share issuance or some combination of these.

Q: Do you view your growth as being only from the existing businesses or do you have acquisitions in mind?

A: While we believe strongly in the organic prospects of our businesses, we are open to acquiring businesses. Our discussions at the board and management tables are always framed by doing what makes sense, whether buying or building, or both. We have no agenda or appetite for growth for growth's sake. Anything we do is with accretion in value and sustaining and growing dividends as our priorities.

We are generating cash and have no debt. Our sustaining capital expenditure requirements, while a few million dollars, are still modest relative to our operations and prospects. We have the ability to issue equity to finance growth, whether organic or through acquisitions. As such, and mindful of the desire to distribute cash to our shareholders, the owners of the business, we look at expansion and growth opportunities as we can find them.

Q: What are the limitations on being able to grow the business?

A: With respect to organic growth, the main limitation we face is people, retaining and attracting people with the right attitude, skills, energy and commitment. We are very proud of the team that is Destiny today. We have an experienced workforce, in the field and in our offices, a workforce that is compensated fairly, indeed well, for the quality work they do and for their commitment to safety.

To grow organically we must retain the workforce we have (and Destiny has a relatively low turnover of people) and attract others. We must then train the newcomers and integrate them into our ways of doing business: quality and safety. The high level of economic activity in Alberta, the mainstay of our business, means greater difficulty in expanding our workforce. Indeed, for one of our businesses we made a conscious decision to not grow capacity this year (following 2 years of rapid growth) and to focus instead on improving margins, with the expectation we can grow capacity again the following year once all hands have more experience.

With respect to acquisitions, the limitation is more the expectations of vendors of businesses. We will want to buy businesses with the expectation of incremental contributions to EBITDA per share and earnings per share. If the expectations of sellers are not in line with our needs, we will have difficulty doing business.

Q: Will you maintain a policy of no term-debt?

A: While we like our balance sheet at the moment, we will make decisions as they make sense for the financing of the business.

For 2005, our capital expenditures totaled \$8.7 million, of which \$7.7 million was paid in cash and the remaining \$1 million was paid by the issuance of equity. In addition, we paid cash dividends of \$4.4 million during 2005. The cash required for all this came from cash in the bank at the beginning of the year of \$1.2 million, net borrowings from the bank during the year of \$1.9 million and from cash generated by operations of \$8.6 million, net of investment in working capital.

Our budget for 2006 anticipates more cash generated by operations, more than enough to finance our planned level of capital expenditures (less than 2005) and the higher anticipated dividend requirements.

Should our Board of Directors determine it wise to convert some portion of our operating line to term-debt or should we make an acquisition or for other reasons, we may indeed have debt beyond today's operating line at the bank. The intent is to finance our needs in ways that make sense, as circumstances dictate.

Q: Will Destiny be increasing its dividends?

A: Consistent with a policy adopted in 2004, Destiny's Board of Directors will consider the competing needs for cash generated by the Company and may declare dividends on the shares of the Company. In 2005, Destiny declared and paid a dividend of \$0.20 per share in each calendar quarter of the year, for a total of \$0.80 per share for the year.

On March 8, 2006, with Q4'05 in hand and with the prospects for 2006 in mind, the Board of Directors declared a dividend of \$0.24 for Q1'06. While future dividends will depend on future events, the Board was certainly mindful of the expectation of the market for dividends to be smooth through the year.

Q: Will Destiny be converting to a trust?

A: The issue of conversion to a trust has been discussed at the board and management tables for some time, and will continue to be examined. The changes to the dividend tax credit announced by the last federal government, if enacted, make it less attractive, on some fronts, to convert to a trust relative to remaining a corporation.

Q: What are the risks facing Destiny?

A: Three main risks we face are industry activity levels, competitive factors and internal competency.

Industry activity: we provide services overwhelmingly for the oil and gas exploration and development industry, principally in the Western Canadian Sedimentary Basin as well as the Canadian Arctic and in the United States. The level of activity of our customers, the capital they expend on the search for oil and gas is heavily dependent upon the prices of those commodities. Commodity prices, in turn, are influenced by North American and global economic and political factors, all of which are outside the control of our Company. We are enjoying an upsurge in demand for our services today, attributable in large part by the significant increases in commodity prices over the last 2 years. There is no assurance the overall view of the oil and gas industry for commodity prices will remain at a level required to create strong demand for the services provided by Destiny.

Competitive factors: we strive to be well compensated by our clients for proving them with quality work in a safe manner. Our clients will make some trade offs of price for the quality we provide and the safety record of Destiny. We are subject to the willingness of competitors, who may have different cost structures or different views of quality and safety, to bid for work at prices which are not attractive to Destiny.

