Divestco

PRESS RELEASE

DIVESTCO REPORTS 2010 Q2 RESULTS AND EXPECTED RETURN TO POSITIVE WORKING CAPITAL ON CLOSE OF ASSET DIVESTITURE

August 16, 2010, Calgary, AB (TSX: DVT) – Divestco Inc. ("Divestco" or the "Company") is pleased to announce its operating results for the three and six months ended June 30, 2010.

During the second quarter of 2010, Divestco generated revenue of $10.6 million, a decrease of $8.9 million (45%) from $19.5 million for the same period in 2009. EBITDA was $2.4 million, an $8.3 million (78%) decrease from $10.7 million for the same period in 2009. The Company had funds from operations of $2 million (5 cents per share – basic and diluted) for the second quarter of 2010, a decrease of $4.7 million (71%) as compared to $6.7 million (16 cents per share – basic and diluted) for the same period in 2009.

During the first six months of 2010, Divestco generated revenue of $24.4 million, a decrease of $13.9 million (36%) from $38.3 million for the same period in 2009. EBITDA was $7.6 million, a $11.2 million (59%) decrease from $18.8 million for the same period in 2009. The Company had funds from operations of $5.1 million (12 cents per share – basic and diluted) for the first six months of 2010, a decrease of $9 million (64%) as compared to $14.1 million (34 cents per share – basic and diluted) for the same period in 2009.

On July 5, 2010, the Company announced that it had entered into a binding letter of intent ("LOI") to divest its entire 2D and 3D seismic data library to Pulse Seismic Inc. ("Pulse") for a total cash consideration of $50 million plus 14,285,000 Pulse common shares. On July 14, 2010, Pulse and Divestco announced an amendment to the LOI whereby the cash component of the purchase price was increased by $5.7 million to $55.7 million. Additionally, the benefit of certain pending seismic data transactions, that were previously to be retained wholly by Divestco were reallocated between Pulse and Divestco. The effective date of the pending transaction is July 1, 2010. Pulse will finance the cash portion through a combination of available advances under Pulse's syndicated acquisition credit facility and cash on hand. The Pulse common shares will be distributed by Divestco to its shareholders.

On August 16, 2010 Divestco and Pulse announced they have signed a formal Acquisition Agreement for the previously announced acquisition by Pulse of Divestco's entire 2D and 3D seismic data library.

The completion of the transaction remains subject to the approval of the Court of Queens Bench of Alberta of the Plan of Arrangement of Divestco, approvals of the shareholders of both Pulse and Divestco and other conditions typical for a transaction of this nature. Special meetings of the shareholders of both Pulse and Divestco are currently scheduled for September 28, 2010, and the transaction is currently scheduled to close on September 29, 2010 with the Information Circular expected to be mailed out at the end of August.

The Acquisition Agreement contains typical non-solicitation provisions for Divestco and the right of Pulse to match any superior proposal. The amended LOI also provides for break fees of $4 million if either party terminates the transaction under certain circumstances.

Divestco had a net loss for the second quarter of 2010 of $4.6 million (11 cents per share – basic and diluted) compared to net income of $1.6 million (4 cents per share – basic and diluted) for the same period in 2009, a $6.2 million decrease.

For the six months ended June 30, 2010, Divestco had a net loss of $7.6 million (18 cents per share – basic and diluted) compared to net income of $2.3 million (6 cents per share – basic and diluted) for the same period in 2009, a $9.9 million decrease.

Divestco generated $3.4 million in seismic data library data (inventory) sales during the second quarter of 2010, a decrease of $9.2 million (73%) compared to $12.6 million for the same period in 2009. There was no seismic participation revenue for Q2 2010 or in Q2 2009. Seismic brokerage revenue was $628,000 in Q2 2010 compared to $160,000 in Q2 2009, an increase of $468,000 (293%).

Divestco generated $6.5 million in seismic data library data (inventory) sales during the first six months of 2010, a decrease of $7.1 million (52%) compared to $13.6 million for the same period in 2009. Seismic participation revenue for the first six months of 2010 was $2 million compared to $5.7 million for the comparative period in 2009, a decrease of 3.7 million (66%). Seismic brokerage revenue was $1.3 million in the first six months of 2010 compared to $406,000 in the first six months of 2009, an increase of $925,000 (228%).

