



Divestco

Management's Discussion & Analysis

For the Three and Six Months Ended

June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated August 25, 2011, and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes of Divestco Inc. ("Divestco" or the "Company") as at and for the three and six months ending June 30, 2011 and June 30, 2010. It should also be read in conjunction with the unaudited condensed interim consolidated financial statements and notes as at and for the three months ending March 31, 2011 and March 31, 2010, and with the audited consolidated financial statements and notes for the years ended December 31, 2010 and 2009. All financial information in this section has been prepared in accordance with International Financial Reporting Standards ("IFRS") and is reported in Canadian dollars unless otherwise specified.

ACCOUNTING POLICY CHANGES

On January 1, 2011, Divestco adopted IFRS for purposes of financial reporting, using a transition date of January 1, 2010. Accordingly, these interim consolidated financial statements for the three and six months ended June 30, 2011 and the comparative information for the three and six months ended June 30, 2010, have been prepared in accordance with International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards", and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("previous GAAP").

The adoption of IFRS has not had an impact on the Company's operations or strategic decisions. Further information on the effect of adopting IFRS is outlined in the "New Accounting Pronouncement" section of this MD&A and in the "Explanation of Transition to IFRS" note to the interim consolidated financial statements for the three and six months ended June 30, 2011 and June 30, 2010.

DIVESTCO'S BUSINESS

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

- Software and Data - provides and is responsible for development, maintenance and support of Divestco's proprietary geological, geophysical and land applications used by oil and gas professionals, including geologists, geophysicists, engineers, land agents and land administrators worldwide. The Company offers customized software and data bundles to clients depending on their needs. It also offers the market over 120 datasets including drilling data and a full suite of exploration and production data (well, land, drilling, log and mapping). In addition the segment provides ancillary document management services such as high-quality technical document digitizing and rasterizing and scanning services for customers' data management needs.
- Services - offers geomatics (geospatial data services, including data integrity validation, mapping, database hosting, and advisory support and consultation) and seismic processing to customers who require data quality assurance, processing and data management services for geophysical and geological information. The segment also offers land management services through Cavalier Land and Canadian Landmasters including surface acquisition, public consultation, telecom acquisition and consultation, regulatory guidance, freehold mineral acquisition, and crown land sale representation.
- Seismic Data - provides the oil and natural gas industry with quick, reliable access to cost-effective, high-resolution seismic data. Divestco commenced rebuilding its seismic data library in

Q4 2010. The segment provides seismic brokerage through the largest division of its kind in Canada with 11 independent brokers as well as data management services.

- Corporate and Other - responsible for setting Divestco's overall strategic plan and providing finance and accounting, sales and marketing, human resources (HR) and information technology (IT) services to the Company's operating segments. The segment is discussed under the "Results of Operations by Segment" section of the MD&A.

BUSINESS STRATEGY

Divestco's vision is to be the leading geo-services company in Canada, providing a focused offering of data, software and services through innovation and technical expertise, to the oil and gas industry worldwide.

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 software, services, and data 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.

FUTURE OPERATIONS AND SUBSEQUENT EVENT

The interim consolidated financial statements have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in the consolidated financial statements.

At June 30, 2011 the Company had a working capital deficit of \$1.9 million excluding deferred revenue of \$2.9 million. The Company incurred losses of \$4.1 million for the six months ended June 30 2011. The net loss included occupancy costs related to the Company's existing office space leases and its new office space lease which commenced on May 1, 2010. The double rent obligations are expected to cease in Q3 2011 and the Company is actively searching for subtenants in its new office space to reduce its overall operating expenses. The Company is focused on re-establishing positive earnings from all of its operating segments and has secured additional sources of capital to continue its activities and discharge its commitments as they become due. On May 4, 2011, the Company closed a \$5 million subordinate bridge loan.

These matters cast doubt on the ability of the Company to continue to achieve profitable operations and meet its obligations. Management believes that the going concern assumption is appropriate for the consolidated financial statements. Adjustments to the carrying amounts of the balance sheet classifications used, assets and liabilities, and revenues and expenses, may be necessary should the going concern assumption be inappropriate.