Internal competency: each of Destiny's businesses, particularly our divisions that were part of Destiny prior to 2005 (Wolf Survey & Mapping Canada, Destiny Resources, Double R Drilling), provide quality work with an excellent safety record. They have earned a reputation for doing such and are, in many cases, preferred service providers. These attributes, coupled with our ability to undertake large programs and to provide our services on a bundled and unbundled basis, are a large part of Destiny's competitive edge. We spend a great deal of time and effort on training, procedures, safety, environmental awareness and other intangibles that make us what we are, that earn and maintain our reputation. The focus on quality and safety is relentless.

And yet we are dealing with people, and people working in sometimes difficult environments and with dangerous equipment and machinery and with explosives. This means for all our emphasis, incidents can and do happen. Our

risk is the confluence of a number of events that put our safety record out of line. Deer do pop out of the woods on a back country road; whatever. We can be vigilant, we can't guarantee things won't happen.

Q: How are your people compensated?

A: We have employees who are paid piece work (so much per kilometer surveyed or cleared, so much per metre of shot-hole drilled), hourly, daily, weekly and monthly. In all cases we strive to pay fair, competitive wages and salaries, including benefits appropriate to the job and the competition.

Most of the field employees have the ability to earn bonuses, usually on a per job basis. The approach to awarding bonuses takes into account the productivity of the individual, the individual's safety record and treatment of equipment and the productivity of the job.

Field employees not eligible for productivity bonuses and shop and office staff up to a certain level are eligible to be awarded bonuses at the beginning of each year based upon their performance during the year and the Company's overall results.

Beginning with 2005, Destiny instituted a Profit Sharing Plan for its Executive Management Team and its Operations Team. In each case, a percentage of the Company's pre-tax profit, determined after a priority return to shareholders, is made available to a Profit Sharing Pool. Members of the respective teams are eligible for a percentage of the respective pools, based upon salary, seniority, capacity to contribute to and affect results and other matters. Awards were made in January 2006 with respect to 2005. The aggregate awarded was \$1.9 million. Of this amount, one-half was paid in cash at the time of the award and one-sixth was paid by delivering shares of Destiny which had been purchased in the market. The other two-sixths act as a bit of a "golden handcuff" and will be paid, again in shares already purchased in the market, at the end of January in each of the next 2 years. Dividends on the shares held in trust will be paid to the eligible employee as declared and paid.

The aggregate amount Destiny paid in bonuses and awarded in profit sharing in 2005 was \$3.1 million. This was 14% of total compensation and 6% of total expenses.

Q: Isn't that a lot?

A: Yes. And I am proud to be able to do so. First, 2005 was a great year; this was the team that produced it. Second, as a service company, we earn every dollar in the field. Oil and gas prices going up will influence the demand for our services, but there is no "inventory gain" on our books. We earn every dollar. Third, for our key people in our Executive Management Team and Operations Team, 21 in total for 2005, the Profit Sharing Plan is the combination of short-term and long-term incentives. Destiny has not granted stock options since 2002 and has no present plans to do so.

Q: Could it be that much again in 2006?

A: I hope it is more. Again, these awards are made based on productivity and profit. Now, if 2006 results are the same as 2005, I expect the Profit Sharing awards will not be as great. One of the consequences to those in these plans is we raised the bar in 2005; we showed what could be done. Since the awards are meant to acknowledge value added, the challenge will be a little greater having done it once.

Q: Why do you report future taxes on the income statement but not cash taxes?

A: It is beyond the space allotted in several annual reports to try explain the accounting for income taxes in a company with tax losses and differences between the accounting book value and tax value of assets. Let me try to tackle what I think is important.

One positive by-product of the difficult past of Destiny, is tax loss carry forwards, that is, losses from the past we can use against profits being earned. This means, for income tax return purposes, Destiny does not have to pay any tax for 2005, nor should we for 2006.

Nevertheless, the accountants believe we should report the income statement as if we have to pay taxes. So, for reporting purposes, we calculate tax at the full nominal rate of almost 34%. This is what we will do, I believe, for 2006, however, with 2005 being the year we moved to reasonable profits and applied the loss carry forwards and when book and tax values crossed, we report taxes, basically future only, at about 4%.

Not that we can change the tax and accounting rules. But let me point out the challenge they pose to Destiny for 2006. If the rates for tax are 4% and 34%, we have to earn 52% more pre-tax in 2006 to report the same after-tax earnings as 2005. Phrased differently, our after-tax earnings per share for 2005 would have been \$0.89 rather than

\$1.31 if the full tax rate had been applied. Now the tax provision, both for 2005 and 2006, is non-cash so our growth in EBITDA and cash flow per share will be what supports our dividend abilities. Nevertheless, a meaningful challenge to our Company.

