



DESTINY RESOURCE SERVICES CORP.
2005 Third Quarter Interim Report
For the Three and Nine Months Ended September 30, 2005

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.

Common shares of Destiny Resource Services Corp. trade on The Toronto Stock Exchange under the ticker symbol DSC.

FINANCIAL HIGHLIGHTS

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2005	2004	Change	2005	2004	Change
<i>(\$000s, except per share amounts)</i> <i>(unaudited)</i>	\$	\$	%	\$	\$	%
Revenue	21,216	12,200	+ 74	52,613	26,200	+ 101
Net income for the period	1,325	1,057	+ 25	5,395	1,696	+ 218
Per share – basic and diluted	0.24	0.40	- 40	0.98	0.64	+ 53
EBITDA ⁽¹⁾	2,533	1,454	+ 74	7,534	2,824	+ 167
Per share – basic and diluted	0.46	0.55	- 16	1.36	1.07	+ 27
Weighted average shares outstanding for the period(000s)						
Basic ⁽²⁾	5,554	2,636	+ 111	5,522	2,636	+ 109
Diluted ⁽²⁾	5,567	2,636	+ 111	5,528	2,636	+ 110
				Sept. 30,	Dec. 31,	
				2005	2004	Change
As at				\$	\$	%
Working capital				2,351	2,801	- 16
Total assets				23,466	11,391	+ 106
Shareholders' equity				10,989	7,845	+ 40
Book value per share outstanding				1.97	1.49	+ 32

(1) "EBITDA" is a non GAAP measure which is used by management of Destiny to assess the ability of the Company to generate cash flow, before considering the effects of financing the business. EBITDA is calculated from the consolidated statement of income as gross margin less general and administrative expenses. This measure does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

(2) Based on the number of issued and outstanding shares as adjusted for the April 1, 2005 20:1 share consolidation as described in note 4 to the unaudited interim consolidated financial statements.

LETTER TO SHAREHOLDERS

Fellow Shareholders,

Q3'05 continued the strong performance of Destiny in 2005. While the third quarter has traditionally been a good one for Destiny, we are especially proud of the 74% growth in revenue year over year and the 83% growth in income before income taxes, again year over year. Applying a tax provision to 2005, even if it is non-cash, still gives us a 25% increase in net income for the period compared to the same 3 months of 2004. (I will point out the decrease in the 3 month comparisons of earnings and EBITDA per share. Please remember we doubled the number of issued shares with the Q4'04 Rights Offering, the proceeds of which were used to eliminate term debt and permit the use of cash to pay dividends.) When the third quarter is added to the very strong first half of the year, we report meaningful increases in every category, as shown in our Financial Highlights table.

Dividend Declaration

The strong 2005 results, a balance sheet with no term debt and the positive outlook we have for 2006 permit Destiny to follow its plan of using its cash generating capacity to pay dividends. Consistent with that, the Board of Directors has declared a dividend of \$0.20 per common share on each of the 5,566,081 shares outstanding, payable December 15, 2005 to shareholders of record December 5, 2005. This will bring dividends for this year to \$0.80 per share.

Chief Safety Officer; Executive Management Team

I am pleased to announce the appointment of Joe Pilioci as Chief Safety Officer of Destiny. Joe's strong performance in building on the success of our Wolf Survey & Mapping division has earned him the right to the dual responsibilities of Vice-President, Survey Canada and Vice-President, Safety, Health & Environment. In addition to having full operational responsibility for Wolf Survey's Canadian business, Joe will have oversight responsibility for co-ordinating and synthesizing Destiny's safety programs. Destiny has an excellent safety record in the field, as evidenced by Wolf Survey & Mapping receiving a Work Safe Alberta 2004 Best Safety Performer Award "for exceptional performance in workplace health and safety". Our task now is to better co-ordinate and communicate Destiny's emphasis on safety and Destiny's record for safe operations. As a Company, we will log something around 1.25 million hours of work this year. It is one of our corporate goals to have every one of those hours be safe ones for our people, for the people with whom they work and for the environment of the areas in which we work.

