Press Release

Divestco

# Divestco Reports 2015 Q3 Results

November 30, 2015, Calgary, AB (TSX-V: DVT) – Divestco Inc. ("Divestco" or the "Company"), an exploration services company dedicated to providing a comprehensive and integrated portfolio of data, software and services to the oil and gas industry worldwide, today announced its financial and operating results for the three and nine months ended September 30, 2015.

## Financial Highlights

### Overall Performance and Operational Results

| Financial Results (Thousands, Except Per Share Amounts) | Three months ended September 30 | | | | Nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | **2015** | 2014 | *$ Change* | *% Change* | **2015** | 2014 | *$ Change* | *% Change* |
| Revenue | **$ 3,110** | $ 5,207 | *$ (2,097)* | *-40%* | **$ 15,451** | $ 17,108 | *$ (1,657)* | *-10%* |
| Operating Expenses (1) | **3,098** | 6,140 | *(3,042)* | *-50%* | **12,498** | 17,281 | *(4,783)* | *-28%* |
| Other Loss (Income) | **88** | (31) | *119* | *N/A* | **(5,496)** | (186) | *(5,310)* | *N/A* |
| EBITDA (2) | **(76)** | (902) | *826* | *N/A* | **8,449** | 13 | *8,436* | *64892%* |
| Finance Costs | **181** | 682 | *(501)* | *-73%* | **847** | 1,184 | *(337)* | *-28%* |
| Depreciation and Amortization | **1,580** | 1,449 | *131* | *9%* | **9,965** | 6,605 | *3,360* | *51%* |
| Loss before Income Taxes | **(1,837)** | (3,033) | 1,196 | N/A | **(2,363)** | (7,776) | 5,413 | N/A |
| Income Tax Recovery | **-** | - | - | *N/A* | **-** | (31) | *31* | *N/A* |
| Net Loss | **$ (1,837)** | $ (3,033) | *$ 1,196* | *N/A* | **$ (2,363)** | $ (7,745) | *$ 5,382* | *N/A* |
| Per Share - Basic and Diluted | **(0.03)** | (0.05) | *0.02* | *N/A* | **(0.04)** | (0.12) | *0.08* | *N/A* |
| Funds from (used in) Operations (2) | **$ 42** | $ (901) | *$ 943* | *N/A* | **$ 3,030** | $ (93) | *$ 3,123* | *N/A* |
| Per Share - Basic and Diluted | **-** | (0.01) | *0.01* | *N/A* | **0.05** | - | *0.05* | *N/A* |
| Class A Shares Outstanding | **67,108** | 67,096 | *N/A* | *N/A* | **67,108** | 67,096 | *N/A* | *N/A* |
| Weighted Average Shares Outstanding | | | | | | | | |
| Basic and Diluted | **67,108** | 67,085 | *N/A* | *N/A* | **67,108** | 67,075 | *N/A* | *N/A* |

(1) *Includes salaries & benefits, general & administrative expenses and share-based payments but excludes depreciation and amortization and other losses (income)*

(2) *See the "Non GAAP Measures and Additional GAAP Measure" sections of the Company's Management Discussion and Analysis filed on the Company's website and on SEDAR*

### Q3 2015 vs. Q3 2014

Divestco generated revenue of $3.1 million in Q3 2015 compared to $5.2 million in Q3 2014, a decrease of $2.1 million (40%) mainly related to the drop in commodity prices which has had a direct impact on upstream oil and gas activity levels. Revenue in the Software & Data segment ($1.2 million) decreased by $0.7 million (39%) mainly due to the sale of the land software assets in Q1 2015. Log data revenue was also down slightly. Revenue in the Seismic Data segment ($0.4 million) decreased by $0.6 million (76%) due to reduced activity levels. Revenue in the Services segment ($1.5 million) decreased by $0.8 million (35%) due to low commodity prices but was partially offset by the completion of certain international projects. Land management services experienced weaker demand for telecom services compared to Q3 2014 due to reduced capital spending while the demand for oil and gas services was weaker as this was also tied to lower commodity prices.

Operating expenses decreased by $3.0 million (50%) to $3.1 million in Q3 2015 from $6.1 million in Q3 2014 as salaries declined due to reduced staffing levels and the austerity measures put in place in response to current economic conditions.

Finance costs decreased by $0.5 million (73%) to $0.2 million in Q3 2015 from $0.7 million in Q3 2014 mainly related to lower debt levels. A $4.5 million bridge loan secured by the Company at the end of September 2014 was repaid on March 25, 2015.

Depreciation and amortization ($1.6 million) increased by $0.2 million (9%) mainly due to the addition of new seismic data (Divestco's accounting policy is to amortize 40% of participation survey costs immediately upon delivery of new seismic data to participants and the balance over six years straight-line).