Going forward, it appears Destiny will first have cash tax to pay of size in February 2008. Mindful of this, our Board and Management are focusing on alternatives, including paying taxes, seeking other avenues for deferring taxes, if possible, and converting to a trust. As always, decisions taken will be with the best interests of shareholders as the main driver.

Q: How do you handle safety issues?

A: We believe safety is the responsibility of every employee, every day. As a Company, we believe we have a moral obligation to the men and women who work for us, and to the men and women from other companies who work with and near our people, to have them go home to their families as whole as when they came to work.

We stress safety every day on every job. We hold safety meetings, tail gate meetings, safety stand downs. We train and we re-emphasis our training. We have policies prohibiting alcohol and drugs on our jobs – and we enforce them. We have policies on travel, journey management – and we enforce them. Every job has a safety officer. Every division has a safety associate. Our Company has a Safety Manager and, since the fall, a Chief Safety Officer.

We care: for our people and for the reputation for safe work that gets us onto subsequent jobs. We strive: to eliminate hazards and unsafe working conditions and to minimize exposure to those we can't eliminate. We worry: for the physical and mental well being of our people and their ability to always remain vigilant.

Q: What is Destiny's greatest strength?

A: I have closed every quarterly and annual report since I took the CEO chair with a thank you, on behalf of the shareholders, to the employees of Destiny, and do so again. I have articulate some of Destiny's strengths. Every one of those attributes occurs because of the efforts and successes of the men and women who work in the field, shops and offices of Destiny. It is to them we, as shareholders, owe our gratitude.

On behalf of the Board of Directors,



Bruce R. Libin, Q.C.
Executive Chairman and
Chief Executive Officer

Destiny provides Seismic Front-End Services comprised of seismic survey and mapping (Wolf Survey & Mapping), seismic line clearing (Destiny Resources) and shot-hole drilling (Double R Drilling) to energy explorers and producers and to seismic acquisition companies. Destiny provides navigation, positioning and asset management technology to improve the productivity and safety of seismic operations through its Kodiak Nav Solutions division.

For further information please contact:

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CONSOLIDATED BALANCE SHEETS

As at December 31

	2005	2004
	\$	\$
ASSETS <i>[notes 5 and 6]</i>		
Current		
Cash	---	1,198,004
Accounts receivable	9,124,205	4,261,300
Inventory	734,760	561,888
Prepaid expenses	434,820	325,459
	10,293,785	6,346,651
Property and equipment <i>[notes 3 and 4]</i>	11,450,537	5,044,266
	21,744,322	11,390,917
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness <i>[note 5]</i>	1,946,126	---
Accounts payable and accrued liabilities	7,726,828	3,483,824
Income taxes payable	20,000	61,973
	9,692,954	3,545,797
Future income taxes <i>[note 11]</i>	264,544	---
Commitments and contingencies <i>[note 15]</i>		
Shareholders' equity		
Share capital <i>[note 8]</i>	8,349,935	7,198,140
Retained earnings	3,436,889	646,980
	11,786,824	7,845,120
	21,744,322	11,390,917

On behalf of the Board:



Director



Director

**CONSOLIDATED STATEMENTS OF OPERATIONS
AND RETAINED EARNINGS (DEFICIT)**

Year ended December 31	2005	2004
	\$	\$
Revenue	64,457,011	33,629,852
DIRECT EXPENSES	51,511,106	29,544,635
GROSS MARGIN	12,945,905	4,085,217
Other expenses (income):		
General and administrative	3,293,740	1,208,897
Depreciation of property and equipment	2,122,502	1,249,000
Interest <i>[note 10]</i>	154,155	772,717
Gain on disposal of property and equipment	(101,648)	(100,345)
	5,468,749	3,130,269
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	7,477,156	954,948
Income taxes <i>[note 11]</i>		
Current tax expense / (recovery)	(24,265)	12,000
Future tax provision	264,544	---
	7,236,877	942,948
Income from continuing operations	---	403,719
Income from discontinued operations <i>[note 9]</i>	7,236,877	1,346,667
Net income for the year	646,980	(9,070,685)
Retained earnings (deficit), beginning of year		
Elimination of deficit against share capital <i>[note 8]</i>	---	8,370,998
DIVIDENDS	(4,446,968)	---
RETAINED EARNINGS, END OF YEAR	3,436,889	646,980
Per share amounts <i>[note 8]</i>		
Basic and diluted	1.31	0.51