At the same time, I want to thank the other members of the Destiny Executive Management Team for their contribution and leadership to this fine year we are having and to our Company's planning and building for the future. Jim Holt, Vice-President, Drilling; Warren Plue, Vice-President, Survey USA; Steve Matthews, Vice-President, Kodiak Nav Solutions; Patrick Egli, Vice-President, Finance & Administration and Chief Financial Officer; Murray Leier, General Manager, Line Clearing; and Jim McLellan, Advanced Technology Manager. The experience and leadership of Destiny's Executive Management Team is an asset of which we, as shareholders, have right to be proud.

Outlook for 2005 and 2006

High commodity prices drove oil and gas companies, appropriately so, to rush to get everything possible on production. This led, generally, to an emphasis on production spending and, over the past couple of years, not a pronounced increase in exploration spending. With the consensus view of a favourable commodity price environment for some time to come and with an eye to future production, the industry seems to be turning somewhat more to exploration activities, hence an increased demand for the services provided by Destiny. We see continued strength in our sector the balance of this year and at least for 2006. To the extent this means more advanced planning for seismic activities, we believe Destiny, as a favoured supplier for large scale programs, will benefit. We are always subject to the impact of adverse weather, of competition, of the geographic location and timing of programs and the million other things that affect our profitability every day. That said, we believe we are well positioned to participate in the increased exploration activity in the Western Canadian Sedimentary Basin, in the western United States and in the other areas in which we work.

The quality services provided by Destiny, always in a safe and first class manner, are the work product of the dedicated men and women who, every day, deliver value, directly to our clients and indirectly to our shareholders. On behalf of the shareholders, I thank them for their efforts.

On behalf of the Board of Directors,



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

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis of financial results for the three month and nine month periods ended September 30, 2005 ("Q3'05" and "2005 YTD") and September 30, 2004 ("Q3'04" and "2004 YTD") is based on information available until November 8, 2005 (unless otherwise noted) and upon the Company's consolidated interim financial statements for the periods presented, which were prepared in accordance with Canadian generally accepted accounting principles, and should be read in conjunction with the Company's consolidated financial statements and Annual Report for the prior fiscal year ended December 31, 2004.

Forward-looking Information

Statements 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 section) 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.

REVENUE

Revenue for Q3'05 was \$21.2 million which increased by 74% from \$12.2 million in Q3'04. On YTD basis, 2005 revenues increased by 101% from \$26.2 million in 2004 to \$52.6 million. 71% of total revenues for YTD 2005 were represented by one client. (See Working Capital) As commodity prices remain high, exploration is a growing focus within the industry, which in turn has translated into increased overall revenues for the Company. Revenues by quarter and year over year can be cyclical, and the current period reflects a significantly higher level of contract work performed than levels achieved in the past for the current quarter and the year. Overall, the Company believes it is gaining in market share in its business.

GROSS MARGIN

Gross margin for Q3'05 was approximately \$4 million representing 19.1% of the current quarter's revenues compared to \$1.7 million representing 14% of revenues over the same quarter last year. Gross margin for YTD 2005 was approximately \$10.6 million representing 20.2% of revenues compared to \$3.7 million representing 14% of revenues over the same period last year.

The increase in Q3 and YTD gross margin dollars is attributed to such factors as: the increase in overall revenues for Q3'05 and YTD 2005 over the same period last year, improved field efficiencies achieved through decreased use of subcontractors and rental equipment, and 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.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

General and administrative expenses, which represent primarily the costs associated with the corporate head office and the lease of the Survey & Mapping division's shop and office, were approximately \$1.5 million for Q3'05 compared to \$0.3 million over the same period last year. YTD 2005 accruals for the profit sharing plans represented \$1 million of this increase. Incentive accruals in 2004 were not booked until Q4.

The profit sharing plans have been 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 will be made one-half in cash and one-half in shares, to be purchased in the market.

AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization of property and equipment increased by \$499,970 to \$1,432,195 for 2005 YTD from \$932,225 over the same period last year. For Q3'05 this amount was \$569,481 compared to \$293,392 for Q3'04. Amortization is dependant on the timing of additions to property and equipment. The major components of additions for the current year included; the acquisition of Kodiak assets of \$2 million in Q1'05, and the investment in additional field operations equipment of approximately \$0.8 million for Q3'05 and \$3 million for Q1 and Q2'05 to service the increased needs of customers and to replace existing equipment at the end of its useful life. Disposals of property and equipment in 2005 resulted from normal course business activities with no specific noteworthy items.

INTEREST EXPENSE

Interest expense at \$44,092 for Q3'05 and \$104,237 for 2005 YTD were lower than the \$124,375 for Q3'04 and \$543,030 for 2004 YTD. Following the 2004 Rights Offering, as at the end of 2004 all long-term debt had been repaid by the Company, with 2005 interest reflecting only interest on the short-term bank operating facility. In addition to levels of debt that existed in 2004 (none in 2005), the debt that was in place in the early part of 2004 had higher ongoing fees, which are also reflected in 2004 interest expense.

INCOME TAXES

The Company did not have current taxes payable for the 2005 and 2004 Q3 and YTD periods, with minor "capital" taxes and expense related to an inactive subsidiary company recorded in 2004. The profitable operations in 2005 resulted in a draw-down of previously unrecorded future tax assets, and a resultant net future income tax expense of \$699,000 was recorded for the 2005 YTD period. Future income tax expense recorded during the year was a \$580,000 provision for Q1'05, a \$494,000 recovery for Q2'05 and a \$613,000 provision for Q3'05.

SUMMARY OF QUARTERLY RESULTS

A summary of operating results by quarter for the last 2 years is as follows:

<i>(in \$000's, except per share and # of share amounts)</i>	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Revenue:								
Continuing operations	21,216	14,793	16,604	7,430	12,200	1,204	12,796	5,819
Discontinued operations	-	-	-	-	-	-	-	1,706
Total	21,216	14,793	16,604	7,430	12,200	1,204	12,796	7,525
Income (loss) from:								
Continuing operations	1,325	1,979	2,091	(421)	1,057	(1,437)	1,744	(1,030)
Discontinued operations	-	-	-	72	-	332	-	52
Total	1,325	1,979	2,091	(349)	1,057	(1,105)	1,744	(977)
Net income (loss) per share (basic & diluted):								
Continuing operations	0.24	0.36	0.38	(0.16)	0.40	(0.55)	0.66	(0.39)
Discontinued operations	-	-	-	0.03	-	0.13	-	0.02
Total	0.24	0.36	0.38	(0.13)	0.40	(0.42)	0.66	(0.37)
Weighted average # of shares outstanding (000s):								
Basic	5,554	5,548	5,495	2,636	2,636	2,636	2,636	2,636
Diluted	5,567	5,571	5,500	2,636	2,636	2,636	2,636	2,636

The above noted Summary of Quarterly Results highlights the following:

1. The Company's business is seasonal with Q1 and Q3 traditionally being the two strongest quarters and Q2 and Q4 normally being the weakest quarters. The underlying causes of the seasonality are weather conditions, the Company being restricted from entering and conducting work in designated wildlife areas at certain times of the year, and the timing of customer capital spending programs.
2. The effect of the Company's now discontinued operations can be seen in the 2003 revenue and income (loss) amounts. Amounts in 2004 represent net shutdown recoveries relating to insurance and bad debts for these discontinued operations.

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, payment of dividends, and capital to finance strategic acquisitions. Sources of funds available to meet these capital requirements include cash flow from operations, external lines of credit, equipment financing, term loans and access to equity markets.

During the 2005 YTD period, the Company increased its bank facility from \$5 million to \$10 million, with the ability to draw to \$18 million during the months of June through September. In addition, the rate on the facility was reduced to prime plus 1%.

The Company believes that it has the capital resources and availability to meet its working capital, capital expenditure requirements, and to pay dividends in accordance with its dividend policy for 2005 and beyond.