FORWARD-LOOKING INFORMATION

Divestco's MD&A and consolidated financial statements contain forward-looking information related to the Company's capital expenditures, projected growth, view and outlook towards future oil and gas prices and market conditions, and demand for its products and services. Statements that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions and statements relating to matters that are not historical facts constitute "forward-looking information" within the meaning applicable 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 MD&A as intended, planned, anticipated, believed, estimated or expected. Readers should not place undue reliance on forward-looking statements or forward-looking information. All of the forward-looking statements and forward-looking information of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A 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
- New accounting pronouncements

**These statements are included under the headings of this MD&A: "Overall Performance", "Outlook", and "Results of Operations by Segment", "Liquidity and Capital Resources", 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
- Government actions including changes in environment and other regulations

These risks and uncertainties are discussed in greater detail in the Business Risks and Environment section of this MD&A and in the Company's Annual Information Form for the year ended December 31, 2010, incorporated here by reference.

NON-GAAP MEASURES

The Company's interim consolidated financial statements have been prepared in accordance with IFRS. Certain measures in this document do not have any standardized meaning as prescribed by IFRS and are considered non-GAAP measures.

This MD&A uses the terms "EBITDA" (earnings before interest, income taxes, depreciation and amortization), "operating income", "funds from operations", and "funds from operations per share (basic and diluted)"; however, these terms are not measures that have any standardized meaning prescribed by IFRS and are considered non-GAAP measures. While these measures may not be comparable to similar measures presented by other issuers, they are described and presented in this MD&A to provide shareholders and potential investors with additional information regarding the Company's results, liquidity, and its ability to generate funds to finance its operations.

EBITDA AND OPERATING INCOME

Divestco uses EBITDA and operating income as key measures to evaluate the performance of its segments and divisions as well as the Company overall, with the closest IFRS 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 IFRS and should not be considered alternatives to net income in measuring the Company's performance. As well, EBITDA and operating income should not 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. 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. Investors should also carefully consider the specific items included in Divestco's computation of EBITDA and operating income.

The following is a reconciliation of EBITDA and operating income with net income:

(Thousands)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Net Income (Loss)	\$ 235	\$ (4,561)	\$ (4,097)	\$ (8,772)
Income Tax Expense (Reduction)	16	(1,400)	65	(3,309)
Other Loss (Income) ⁽¹⁾	2	(14)	2	(94)
Operating Income (Loss)	\$ 253	\$ (5,975)	\$ (4,030)	\$ (12,175)
Finance and interest charges	167	523	204	1,092
Depreciation and Amortization	1,525	7,858	4,914	17,094
EBITDA	\$ 1,945	\$ 2,406	\$ 1,088	\$ 6,011

(1) Other income (loss) includes net foreign exchange gains/losses, gains/losses on sales of plant and equipment and intangible assets, and equity investment income/loss.

FUNDS FROM OPERATIONS

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 and investing activities. 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. It is not a calculation based on IFRS 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 IFRS 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.

The following reconciles funds from operations with cash flows from operating activities:

(Thousands)	Six months ended June 30	
	2011	2010
Cash Flows from Operating Activities	\$ 2,852	\$ 8,839
Changes in non-cash working capital balances related to operating activities	(1,744)	(5,019)
Changes in long-term prepaid expense	-	(158)
Interest paid	141	988
Income taxes refunded	(51)	(290)
Funds from Operations	\$ 1,198	\$ 4,360

BUSINESS RISKS AND ENVIRONMENT

DEMAND FOR PRODUCTS AND SERVICES AND DEPENDENCE ON MAJOR CUSTOMERS

Divestco's business is tied primarily to the oil and gas exploration and production industry. The demand and price for services and products offered by Divestco depends on the activity levels for oil and gas producers, which are determined by commodity prices, supply and demand for oil and natural gas, access to credit and capital markets, and to a lesser extent, government regulation (including regulation of environmental matters and material changes in taxation policies).

The Company has a wide customer base in the energy sector ranging from large multinational public entities to small private companies. Notwithstanding the Company's wide customer base, five customers account for 32% of the Company's accounts receivable as at June 30, 2011, and three customers accounted for 22% of the Company's revenue for the three months ended June 30, 2011. The Company has historically had a stable relationship with these customers and has no reason to believe there will be any change to this relationship in the future. The Company continuously makes efforts to expand its customer base.