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31	2005	2004
	\$	\$
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Net income from continuing operations	7,236,877	942,948
Items not involving cash:		
Amortization of property and equipment	2,122,502	1,249,000
Amortization of deferred charges <i>[note 10]</i>	25,000	45,000
Future income taxes	264,544	---
Gain on disposal of property and equipment	(101,648)	(100,345)
Cash flow from operations	9,547,275	2,136,603
Net change in non-cash working capital <i>[note 13]</i>	(969,107)	1,287,813
	8,578,168	3,424,416
FINANCING ACTIVITIES:		
Increase (decrease) in bank indebtedness	1,946,126	(3,077,302)
Issuance of shares <i>[note 8]</i>	184,800	---
Dividends paid	(4,446,968)	---
Issuance of long-term debt <i>[note 6]</i>	---	3,550,000
Repayment of long-term debt <i>[note 6]</i>	---	(4,333,942)
Repayment of debentures <i>[note 7]</i>	---	(6,026,000)
Increase in deferred charges <i>[note 10]</i>	---	(45,000)
Rights Offering, net of costs <i>[note 8]</i>	(580)	3,228,688
	(2,316,622)	(6,703,556)
INVESTING ACTIVITIES:		
Purchase of property and equipment	(7,709,853)	(1,706,544)
Proceeds on sale of property and equipment	250,303	660,743
Cash flow from discontinued operations	---	5,522,945
	(7,459,550)	4,477,144
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,198,004)	1,198,004
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,198,004	---
Cash and cash equivalents, end of year	---	1,198,004

See accompanying notes to the consolidated financial statements.

2005 ANNUAL REPORT

FOR THE YEAR-ENDED DECEMBER 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS OF 2005 RESULTS OF OPERATIONS AND SELECTED FINANCIAL INFORMATION

The following discussion and analysis of financial results for the year ended December 31, 2005 is based on information available until March 23, 2006 and should be read in conjunction with the Company's consolidated financial statements and related notes contained in this Annual Report.

Certain statements included in this Management's Discussion and Analysis relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements involve known (see "Business Risks") and unknown risks and uncertainties which may cause the actual results, performances or achievements of the Company to be materially different from any future results implied by such forward-looking statements.

Non-GAAP Measurements: The MD&A contains the terms Earnings Before Interest, Taxes and Depreciation and Amortization ("EBITDA"), "cash flow from operations" and "operating cash flow" which should not be considered an alternative to, or more meaningful than "net income" or "cash flow from operating activities" as determined in accordance with Canadian GAAP as an indicator of the Company's financial performance. These terms do not have any standardized meaning as prescribed by GAAP and therefore, the Company's determination of EBITDA, cash flow from operations or operating cash flow may not be comparable to that reported by other companies. EBITDA is calculated from the audited consolidated statement of operations as gross margin less general and administrative expenses. The Company evaluates its performance based on EBITDA and cash flow from operations. The Company considers cash flow from operations and EBITDA to be key measures as they demonstrate the Company's ability to generate the cash necessary to pay dividends and to fund future capital investment.

OVERALL PERFORMANCE

2005 was an excellent year for Destiny. Growth was achieved organically and through acquisition.

Organically, the seismic drilling and survey & mapping divisions recognized exceptional growth in revenues and gross margin. This was mainly attributed to the high quality work that was done and has set each of these divisions as industry leaders in the eyes of clients. Investment into resource expansion combined with an effective education and training program allowed for these divisions to increase capacity in order to service the increased market demand within these businesses. Investment into new capital equipment provided cost savings and increased margins as well as increased capacity for work. The US component of survey & mapping also completed its first year of operations generating a positive contribution to the bottom line.

The acquisition of Kodiak early in the year provided an important step in enhancing the services that are offered to clients. Considerable development of this technology occurred throughout the year and the expectation is that this new emerging technology will continue to provide cost effective solutions to existing clients and also attract additional complimentary business in the future.

Overall revenues increased two-fold over the prior year (\$64.5 million compared to \$33.6 million) and gross margin increased three-fold (\$12.9 million compared to \$4.1 million). Cash flow from operations for 2005 was \$9.5 million (\$2.1 for 2004). A total of \$4.4 million was paid out in cash dividends to shareholders for 2005, which equates to \$0.80 per share. Earnings per share for 2005 were \$1.31 compared to \$0.51 last year.

Working capital at \$0.6 million is lower than the \$2.8 million at the end of 2004. A total of \$7.7 million was paid from cash flows for capital expenditures. Of this \$5.4 million was for expansion (total expansionary capital was \$6.4 million of which \$1 million was funded through equity) and the remaining \$2 million was for sustaining activities. Destiny has already realized gains in revenues and gross margins in the first year of this investment. 2005 YTD dividends paid to shareholders was \$4.4 million.