WORKING CAPITAL

At September 30, 2005 net working capital was at \$2.4 million compared to \$2.8 million at December 31, 2004. Significant components that attributed to the 16% decline include: net YTD capital expenditures of \$4.6 million incurred on the operating line, operating cash inflows of \$7.5 million and the payment of YTD cash dividends of \$3.3 million.

Approximately 94% of total accounts receivable of \$12.7 million at September 30, 2005 (67% of \$4.3 million at December 31, 2004) were represented by one client. Destiny provides services to this client both directly for the client's own account (for the development of seismic data for the client to sell) and for work for third party exploration and production companies, most of which are substantial oil companies and several of which specify Destiny as their sub-contractor of choice when contracting with Destiny's client. Approximately 96% of trade accounts receivable at September 30, 2005 was less than 60 days old (67% are less than 30 days old). Bad debt expenses for the Company's businesses have been negligible over the past three years.

PROPERTY AND EQUIPMENT

Property and equipment assets totaled approximately \$9.3 million at the end of Q3'05, compared to \$5.0 as at December 31, 2004 for a net increase of \$4.3 million for the year. The acquisition of Kodiak assets, in January 2005, was \$2.0 million. Remaining capital expenditures of \$3.7 million were made for the investment of additional field equipment to allow operations to service expanding market demand for services and to replace existing equipment at the end of its useful life. YTD 2005 amortization was \$1.4 million.

CONTRACTUAL OBLIGATIONS

Upon closing of the Right Offering in December 2004, Destiny repaid all remaining long-term debt, and its' only future contractual payment obligations are in the form of operating leases on premises and equipment. The Company has no hedging, capital leases or other "off balance sheet" contractual obligations.

	<u>Payments Due by Future Year</u>				
	<u>total</u>	<u>less than 1 year</u>	<u>2 - 3 years</u>	<u>4 - 5 years</u>	<u>After 5 years</u>
Operating Leases	\$ 2,385,753	\$ 747,855	\$ 999,625	\$ 589,557	\$ 48,715

SHAREHOLDERS' EQUITY

Shareholders' equity increased from \$7.8 million at the end of 2004 to almost \$11 million at the end of Q3'05. The major components within this \$3.1 million increase for Q3 2005 were: generated net income of \$5.4 million dollars, disbursed cash dividends of \$3.3 million, and the share consideration of \$1 million issued on the acquisition of Kodiak assets.

As at November 8, 2005, the number of issued and outstanding common shares is 5,566,081 with 62,000 additional common shares reserved for potential future issuance pursuant to options outstanding under the Company's stock option plan.

NEW CANADIAN ACCOUNTING PRONOUNCEMENTS

The Canadian Institute of Chartered Accountants ("CICA") has issued a number of accounting pronouncements, some of which may impact the Company's reported results and financial position in future periods. See the 2004 Annual Report and the Q1'05 and Q2'05 interim reports.

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, and to a lesser extent, development 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 and safety 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.

Given the Company's businesses are concentrated in the seismic services industry, the major business risk the Company faces is that revenues are subject to very wide seasonal and annual variations, all of which are beyond the ability of the Company to control while a meaningful proportion of the Company's costs are, at least in the short-term, fixed in nature. As a consequence, profits (losses) can vary widely from quarter to quarter and year to year. Destiny is also exposed to potential credit risk through its concentration of customers in the oil & gas exploration industry, and by its largest customer periodically accounting for a significant portion of Destiny's total revenues.

The risks inherent in the oilfield services industry impact the Company's ability to meet its financial covenants on its revolving, bank operating loan facility (of which \$3.1 million was utilized at September 30, 2005). Accordingly, the Company may become in violation of its covenants on the bank facility, which might result in repayment being demanded.

OUTLOOK

Destiny believes that it has adequate working capital, cash flow from operations and access to capital to fund ongoing business requirements. Management believes the Company has a cost structure that has sufficient variability 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, which is escalating in value and is plentiful in the areas in which the Company operates.

Destiny periodically encounters expansion opportunities to consider. 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, and retain cash that might otherwise be paid as dividends or any combination of the foregoing.