The Company spends a considerable amount of time determining the optimal location to conduct a seismic survey, which includes using its contacts in the oil and gas exploration and production industry. In order to minimize capital risk, the Company routinely pre-sells data licenses in advance of committing to a capital outlay. For larger seismic programs, the Company may rely on third parties to share in the cost and these parties are also susceptible to the risks and uncertainties associated with the oil and gas industry.

Although Divestco does what it considers to be a thorough analysis of the factors that may affect the probability of future sales of its seismic surveys and obtains pre-sale commitments for a majority of these costs, there is no certainty of future demand for these surveys by the oil and gas industry.

SEASONALITY

Acquisition of seismic data is usually completed in the winter season when the ground is frozen. These conditions are imperative, especially in the northern areas of Alberta and British Columbia where seismic acquisition requires the use of heavy equipment. Unfavourable weather conditions may cause potential cost overruns and delays in the field data acquisition portion of the seismic data survey, delaying revenue recognition.

Divestco depends on qualified contractors to complete the surveys on time and within budget. To help ensure this, Divestco obtains written cost estimates before a survey begins, and then regularly follows up with the contractor on the progress and costs incurred during the survey.

Other segments of the Company, such as Services, normally exhibit a noticeable reduction in sales from mid-April through to the end of September and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. Divestco tries to minimize these fluctuations by performing specific types of contract work appropriate for lower-activity months. The Software and Data segment typically experiences a slowdown during July and August, which is generally a slower period for the oil and gas industry in western Canada.

COMPETITION

The Company operates in a highly competitive, price-sensitive industry. In addition, Divestco competes with some senior companies that generally have access to a larger pool of capital resources and may have significant international presence. Divestco attempts to distinguish itself from its competitors by selling a wide range of oil and gas exploration products and services on either a stand-alone basis or as bundled solutions customized to the customer's needs.

SKILLED LABOUR

Divestco's success depends on attracting and retaining highly skilled management, geophysical, geological, software development, sales, and other staff. The Company achieves this by offering an attractive compensation package and training. To protect its competitive advantage and intellectual property, Divestco has internal confidentiality policies and obtains non-compete agreements from certain employees.

GOVERNMENT REGULATIONS AND SAFETY

Divestco's seismic operations are subject to a variety of Canadian federal and provincial laws and regulations, including laws and regulations relating to safety and the protection of the environment. In its operations, the Company and its contractors are required to invest financial and managerial resources to comply with such laws and related permit requirements. However, because such laws and regulations are subject to change, it is not feasible for the Company to predict the cost or impact of such laws and regulations on its future operations. As well, the adoption or modification of laws and regulations could lead oil and gas companies to curtail exploration and development, reducing the demand for seismic surveys, which could also adversely affect the Company's seismic operations.

In addition to the "Business Risks and Environment" section in this MD&A, see the "Risk Factors" section in the Company's Annual Information Form (AIF) for the year ended December 31, 2010. A copy of the Company's AIF and other continuous disclosure documents can be viewed at www.sedar.com or on the Company's website at www.divestco.com.