SELECTED FINANCIAL INFORMATION

The following table highlights certain financial information of the Company's continuing operations for the three months and years ended December 31, 2005 and 2004:

<i>(000's, except per share)</i>	Three months ended		Year ended	
	December 31		December 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
Revenue	11,844	7,431	64,457	33,630
Gross margin	2,321	419	12,946	4,085
EBITDA	2,118	46	9,652	2,876
Income (loss) from continuing operations	1,842	(421)	7,237	943
Per share – basic and diluted	0.33	(0.19)	1.31	0.36
Income from discontinued operations	N/A	71	N/A	404
Per share – basic and diluted	N/A	0.03	N/A	0.15
Net income (loss) for the period	1,842	(349)	7,237	1,347
Per share – basic and diluted	0.33	(0.15)	1.31	0.51
Capital expenditures	2,854	322	8,677	1,707
Weighted average shares outstanding	5,568	2,664	5,533	2,643
Total assets			21,744	11,391
Shareholders' equity			11,787	7,845
Book value per share outstanding			2.13	2.97

RESULTS OF OPERATIONS

The following analysis of the Company's results of operations refers to both the years ended December 31, 2005 ("2005") and December 31, 2004 ("2004") as well as the three months ended December 31, 2005 (Q4'05") and December 31, 2004 ("Q4'04").

REVENUE

Revenue for 2005 was at \$64.5 million compared to \$33.6 million in 2004. This represented a 92% increase, which can be attributed to:

- The increase of our heli-portable drilling crew count by 50% allowed for increased capacity to attract increased revenues within the seismic drilling division. In addition, cooperation on timing and flexibility of clients permitted an earlier start and a longer season for 2005 than in previous years.
- Successful marketing and consistent high quality customer service attracted more clients and shaped their view of the survey & mapping division as leaders in this industry. This reputation continues to increase in the market and is expected to contribute positively towards future growth.
- The ability to bundle multiple internal services to a client has created increased revenue opportunities. Clients are now benefiting from using multiple services within the Company that previously would have been provided from different external sources.
- Immediate productive utilization of new capital equipment investment has increased capacity and the ability to generate additional revenues.
- The acquisition of Kodiak in early 2005 has contributed almost a full year of revenue.
- The US operation has generated a full year of revenue. This division commenced operations at the end of 2004.

Revenue for Q4'05 was \$11.8 million representing an increase of \$4.4 million from the \$7.4 million for Q4'04. The increased capacity with both resources and capital along with more favourable market conditions allowed Destiny to increase volume during this quarter in 2005 as compared to 2004.

GROSS MARGIN

Gross margin at \$12.9 million for 2005 represented 20% of revenues. For 2004, gross margin was \$4.1 million or 12% of revenues. The overall increase in the 2005 over 2004 gross margin is attributed primarily to the following factors:

- Larger revenues in 2005 compared to 2004.
- Extensive and effective training and education program of field personnel has permitted an increase in the overall knowledge base. This knowledge transfer permitted the new crews to become productive within a relatively short period of time. This minimized the effect of the "learning curve" and hence had a positive impact on costs.
- Improved field efficiencies achieved through decreased use of subcontractors and rental equipment.
- The result of the Company's past efforts to alter its cost structure so that variable costs currently make up a larger component of total direct costs than fixed costs.
- Investment and immediate utilization of new capital equipment resulted in lower repair and maintenance costs than in the past with older equipment. This also reduced the reliance on equipment rentals and hence reduced costs in this area.

For Q4'05, gross margin was \$2.3 million or 20% of Q4'05 revenues compared to \$0.4 million or 6% of Q4'04 revenues. Gross margins are dependent on the product mix over a certain period of time. The product mix is dependent on a variety of factors, such as prevailing economic conditions and competition, which will change the product mix and hence the gross margin in any given period. Q4'04 results were negatively impacted by the payment of bonuses to administrative, operations and management personnel which had not been accrued during the year. For 2005, the Company introduced profit sharing plans for its operations and management leadership, the expense for which has been accrued on a monthly basis.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses, which primarily represent the costs associated with the corporate head office, the profit sharing plans and the lease of the Survey & Mapping division's shop and office, were approximately \$3.3 million for 2005 compared to \$1.2 million in the same period last year. The 2005 expense of \$1.6 million for the Company's profit sharing plans represented the majority of this increase. The balance of the increase relates to normal course business operations and results from incremental fixed costs due to the higher revenues generated.