DESTINY RESOURCE SERVICES CORP.
CONSOLIDATED BALANCE SHEETS

	September 30,	December 31,
	2005	2004
	\$	\$
<i>(Unaudited)</i>		
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ASSETS <i>(note 3)</i>		
Current		
Cash	---	1,198,004
Accounts receivable	12,740,504	4,261,300
Inventory	789,301	561,888
Prepaid expenses	599,152	325,459
	<hr/>	<hr/>
	14,128,957	6,346,651
Property and equipment <i>(note 2)</i>	9,336,972	5,044,266
	<hr/>	<hr/>
	23,465,929	11,390,917
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness <i>(note 3)</i>	3,075,714	---
Accounts payable and accrued liabilities	8,702,098	3,483,824
Income taxes payable	---	61,973
	<hr/>	<hr/>
	11,777,812	3,545,797
Future income taxes	699,000	---
Contingencies and commitments <i>(notes 3 and 9)</i>		
Shareholders' equity		
Share capital <i>(note 4)</i>	8,279,435	7,198,140
Retained earnings	2,709,682	646,980
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	10,989,117	7,845,120
	<hr/>	<hr/>
	23,465,929	11,390,917
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See accompanying notes to the interim consolidated financial statements.

DESTINY RESOURCE SERVICES CORP.
CONSOLIDATED STATEMENTS OF
OPERATIONS AND RETAINED EARNINGS (DEFICIT)

<i>(unaudited)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
Revenue	21,216,105	12,199,690	52,613,189	26,199,782
Direct expenses	17,168,242	10,488,001	41,987,835	22,533,608
Gross margin	4,047,863	1,711,689	10,625,354	3,666,174
Other expense (income)				
General and administrative	1,514,763	257,854	3,091,039	842,003
Amortization of property and equipment	569,481	293,392	1,432,195	932,225
Gain on disposal of property and equipment	(27,674)	(20,602)	(65,857)	(35,579)
Interest	44,092	124,375	104,237	543,030
Other expense (income)	8,769	(524)	(29,910)	(5,800)
	2,109,431	654,495	4,531,704	2,275,879
Income from continuing operations before income taxes	1,938,432	1,057,194	6,093,650	1,390,295
Income taxes				
Current	---	---	---	26,500
Future	613,000	---	699,000	---
	613,000	---	699,000	26,500
Net income from continuing operations	1,325,432	1,057,194	5,394,650	1,363,795
Income from discontinued operations, net of income taxes (note 7)	---	---	---	332,197
Net income for the period	1,325,432	1,057,194	5,394,650	1,695,992
Retained earnings (deficit), beginning of period	2,497,168	(60,889)	646,980	(9,070,685)
Reduction of share capital against deficit (note 4)	---	---	---	8,370,998
Dividends (note 4)	(1,112,918)	---	(3,331,948)	---
Retained earnings, end of period	2,709,682	996,305	2,709,682	996,305
Basic and diluted per share amounts (note 6)				
Net income for the period from continuing operations per common share	0.24	0.40	0.98	0.52
Net income for the period from discontinued operations per common share	---	0.00	---	0.12
Net income for the period per common share	0.24	0.40	0.98	0.64

See accompanying notes to the interim consolidated financial statements.