**Nine Months Ended September 30, 2015 vs. Nine Months Ended September 30, 2014**

Divestco generated revenue of $15.5 million during the first three quarters of 2015 compared to $17.1 million in during the same period in 2014, a decrease of $1.6 million (10%) mainly related to the sale of the Company's land software assets in March 2015 and lower commodity prices compared to 2014. Revenue in the Software & Data segment ($4.3 million) decreased by $1.4 million (25%) mainly due to the sale of its land software assets in Q1 2015 but this decrease was partially offset by higher geological software revenue. Log data revenue was down slightly. Revenue in the Seismic Data segment ($5.5 million) increased by $1.8 million (48%) due to the completion of new seismic surveys earlier in 2015 partially offset by lower seismic brokerage revenue. Revenue in the Services segment ($5.6 million) decreased by $2.1 million (27%) due to lower commodity prices partially offset by the completion of some larger international projects. Land management services experienced weaker demand for telecom services compared to 2014 due to reduced capital spending while the demand for oil and gas services was weaker due to low commodity prices. The increase in other income is mainly related to a $5.4 million accounting gain recognized on the sale of the Company's land software assets for net proceeds of $6.1 million. A portion of the total proceeds from this disposition was used to fully repay a bridge loan in the amount of $4.5 million with the remaining proceeds were used for working capital purposes.

Operating expenses decreased by $4.8 million (28%) to $12.5 million in the first three quarters of 2015 from $17.3 million during the same period in 2014 as salaries declined due to reduced staffing levels and austerity measures put in place in response to current economic conditions.

Finance costs decreased by $0.4 million (28%) to $0.8 million in the three quarters of 2015 from $1.2 million during the same period in 2014 mainly related to lower debt. A $4.5 million bridge loan secured by the Company at the end of September 2014 was repaid on March 25, 2015.

Depreciation and amortization ($10.0 million) increased by $3.4 million (51%) mainly due to the completion of three seismic surveys in Q1 2015 (Divestco's accounting policy is to amortize 40% of participation survey costs immediately upon delivery of new seismic data to participants and the balance over six years straight-line).

**Business Seasonality**

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

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

**Financial Position**

As at September 30, 2015, Divestco had a working capital deficiency of $1.1 million (December 31, 2014: $10.7 million deficiency), excluding deferred revenue of $1.5 million (December 31, 2014: $3.2 million). The decrease in the working capital deficit from the end of 2014 was primarily due to the following: the Company repaid a $4.5 million bridge loan and augmented working capital with the proceeds from an asset sale in Q1 2015; the Company secured a new bridge loan in September 2015 and used the proceeds to partially repay its shareholder loans and augment working capital. The loan is repayable on March 31, 2017 and is therefore classified as long-term debt at September 30, 2015; and the Company entered into a new shareholder loan agreement with fixed repayment terms that commence in April 2017. The shareholder loans classified entirely as long-term as at September 30, 2015.

## Operations Update and Outlook

The significant decline in West Texas Intermediate and Western Canadian Select benchmark oil prices has forced the majority of North American oil and gas producers to considerably reduce their capital spending. This has resulted in increased pressure being put on North American oil and gas service companies to further reduce fees for services. Due to the uncertainty the industry is currently facing, Divestco has taken measures to reduce operating expenses. Effective March 1, 2015, a salary austerity program was implemented and a restriction placed on all discretionary expenses. Further salary reductions were implemented on June 1, 2015 and again on July 1, 2015; these austerity measures are currently in place to the end of 2015. In Q1 2015, the Company announced that it had sold its land software assets and used a portion of the total proceeds to fully repay a bridge loan. In Q3 2015, the Company secured a new bridge loan for working capital purposes. Management continues to have discussions with various parties on the sale of other non-core assets and other strategic alternatives.

In November 2015, Divestco was granted a $0.4 million non-interest bearing loan through a company funded by the Government of Alberta. The funds will be used for the development of a specific data module (the “Product”) and will leverage Divestco’s existing technology to service a global customer base. The Product will be offered as an extension of GeoCarta, the Company’s current geological interpretation system. Divestco receives the funds in quarterly instalments with the first instalment being issued in November 2015. The loan is repayable in quarterly payments equal to the lesser of: 20% of the loan amount and 25% of the gross revenue earned from the sale of Product over the whole payment period. Repayment commences at the end of the calendar quarter in which the first sale of the Product occurs. The loan is secured by way of registered security pursuant to the Personal Property Security Act (Alberta) and is subordinated to the Company’s other secured lenders. The Company’s senior lender amended its credit agreement to allow for this new loan.

Mr. Stephen Popadynetz, CEO commented: “The continued downward pressure on commodity prices has forced us to maintain our austerity measures for the remainder of 2015 and likely through 2016. To further augment working capital, we secured a $3.2 million bridge loan during the third quarter and there are no financial covenants on this loan. We also restructured our shareholder loans (including paying down a small portion of the loans) which improved our working capital deficit from the end of 2014. While the domestic market continues to be challenging, we are pleased with our international efforts. Divestco successfully secured a large bid in Q4 2015 and we continue to bid on other international projects. We feel that Divestco has taken all the correct steps to weather the current downturn, however we continue to look for new revenue opportunities while reducing expenses.”

## About the Company

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

Additional information on the Company is available on its website at Divestco.com and on SEDAR at sedar.com.

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*This press release contains forward-looking information related to the Company's capital expenditures, projected growth, view and outlook with respect to 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. 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. 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.*

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

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

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