Excluding the current portion of deferred revenue of $2.6 million (December 31, 2009 – $5.5 million; June 30, 2009 – $3.9 million), Divestco ended the period with a $26.7 million working capital deficiency compared to a $6.3 million deficiency at the end of 2009 and $9.7 million deficiency at the end of Q2 2009. Overall, the Company's total funded debt was reduced by $3.9 million (current and long-term portions) during the first six months of 2010. The working capital deficit as at June 30, 2010 also includes $14.4 million of long-term debt obligations which were reclassified from long-term to current.

Successfully closing the pending seismic asset divestiture will result in the Company being able to retire all of its bank debt and Divestco's working capital will once again be positive. The Company has a history of generating positive funds from operations. Remaining cash flow positive during the first six months of 2010 and fiscal 2009 is a testament to the quality of the Company's products and services and bodes well for the Company as it makes its way out of this recession. The Company remains committed to a strategy of strict debt management, restricted capital spending and reducing expenses.

Mr. Stephen Popadynetz, Chief Executive Officer of Divestco commented: "The sale of our seismic database to Pulse provides Divestco shareholders with the best possible outcome. Along with eliminating Divestco's debt, it will provide our shareholders the opportunity to participate in the combined upside of one of the largest and most successful seismic data libraries in Western Canada. Furthermore, a recapitalized Divestco allows our shareholders to take part in a well focused oil and gas software and service company going forward. We are excited and looking forward to upcoming changes and opportunities for Divestco in the near to medium term.”

Non-GAAP Measures

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

EBITDA and operating income are not calculations based on Canadian GAAP and should not be considered alternatives to net income in measuring the Company's performance; nor should they be used as exclusive measures of cash flow, because they do not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the Consolidated Statements of Cash Flows. Investors should carefully consider the specific items included in Divestco's computation of EBITDA and operating income. While EBITDA and operating income have been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, investors should be cautioned that EBITDA and operating income as reported by Divestco may not be comparable in all instances to EBITDA and operating income as reported by other companies.

Cash EBITDA is not a calculation based on Canadian GAAP and this measure may not be comparable to similar measures presented by other issuers. Accordingly, this measure has been represented in this press release to provide readers with additional information regarding the Company's financial position, results, liquidity and its ability to generate future cash flows excluding revenue generated from seismic participation (multi-client) surveys. Cash EBITDA is defined as EBITDA less seismic participation (multi-client) revenue.

EBITDA and Cash EBITDA are calculated as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(Thousands)	**2010**	2009	**2010**	2009
Net Income (Loss)	**$ (4,577)**	$ 1,558	**$ (7,620)**	$ 2,339
Income Tax Expense (Reduction)	**(1,400)**	234	**(2,843)**	(347)
Other Income	**14**	(26)	**94**	4,424
Operating Income (Loss)	**$ (5,991)**	$ 1,818	**$ (10,557)**	$ (2,432)
Interest	**523**	891	**1,092**	1,792
Depreciation and Amortization	**7,857**	7,974	**17,094**	19,475
EBITDA	**2,389**	10,683	**7,629**	18,835
Less: seismic participation revenue	**-**	-	**(1,970)**	(5,733)
Cash EBITDA	**$ 2,389**	$ 10,683	**$ 5,659**	$ 13,102

For the second quarter of 2010, the company generated $2.4 million in cash EBITDA, a $8.3 million (78%) decrease from the $10.7 million generated for Q2 2009.

For the first six months of 2010, the company generated $5.7 million in cash EBITDA, a $7.4 million (57%) decrease from the $13.1 million generated for comparable period in 2009.