DESTINY RESOURCE SERVICES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
CASH FLOWS PROVIDED BY (USED IN):				
Operating activities:				
Net income from continuing operations	1,325,432	1,057,194	5,394,650	1,363,795
Items not involving cash:				
Amortization of property and equipment	569,481	293,392	1,432,195	932,225
Gain on disposal of property and equipment	(27,674)	(20,602)	(65,857)	(35,579)
Future income taxes	613,000	---	699,000	---
Amortization of deferred charges	---	---	---	45,000
	<u>2,480,239</u>	<u>1,329,984</u>	<u>7,459,988</u>	<u>2,305,441</u>
Net change in non-cash working capital related to operating activities <i>(note 11)</i>	<u>(85,415)</u>	<u>(4,885,517)</u>	<u>(3,824,009)</u>	<u>(2,292,593)</u>
	<u>2,394,824</u>	<u>(3,555,533)</u>	<u>3,635,979</u>	<u>12,848</u>
Financing activities:				
Increase (decrease) in bank indebtedness	(629,504)	2,415,657	3,075,714	(661,645)
Dividends paid	(1,112,918)	---	(3,331,948)	---
Costs related to 2004 Rights Offering	---	---	(580)	---
Shares issued from exercised options	114,300	---	114,300	---
Repayment of long-term debt	---	(409,461)	---	(1,519,202)
Increase in long-term debt	---	---	---	1,216,000
Repayment of debentures <i>(note 10)</i>	---	(1,026,000)	---	(4,026,000)
	<u>(1,628,122)</u>	<u>980,196</u>	<u>(142,514)</u>	<u>(4,990,847)</u>
Investing activities:				
Purchase of property and equipment	(849,248)	(1,203,747)	(4,855,468)	(1,384,701)
Proceeds on sale of property and equipment	82,546	42,380	163,999	568,255
Cash flow from discontinued operations <i>(note 7)</i>	---	521,286	---	5,794,445
	<u>(766,702)</u>	<u>(640,081)</u>	<u>(4,691,469)</u>	<u>4,977,999</u>
Decrease in cash for the period	---	(3,215,418)	(1,198,004)	---
Cash, beginning of period	---	3,215,148	1,198,004	---
Cash, end of period	---	---	---	---

See accompanying notes to the interim consolidated financial statements.

DESTINY RESOURCE SERVICES CORP.
Notes to Interim Consolidated Financial Statements
(unaudited)
For the period ended September 30, 2005

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Destiny Resource Services Corp. (the "Company") provides Seismic Front-End Services comprised of seismic survey and mapping, seismic line clearing and shot-hole drilling to energy explorers and producers and to seismic acquisition companies. The Company's business is seasonal with Q1 and Q3 traditionally being the two most active quarters. The underlying causes of the seasonality are weather conditions, the Company being restricted from entering and conducting work in designated wildlife areas at certain times of the year, and the timing of customer capital spending programs.

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, except that certain disclosures have been omitted or condensed. Since the determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these financial statements requires the use of estimates and assumptions. In the opinion of management, these financial statements have been prepared within reasonable limits of materiality. Except as noted below, the interim financial statements follow the same significant accounting policies as described and used in the most recent annual report of the Company for the year ended December 31, 2004 and should be read in conjunction with that report.

2. ACQUISITION OF KODIAK NAV SOLUTIONS

In January 2005 the Company agreed to acquire the business, assets and operations of Kodiak Nav Solutions Ltd. ("Kodiak"), a privately owned business that provides navigation, positioning and asset management technology to clients in the North American seismic services industry. The acquisition was accounted for using the purchase price method of accounting as follows:

Cash	\$ 1,026,674
276,450 common shares of the Company, issued at \$3.50 per share	967,575
<u>Total consideration</u>	<u>\$ 1,994,249</u>
Purchase price allocation:	
<u>Computer equipment and software</u>	<u>\$1,994,249</u>

3. BANK INDEBTEDNESS

The Company has available a \$10,000,000 revolving demand bank operating loan facility, with the ability to draw to \$18,000,000 during the months of June through September, renewable annually, with balances outstanding repayable on demand and bearing interest at prime plus 1.00%. The facility is secured by a first charge on accounts receivable and inventory and a charge on all other assets of the Company. The Company's ability to draw on the facility is primarily dependent upon the amount of accounts receivable that are less than 90 days outstanding. Letters of guarantee totaling \$80,000 are outstanding under the operating loan facility.

4. SHARE CAPITAL

On May 5, 2004, at the Annual General Meeting, the shareholders passed a special resolution approving the reduction of the stated capital of the Company's common shares by \$8,370,998, being the entire amount thereof, and offsetting the amount against the Company's deficit at that date.