The profit sharing plans were instituted to align the Company's incentive compensation for key employees with the interests of shareholders. The plans, which replace bonuses and the grant of stock options, are intended to have the participating employees more focused on the Company's bottom line performance and to enable the Company to retain and attract operating and executive management in a competitive environment. Awards are made one-half in cash and one-half in shares, purchased in the market.

G&A expense for Q4'05 was \$0.2 million compared to \$0.4 million for Q4'04. In Q4'04 the entire year bonus of \$0.3 million (\$0.2 million in direct expenses and \$0.1 million in G&A) was accrued during this quarter. Profit sharing plan accruals were recognized over all four quarters in 2005.

AMORTIZATION OF PROPERTY & EQUIPMENT

Amortization expense for 2005 was \$2.1 million compared to \$1.2 million in 2004. Approximately \$0.6 million of the total \$0.9 million in incremental amortization expense related to the assets of Kodiak, which were acquired in early 2005. The balance of \$0.3 million resulted from additional capital investment being made to allow the Company to pursue growth opportunities within its current lines of business. Amortization for Q4'05 was at \$0.7 million compared to \$0.3 million over the same period last year.

GAIN ON DISPOSAL OF CAPITAL ASSETS

The Company reported a gain on the sale of capital assets of \$0.1 million in both 2005 and 2004. These gains represent the normal course disposal of capital assets.

INTEREST EXPENSE

Total interest expense decreased from \$0.8 million in 2004 to \$0.2 million in 2005. Interest expense on long-term debt and debentures was \$0.7 million for 2004 compared to none in 2005 as all of these debt facilities had been repaid by the end of 2004. Bank charges, operating loan and other interest expense were \$0.2 million for 2005, which was slightly higher than \$0.1 million for 2004. The large current year capital expenditures, which increased the demand on the operating lines, was offset by the increased profitability of the Company. This resulted in only a minor

increase in overall interest expense for 2005. Interest expense for Q4'05 was less than \$0.1 million compared to \$0.2 million in Q4'04.

INCOME TAXES

The Company was not in a taxable position in 2005 or 2004, with minor "capital" taxes and minor income tax expense related to an inactive subsidiary company being the only tax expense recognized in 2004.

The Company has unutilized Canadian non-capital tax loss carry forwards available as at December 31, 2005, the benefit of which has been fully recognized in the consolidated financial statements.

Summary of Quarterly Results

<i>(000's, except per share amounts)</i>	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Total Revenue	11,844	21,216	14,793	16,604	7,430	12,200	1,204	12,796
Income (loss) from continuing operations	1,842	1,325	1,979	2,091	(421)	1,057	(1,437)	1,744
Income (loss) from discontinued operations	---	---	---	---	72	---	332	---
Income (loss) for the period	1,842	1,325	1,979	2,091	(349)	1,057	(1,105)	1,744
Basic & diluted earnings (loss) per share:								
From continuing operations	0.33	0.24	0.36	0.38	(0.16)	0.40	(0.55)	0.66
From discontinued operations	---	---	---	---	0.03	---	0.13	---
For the period	0.33	0.24	0.36	0.38	(0.13)	0.40	(0.42)	0.66
Basic & diluted number of shares outstanding (weighted average)	5,568 5,591	5,554 5,567	5,548 5,571	5,495 5,500	2,664	2,636	2,636	2,636

The Summary of Quarterly Results highlights the fact that the Company's business is seasonal with Q1 and Q3 traditionally being the two strongest quarters and Q2 and Q4 traditionally being the weakest quarters. The underlying causes of the seasonality are the weather and the Company being restricted from entering certain wildlife areas at certain times of the year. Revenue activity for the Company's continuing operations, by fiscal quarter, can be characterized as follows:

Revenue by quarter	<i>(000's)</i>	Description of Quarterly Seasonality
Q4'05	Q4'04	
\$11,844	\$7,430	The fourth quarter is traditionally the Company's third busiest quarter. The strength of the quarter is normally dependent upon prevailing weather conditions, which affect access to project areas, and the timing of client capital budget spending plans. As a result of the increased activity during Q3-05, Q4'05 became the slowest quarter due primarily lower capacity experienced from holiday season.
Q3'05	Q3'04	
\$21,216	\$12,200	The third quarter is traditionally the Company's second busiest quarter. Ground conditions are normally dry and, as in the first quarter, the Company is permitted access to all of the areas in which the Company operates. The relative strength of this quarter is largely dependent on utilization rates for the Company's six heli-portable drill crews and the number of days lost due to weather conditions. Increased client demand for services, due to increased volumes of work required, has created opportunity for an extension in the traditional season. For 2005 this was the busiest quarter due to the extension of the season as a result of demand from clients.
Q2'05	Q2'04	
\$14,793	\$1,204	The second quarter has traditionally been the Company's slowest quarter due to spring break-up. As the ground thaws regulators and landowners prohibit the Company from