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

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

Funds from operations is calculated as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
(Thousands)	**2010**	2009	**2010**	2009
Cash Flows from Operating Activities	**$ 4,626**	$ 11,905	**$ 8,430**	$ 15,741
Changes in Non-Cash Working Capital Balances	**(2,577)**	(5,186)	**(3,158)**	(1,857)
Increase (Decrease) in non-current deferred revenue	**-**	-	**-**	263
Decrease in Long-Term Prepaid Expense	**(79)**	-	**(158)**	-
Funds from Operations	**$ 1,970**	$ 6,719	**$ 5,114**	$ 14,147

Financial Highlights

Financial Results (Thousands, Except Per Share Amounts)								
	Three Months Ended June 30				Six Months Ended June 30			
	2010	2009	*$ Change*	*% Change*	**2010**	2009	*$ Change*	*% Change*
Revenue	**$ 10,648**	$ 19,532	$ (8,884)	*-45%*	**$ 24,388**	$ 38,297	$ (13,909)	*-36%*
Operating Expenses	**8,259**	8,849	(590)	*-7%*	**16,759**	19,462	(2,703)	*-14%*
EBITDA	**2,389**	10,683	(8,294)	*-78%*	**7,629**	18,835	(11,206)	*-59%*
Interest	**523**	891	(368)	*-41%*	**1,092**	1,792	(700)	*-39%*
Depreciation and Amortization	**7,857**	7,974	(117)	*-1%*	**17,094**	19,475	(2,381)	*-12%*
Operating Income (Loss)	**(5,991)**	1,818	(7,809)	*N/A*	**(10,557)**	(2,432)	(8,125)	*N/A*
Other Income (Loss)	**14**	(26)	40	*-154%*	**94**	4,424	(4,330)	*-98%*
Income Tax Expense (Reduction)	**(1,400)**	234	(1,634)	*N/A*	**(2,843)**	(347)	(2,496)	*N/A*
Net Income (Loss)	**$ (4,577)**	$ 1,558	$ (6,135)	*N/A*	**$ (7,620)**	$ 2,339	$ (9,959)	*N/A*
Per Share - Basic	**(0.11)**	0.04	(0.15)	*N/A*	**(0.18)**	0.06	(0.24)	*N/A*
Per Share - Diluted	**(0.11)**	0.04	(0.15)	*N/A*	**(0.18)**	0.06	(0.24)	*N/A*
Funds from Operations	**$ 1,970**	$ 6,719	$ (4,749)	*-71%*	**$ 5,114**	$ 14,147	$ (9,033)	*-64%*
Per Share - Basic	**0.05**	0.16	(0.11)	*-69%*	**0.12**	0.34	(0.22)	*-65%*
Per Share - Diluted	**0.05**	0.16	(0.11)	*-69%*	**0.12**	0.34	(0.22)	*-65%*
Shares Outstanding	**41,958**	41,958	N/A	*0%*	**41,958**	41,958	N/A	*0%*
Weighted Average Shares Outstanding								
Basic	**41,958**	41,958	N/A	*0%*	**41,958**	41,958	N/A	*0%*
Diluted	**41,958**	41,958	N/A	*0%*	**41,958**	41,958	N/A	*0%*
Cash EBITDA	**$ 2,389**	$ 10,683	$ (8,294)	*-78%*	**$ 5,659**	$ 13,102	$ (7,443)	*-57%*

Segment Review Summary

For the three months ended June 30, 2010 (Thousands)	**Software and Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue	**$ 2,305**	**$ 4,336**	**$ 4,007**	**$ -**	**$ 10,648**
EBITDA	**903**	**493**	**3,278**	**(2,285)**	**2,389**
Interest (Net of Interest Revenue)	**-**	**-**	**-**	**523**	**523**
Depreciation and Amortization	**694**	**374**	**6,614**	**175**	**7,857**
Operating Income (Loss)	**209**	**119**	**(3,336)**	**(2,983)**	**(5,991)**

For the three months ended June 30, 2009 (Thousands)	Software	Services	Data	Corporate & Other	Total
Revenue	$ 2,656	$ 4,109	$ 12,767	$ -	$ 19,532
EBITDA	1,120	(527)	12,031	(1,941)	10,683
Interest (Net of Interest Revenue)	11	-	(17)	897	891
Depreciation and Amortization	488	692	6,298	496	7,974
Operating Income (Loss)	621	(1,219)	5,750	(3,334)	1,818