On March 17, 2005, the Company's Board of Directors approved:

- A reverse stock split of the Company's 105,422,618 outstanding common shares, on the basis of 20 (old) for each 1 (new) common share, resulting in a revised outstanding total of 5,271,131 common shares of the Company. The number of shares outstanding for 2005 and 2004, the shares issued on the acquisition of Kodiak (see note 2), stock options outstanding (see note 5) and dividends paid in 2005 have been retroactively restated to give effect to the reverse stock split. Prior year total outstanding share amounts and per share amount calculations have also been adjusted.
- A cash dividend of \$0.20 per common share, for aggregate dividends of \$1,109,505 paid on March 31, 2005.

On May 10, 2005, the Board of Directors declared cash dividends of \$0.20 per consolidated common share for aggregate dividends of \$1,109,515 paid on June 15, 2005.

On August 9, 2005, the Board of Directors declared cash dividends of \$0.20 per consolidated common share for aggregate dividends of \$1,112,928 paid on September 15, 2005.

On November 8, 2005, the Board of Directors declared cash dividends of \$0.20 per consolidated common share for aggregate dividends of approximately \$1,113,000, to be paid on December 15, 2005.

	#	\$
Authorized		
Unlimited number of common, first preferred and second preferred shares		
Issued - Common shares		
December 31, 2004	5,271,131	7,198,140
Costs related to 2004 Rights Offering	---	(580)
Issued on acquisition of Kodiak (note 2)	276,450	967,575
Stock options exercised	17,000	114,300
Total, September 30, 2005	5,564,581	8,279,435

5. STOCK OPTIONS AND STOCK BASED COMPENSATION EXPENSE

The Company has in place a stock option plan whereby up to 249,900 options to purchase common shares of the Company may be granted to directors, officers, employees and consultants at current market prices. Compensation costs are recognized for all options granted or modified on or after January 1, 2003 under the fair value method, whereby the cost of the option is charged to earnings over the vesting period of the option, with an offsetting amount recorded to contributed surplus. The fair value is determined based on the quoted market price of the Company's stock and other assumptions in effect at the date of granting using a Black-Scholes Option Pricing Model. No new options have been granted subsequent to January 1, 2003. The compensation expenses associated with these options is immaterial and proforma net income and earnings per share have not been provided.

The number of stock options outstanding is as follows:

	#	weighted average exercise price \$
Outstanding at December 31, 2004	91,000	6.39
Cancelled in the period	(10,500)	6.88
Exercised in the period	(17,000)	6.72
Outstanding at September 30, 2005	63,500	6.22

The Company may also grant to selected executives and other key employees stock appreciation rights ("SARs") and restricted stock units ("RSUs") which are settled in cash. The costs associated with any such grants are measured (i) in the case of SARs, as the amount by which the quoted market value of the enterprise's stock covered by the grant exceeds the market price of the underlying stock, and (ii) in the case of RSUs, in relation to the average quoted market price of the underlying stock over the thirty day period prior to the grant date. Changes, either increases or decreases, in the quoted market value of those stocks between the date of grant and the measurement date result in a change in the measure of compensation for the rights.

For SARs and RSUs, none existed as at September 30, 2005. There was no YTD 2005 impact on the consolidated financial statements for SARS, For RSUs, general & administrative expense for the 3-month and 9-month periods ended September 30, 2005 respectively includes \$nil and \$75,000 RSU expense (2004 - \$nil).

6. PER SHARE AMOUNTS

The denominators (as adjusted for the reverse stock split as described in note 4) used in the calculation of each of the basic and diluted per common share amounts is determined as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Weighted average number of shares outstanding for the period:				
Basic	5,554,162	2,635,565	5,522,365	2,635,565
Effect of potentially dilutive "in-the-money" options	13,210	-	5,200	-
Diluted	5,567,372	2,635,565	5,527,565	2,635,565

Excluded from the diluted earnings per share amounts for the three-month and nine-month periods ended September 30, 2005, respectively, are 3,000 (2004 – 94,000) and 35,000 (2004 – 94,000) "out-of-the-money" options the impact of which was anti-dilutive.

Pursuant to the Rights offering that occurred in Q4'04, this resulted in an issuance of 2,635,565 additional shares at the end of 2004 from which these proceeds were used to retire the outstanding debt.