accessing most work areas until the ground dries out and becomes passable to heavy equipment and vehicles without causing damage to the roads and land. Traditionally the roads reopen towards the end of May. The Company is further restricted from certain areas that protect various wildlife species during their migration and calving seasons which usually extend to the middle of June. However, in 2005, there were opportunities to conduct business in some areas without these restrictions. The increased volume of work required by clients in 2005 has created the opportunity for an earlier overall start to the season that in previous years. Increased client demand for services resulted in a longer season and very little impact of the traditional spring break-up for 2005.

Q1'05	Q1'04	
\$16,604	\$12,796	The first quarter is traditionally the Company's busiest quarter. The ground and unpaved roads are frozen which permits the Company to access and conduct work in the areas in which the Company operates. It should be noted that an early spring thaw did reduce the amount of revenue that can be generated in the first quarter.

LIQUIDITY AND CAPITAL RESOURCES

Destiny's capital requirements consist primarily of working capital necessary to fund operations, capital expenditures related to the purchase and manufacture of operating equipment and capital to finance strategic acquisitions. Sources of funds to satisfy these capital requirements include cash flow from operations, external lines of credit, equipment financing, term loans and equity markets.

The Company believes it has adequate cash generating capability, capital resources and access to capital to meet its working capital, capital expenditure and dividend requirements for 2006 and beyond.

WORKING CAPITAL

At December 31, 2005, the Company had a net working capital position of \$0.6 million compared to \$2.8 million at December 31, 2004. Significant components of this \$2.2 million decrease are:

- Cash flow from operations generated a positive increase of \$9.5 million.
- Capital expenditures funded by cash flows from operations were \$7.7 million. These expenditures included the acquisition of Kodiak which occurred early in 2005. The balance of this amount related primarily to expansionary requirements from the growth in activity and market share of operations during the year.
- 2005 YTD dividends paid to shareholders was \$4.4 million.

Net working capital of \$0.6 million at the end of 2005, although in excess of a 1:1 ratio, is tighter than the Company prefers. Capital expenditures through-out the year, other than the acquisition of Kodiak, were financed by cash flow from operations. Some equipment purchases at the end of Q4'05 reduced working capital to the level reported. Operations in 2006 to date have restored the balance. The Company has available a \$10 million revolving demand bank operating loan facility, which was drawn by \$1.9 million at the end of 2005.

PROPERTY AND EQUIPMENT

The net book value of property and equipment was \$11.5 million at December 31, 2005, an increase of \$6.5 million from \$5.0 million as at December 31, 2004. Amortization for 2005 amounted to \$2.1 million (\$1.2 million in 2004). Total 2005 capital expenditures were \$8.7 million (\$1.7 million in 2004) of which \$7.7 million was paid from cash and the remaining \$1 million was issued in equity for the acquisition of Kodiak assets.

\$6.4 million or 74% of the 2005 capital expenditures related to expansionary investment. Details of this investment are as follows:

- \$2.0 million related to the acquisition of Kodiak (\$1 million in cash and \$1 million in equity). An additional \$1.8 million was invested into additional technology development within this division.
- \$2.6 million was invested in expansionary capital for the other operating entities to purchase additional equipment in order to accommodate growth as a result of increased customer demand for services and increased gain in market share.

The remaining \$2.0 million pertained to sustaining normal course business operations.

CONTRACTUAL OBLIGATIONS AS AT DECEMBER 31, 2005

As at December 31, 2005 year end the Company's future contractual payment obligations are in the form of operating leases on premises and equipment. The Company has no other "off balance sheet" contractual obligations.

	Payments Due by Future Year				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
Operating Leases	\$ 2,247,000	\$ 743,000	\$ 934,000	\$ 570,000	\$ ---

SHAREHOLDERS' EQUITY

Shareholders' equity increased from \$7.8 million at the end of 2004 to \$11.8 million at the end of 2005. The major components within this \$4 million increase were: generated net income of \$7.2 million, disbursed cash dividends of \$4.4 million, exercise of options provided \$0.2 million and the share consideration of \$1 million issued on the acquisition of Kodiak assets.

As at March 23, 2006, the number of issued and outstanding common shares is 5,575,081 with 53,000 additional common shares reserved for potential future issuance pursuant to options outstanding under the Company's stock option plan.