For the six months ended June 30, 2010 (Thousands)	**Software**	**Services**	**Data**	**Corporate & Other**	**Total**
Revenue	**$ 4,724**	**$ 9,829**	**$ 9,835**	**$ -**	**$ 24,388**
EBITDA	**1,829**	**1,864**	**7,977**	**(4,041)**	**7,629**
Interest (Net of Interest Revenue)	**-**	**-**	**-**	**1,092**	**1,092**
Depreciation and Amortization	**1,428**	**903**	**14,291**	**472**	**17,094**
Operating Income (Loss)	**401**	**961**	**(6,314)**	**(5,605)**	**(10,557)**

For the six months ended June 30, 2009 (Thousands)	Software	Services	Data	Corporate & Other	Total
Revenue	$ 5,521	$ 13,038	$ 19,738	$ -	$ 38,297
EBITDA	2,130	2,288	18,429	(4,012)	18,835
Interest (Net of Interest Revenue)	11	(1)	19	1,763	1,792
Depreciation and Amortization	1,041	1,539	15,945	950	19,475
Operating Income (Loss)	1,078	750	2,465	(6,725)	(2,432)

Divestco Inc.
Consolidated Balance Sheets

As at	Jun 30, 2010	Dec 31, 2009
(Thousands - Unaudited)		
Assets		
Current Assets		
Cash and cash equivalents	$ 1,078	$ 768
Funds held in trust	15	17
Accounts receivable	13,253	19,267
Prepaid expenses, supplies and deposits	700	708
Income taxes receivable	589	391
	15,635	21,151
Long-term prepaid expense	688	846
Investment in affiliated company	88	88
Data libraries	128,667	138,712
Participation surveys in progress	205	2,186
Property and equipment	2,279	2,747
Deferred development costs	6,590	6,699
Intangible assets	3,155	3,494
	$ 157,307	$ 175,923
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 19,509	$ 21,184
Current portion of deferred revenue	2,610	5,543
Current portion of long-term debt obligations	22,825	6,217
	44,944	32,944
Long-term debt obligations	250	20,685
Convertible Debentures	3,640	3,602
Future income taxes	9,578	12,342
	58,412	69,573
Shareholders' Equity		
Equity instruments	70,518	70,518
Contributed surplus	5,638	5,473
Equity portion of convertible debentures	56	56
Retained earnings	22,683	30,303
	98,895	106,350
	$ 157,307	$ 175,923

Divestco Inc.
Consolidated Statements of Income (Loss), Comprehensive Income (Loss) and Retained Earnings

	For the three months ended June 30		For the six months ended June 30	
	2010	2009	**2010**	2009
(Thousands, Except Per Share Amounts - Unaudited)				
Revenue	**$ 10,648**	$ 19,532	**$ 24,388**	$ 38,297
Operating expenses				
Salaries and benefits	**4,844**	5,281	**9,948**	12,350
General and administrative	**3,325**	3,404	**6,646**	6,720
Stock compensation expense	**90**	164	**165**	392
	8,259	8,849	**16,759**	19,462
Interest expense	**523**	891	**1,092**	1,792
Depreciation and amortization	**7,857**	7,974	**17,094**	19,475
Other income (loss)	**14**	(26)	**94**	4,424
Income (loss) before income taxes	**(5,977)**	1,792	**(10,463)**	1,992
Income taxes				
Current (recovery)	**(48)**	21	**(79)**	163
Future (reduction)	**(1,352)**	213	**(2,764)**	(510)
	(1,400)	234	**(2,843)**	(347)
Net income (loss) and comprehensive income (loss) for the period	**(4,577)**	1,558	**(7,620)**	2,339
Retained earnings, beginning of period	**27,260**	37,281	**30,303**	36,500
Retained earnings, end of period	**$ 22,683**	$ 38,839	**$ 22,683**	$ 38,839
Net income (loss) per share				
Basic and Diluted	**$ (0.11)**	$ 0.04	**$ (0.18)**	$ 0.06
Weighted average number of shares				
Basic and Diluted	**41,958**	41,958	**41,958**	41,958