7. DISCONTINUED OPERATIONS

In 2003 the Company restructured its operations and disposed of the operating assets of Battle River Oilfield Construction, McConnell Welding and Construction, Team Pipeline and Big Foot Metal Systems, which in total comprised two of its three business segments. Cash flow from Discontinued Operations represents proceeds received in 2004 related to the disposals.

8. CREDIT RISK

The Company's sales are to customers in the oil and gas industry, which results in a concentration of credit risk. The Company generally extends unsecured credit to these customers, and therefore the collection of receivables may be affected by changes in economic or other conditions and may accordingly affect the Company's overall credit risk. Management believes the risk is mitigated by the size, reputation and diversified nature of the companies to which the Company extends credit. The Company has not previously experienced any material credit losses on the collection of accounts receivable related to its continuing operations. Income from discontinued operations in 2003 was net of bad debt expense of approximately \$983,000 related to a single large account receivable which became uncollectible during 2003. In 2004, a recovery of \$275,675 of this total was recorded.

Approximately 94% of accounts receivable at September 30, 2005 (67% at December 31, 2004) and 71% of revenues for the nine-month period ended September 30, 2005 were represented by sales to one customer.

9. CONTINGENT LIABILITIES

The Company, through the performance of its service obligations, is sometimes named as a defendant in litigation. The nature of these claims is usually related to personal injury or operations not considered to be complete. The Company maintains a level of insurance coverage considered appropriate by management for matters for which insurance coverage can be maintained.

In September 2003 a statement of claim was filed against the Company and two other companies seeking payment for damages and loss of income totaling \$10,000,000. The claim alleges that faulty workmanship (by one the Company's now discontinued operations and two other companies named in the claim) led to significant damage at a major gas plant expansion project.

In September 2004 a subsequent related claim alleging faulty workmanship was filed against the Company and two other companies seeking payment of damages and loss of income totaling \$750,000.

The Company believes that both of the above noted claims are completely without merit, and they have been referred to counsel for the Company's insurance provider and will be vigorously defended. As neither the outcome nor the final amount of the claims can be determined, no provision for loss has been made in these financial statements.

10. DEBENTURES

These amounts relate to the principal payments of debentures that existed in 2004. These debentures were totally repaid by December 31, 2004.

11. NET CHANGE IN NON-CASH WORKING CAPITAL

Cash provided by (used in):	Q3'05	Q3'04	YTD 2005	YTD 2004
	\$	\$	\$	\$
Accounts receivable	1,616,394	(8,182,984)	(8,479,204)	(3,245,310)
Inventory	(29,733)	(25,818)	(227,413)	(121,113)
Prepaid expenses	(340,471)	123,799	(273,693)	(143,442)
Accounts payable	(1,287,340)	3,208,220	5,218,274	1,224,249
Income taxes payable	(44,265)	(8,734)	(61,973)	(6,977)
Net change in non-cash working capital related to operating activities	(85,415)	(4,885,517)	(3,824,009)	(2,292,593)
Cash interest paid	38,080	136,521	123,924	558,685

CORPORATE INFORMATION

Directors

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Executive Chairman & Chief Executive Officer
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Glen D. Roane
Corporate Director
Canmore, Alberta

Nathan S. Feldman, C.A.
Independent Businessman and Financial Consultant
Calgary, Alberta

David McGoey, C.A.
Independent Businessman
Calgary, Alberta

Jim Rathwell
General Manager, Well Servicing
Trinidad Drilling Income Trust
Calgary, Alberta

Officers

Bruce Libin
Executive Chairman & Chief Executive Officer

Patrick Egli, C.G.A.
Vice-President, Finance & Administration
Chief Financial Officer

Jim Holt
Vice-President, Drilling

Steve Matthews
Vice-President, Kodiak Nav Solutions

Joe Pilienci, P Eng
Vice-President, Survey Canada
Vice-President, Safety, Health & Environment
Chief Safety Officer

Warren Plue
Vice-President, Survey USA

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Legal Counsel

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Registrar and Transfer Agent

Inquiries regarding change of address, registered shareholdings, stock transfers or lost certificates should be directed to:

Valiant Trust Company

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