CRITICAL ACCOUNTING ESTIMATES

In preparing the consolidated financial statements, various accounting estimates are made in applying the Company's accounting policies. The estimates require significant judgment on the part of management and are considered critical in that they are important to the Company's recording of financial condition and results. Management believes the critical accounting estimates for the Company are as follows:

Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives. The Company evaluates the carrying value of capital assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company recognizes an impairment charge when it is probable that estimated future cash flows of the underlying assets will be less than the carrying value of the assets.

Judgment is required in determining the useful life of capital assets and the appropriate method of amortization. Factors considered in estimating the useful lives of capital assets include expected future usage, effects of technological or commercial obsolescence, expected wear and tear from use or the passage of time and effectiveness of the Company's maintenance program.

The Company's investment in capital assets results in amortization expense being a significant operating cost to the Company and any misjudgment in estimating the useful life of the equipment could result in a misstatement of financial results.

Allowance for Doubtful Accounts

Accounts receivable is net of an allowance of less than \$0.1 million which has been recorded (\$0.1 million – December 31, 2004) in the consolidated financial statements, reflecting the amount of the balance for which collection is considered doubtful. In assessing the ability to collect accounts receivable, management reviews individual customer receivable balances to determine accounts on which collection is not certain. For these accounts, an allowance for doubtful accounts is established. The amount of the allowance is based upon a review of the customer's credit information, past payment practices and overall financial strength of the customer.

Accrued liabilities

Accrued liabilities normally include management's estimates of expected future costs to be incurred arising out of current year operating activity, including costs for repairs and maintenance and project completion.

Inventory

Inventory is net of an obsolescence provision of \$0.1 million for both for 2005 and 2004. Management's assessment of this obsolescence is based upon aging of inventory items and judgment. Discount factors are applied and are dependent on the date of last activity for a particular inventory item and range from 0% to 50%. Management's judgment based on experience and historical trends are used for discount factors of greater than 50% for any particular inventory item.

BUSINESS RISKS

Destiny is subject to the risks and variables inherent in the oilfield services industry. Demand for the Company's products and services depend on the exploration, development and production activities of energy companies. These activities are directly affected by factors such as oil and gas commodity prices, weather, changes in legislation, exchange rates, the general state of domestic and world economies, concerns regarding fuel surpluses or shortages, substitution through imports or alternative energy sources, changes to taxation or regulatory regimes and the broad sweep of international political risks such as war, civil unrest, nationalization and expropriation or confiscation, which are all beyond the control of the Company and cannot be accurately predicted. The oil market is influenced by global supply and demand considerations and by the supply management practices of OPEC. The natural gas market is primarily influenced by North American supply and demand and by the price of competing fuels. The risks associated with external competition are minimized by concentrating Company activities in areas where it has demonstrated technical and operational advantages and by employing highly competent professional staff. Environmental standards and regulations are continually becoming more stringent in this industry and Destiny is committed to maintaining its high standards. Destiny also mitigates business risks by establishing strategic alliances with reputable partners, developing new technologies and methodologies as well as investigating new business opportunities.

The risks inherent in the oilfield services industry could impact the Company's ability to meet its financial covenants on its revolving, bank operating loan facility. Accordingly, these inherent risks could cause the Company to become in violation of its covenants on the bank facility, which might result in repayment being demanded. Bank lines were drawn by \$1.9 million as at December 31, 2005 and were well below the maximum allowable limit at that time.

OUTLOOK

The Company believes it has adequate working capital, capitalization and access to capital. Management believes the Company has a cost structure that has sufficient variability as to be able to adapt to the volatility of its industry. The Company has experienced management, at all levels of sales, operations and administration who are motivated to achieve success in both the short- and long-term. The Company provides services principally in connection with the exploration for a commodity, natural gas, that is escalating in value and is plentiful in the areas in which the Company operates.

The Company is encouraged by the indications of demand for its services.

Destiny will continue to review expansion opportunities, both organic and by acquisition. These involve, in each case, the requirement for capital expenditures beyond the normal course for the Company. Destiny may pursue any or all of these opportunities, and others that may present themselves. In doing so the Company may incur term debt, issue equity, retain cash that might otherwise be paid as dividends or any combination of the foregoing.

DISCLOSURE CONTROLS AND PROCEDURES

As defined in Multilateral Instrument 52-109, disclosure controls and procedures require that controls and other procedures be designed to provide reasonable assurance that financial and non-financial information required to be disclosed is duly recorded, processed, summarized, accumulated and communicated to management. It must be disclosed on a timely basis and be in accordance with provincial and territorial securities legislation.

The Company has designed and evaluated the effectiveness of its disclosure controls and procedures, as defined, and has concluded they were effective as of the end of the period covered by this report.