Divestco Inc.
Consolidated Statements of Cash Flows

	For the three months ended June 30		For the six months ended June 30	
	2010	2009	**2010**	2009
(Thousands)				
Cash flows from operating activities				
Net income (loss) for the period	**$ (4,577)**	$ 1,558	**$ (7,620)**	$ 2,339
Items not affecting cash:				
Equity investment gain	**3**	4	**-**	1
Depreciation and amortization of data libraries, property and equipment and intangible assets	**7,306**	7,575	**15,969**	18,628
Amortization of deferred development costs	**551**	399	**1,125**	847
Amortization of deferred finance costs	**5**	127	**66**	206
Amortization of deferred finance costs and accretion of liability portion of convertible debentures	**19**	-	**38**	-
Future income taxes (reduction)	**(1,352)**	213	**(2,764)**	(510)
Data exchanges	**(75)**	(3,321)	**(1,775)**	(3,321)
Gain on sale of property and equipment	**-**	-	**(90)**	(4,435)
Stock compensation expense	**90**	164	**165**	392
	1,970	6,719	**5,114**	14,147
Changes in non-cash working capital balances	**2,577**	5,186	**3,158**	1,857
Increase (Decrease) in non-current deferred revenue	**-**	-	**-**	(263)
Decrease in long-term prepaid expense	**79**	-	**158**	-
	4,626	11,905	**8,430**	15,741
Cash flows from (used in) financing activities				
Repayment of long-term debt obligations	**(1,561)**	(5,664)	**(3,129)**	(8,618)
Deferred financing costs	**-**	(75)	**-**	(75)
Proceeds received from long-term debt obligations (net of committed revolver repayments)	**(1,732)**	533	**(1,020)**	(2,983)
	(3,293)	(5,206)	**(4,149)**	(11,676)
Cash flows from (used in) investing activities				
Purchase of data libraries	**(22)**	1,732	**(2,647)**	(7,132)
Decrease in participation surveys in progress	**(52)**	(1)	**1,981**	4,500
Purchase of property and equipment	**(54)**	(1,310)	**(442)**	(1,372)
Proceeds on sale of property and equipment	**-**	-	**93**	3,340
Deferred development costs	**(483)**	(465)	**(1,016)**	(1,012)
Changes in non-cash working capital balances	**(1,187)**	(6,047)	**(1,940)**	(3,100)
	(1,798)	(6,091)	**(3,971)**	(4,776)
Foreign exchange gain on cash held in a foreign currency	**-**	1	**-**	1
Increase (decrease) in cash and cash equivalents	**(465)**	609	**310**	(710)
Cash and cash equivalents, beginning of period	**1,543**	492	**768**	1,811
Cash and cash equivalents, end of period	**$ 1,078**	$ 1,101	**$ 1,078**	$ 1,101

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

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The TSX has not reviewed nor accepts responsibility for the adequacy or accuracy of this news release.

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

In particular, this press release contains forward-looking statements pertaining to the following: the Company's ability to reduce debt, improve liquidity, correct its working capital deficiency and maintain profitability in the current economy; availability of external and internal funding for future operations; relative future competitive position of the Company; nature and timing of growth; future sales of the Company's seismic data library; oil and natural gas production levels; planned capital expenditure programs; supply and demand for oil and natural gas; future demand for products/services; commodity prices; fluctuations in interest rates; impact of Canadian federal and provincial governmental regulation on the Company; expected levels of operating costs, general administrative costs, costs of services and other costs and expenses; future ability to execute dispositions of assets or businesses; expectations regarding the Company's ability to raise capital and to add to seismic data through new seismic shoots and acquisition of existing seismic data; treatment under tax laws.

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

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including: general economic, market and business condition; volatility in market prices for crude oil and natural gas; ability of Divestco's clients to explore for, develop and produce oil and gas; availability of financing and capital; fluctuations in interest rates; demand for the Company's product and services; weather and climate conditions; competitive actions by other companies; availability of skilled labour; failure to obtain regulatory approvals in a timely manner; adverse conditions in the debt and equity markets; and government actions including changes in environment and other regulations.