OVERALL PERFORMANCE

Financial Results (Thousands, Except Per Share Amounts)								
	Three Months Ended June 30				Six Months Ended June 30			
	2011	2010	\$ Change	% Change	2011	2010	\$ Change	% Change
Revenue	\$ 10,637	\$ 10,647	\$ (10)	0%	\$ 19,452	\$ 22,725	\$ (3,273)	-14%
Operating Expenses	8,692	8,241	451	5%	18,364	16,714	1,650	10%
EBITDA ⁽¹⁾	1,945	2,406	(461)	-19%	1,088	6,011	(4,923)	-82%
Finance Costs	167	523	(356)	-68%	204	1,092	(888)	-81%
Depreciation and Amortization	1,525	7,858	(6,333)	-81%	4,914	17,094	(12,180)	-71%
Operating Income (Loss) ⁽¹⁾	253	(5,975)	6,228	-104%	(4,030)	(12,175)	8,145	-67%
Other Loss (Income)	2	(14)	16	-114%	2	(94)	96	-102%
Income Tax Expense (Reduction)	16	(1,400)	1,416	-101%	65	(3,309)	3,374	-102%
Net Income (Loss)	\$ 235	\$ (4,551)	\$ 4,786	-108%	\$ (4,097)	\$ (8,772)	\$ 4,675	-53%
Per Share - Basic and Diluted	-	(0.11)	0.11	-100%	(0.07)	(0.21)	0.14	-67%
Funds from Operations ⁽¹⁾	\$ 2,067	\$ 2,422	\$ (355)	-15%	\$ 1,198	\$ 4,360	\$ (3,162)	-73%
Per Share - Basic and Diluted ⁽¹⁾	0.03	0.06	(0.03)	-50%	0.02	0.10	(0.08)	-80%
Shares Outstanding	59,585	41,958	17,627	42%	59,585	41,958	17,627	42%
Weighted Average Shares Outstanding								
Basic	59,471	41,958	17,513	42%	59,408	41,958	17,450	42%
Diluted	59,471	41,958	17,513	42%	59,408	41,958	17,450	42%

Financial Position (Thousands)	Balance as at	
	Jun 30, 2011	Dec 31, 2010
Total Assets	\$ 37,240	\$ 34,984
Working Capital ⁽²⁾	1,942	3,599
Long-Term Debt Obligations	5,341	556

⁽¹⁾ See the Non-GAAP Measures section.

⁽²⁾ Excluding the current portion of deferred revenue of \$2.9 million, the Company's working capital was \$1.9 million at June 30, 2011, compared to working capital of \$4.2 million at December 31, 2010 (excluding deferred revenue of \$2.7 million).

EARNINGS VARIANCE ANALYSIS

Q2 2011 VERSUS Q2 2010

Divestco realized net income for the second quarter of 2011 of \$235,000 (\$nil per share – basic and diluted) compared to net loss of \$4.6 million (\$0.11 cents per share – basic and diluted) for the same period in 2010. This was primarily due to a \$6.3 million (81%) decrease in depreciation and amortization related to the sale of the Company's seismic data assets in Q3 2010. Revenues were down \$12,000 while operating expenses increased by \$450,000 (5%) due to double rent commitments and expenses related to the Company's office space.

Operating highlights included:

- Company secured a \$5 million bridge loan
- Commencement of a seismic participation survey which is expected to cover an area of approximately 200 km²
- Positive working capital of \$1.9 million as at June 30, 2011 (excluding deferred revenue of \$2.9 million)

SIX MONTHS ENDED JUNE 30, 2011 VERSUS SIX MONTHS ENDED JUNE 30, 2010

Divestco realized a net loss for the first six months of 2011 of \$4.1 million (\$0.07 per share – basic and diluted) compared to a net loss of \$8.8 million (\$0.21 cents per share – basic and diluted) for the same period in 2010. The net loss for the current period was primarily due to a decrease in revenue from the sale of the Company's seismic assets in Q3 2010, double rent commitments and expenses related to the Company's office space. This was offset by a decrease in depreciation and amortization by \$12.2 million (71%) mainly due to sale of the Company's seismic data assets in Q3 2010.

Operating highlights included:

- Company secured a \$5 million bridge loan
- Completion of the Company's first seismic participation survey since it sold its seismic data library in Q3 2010 covering an area of 71 km²
- Commencement of a seismic participation survey which is expected to cover an area of approximately 200 km²
- Positive working capital of \$1.9 million as at June 30, 2011 (excluding deferred revenue of \$2.9 million)
- Company finalized an agreement whereby the lease of two floors of space in its current office premises were assumed by another company. The realization of this economic benefit begins in Q4 2011 and will amount to an annual savings of \$2 million.

OUTLOOK AND FUTURE OPERATIONS

Divestco has adopted a new strategy for the rebuild of its seismic data library. The focus will be on oil-rich zones as opposed to natural gas-rich zones due to current commodity prices. In addition, the Company's pre-funding level targets have been set higher on new surveys than it has been in the past.

Industry activity year to date has shown signs of positive recovery with certain areas of the business at capacity. Work in progress coupled with summer and fall activity commitments from clients point to continued but slow recovery to pre-recession levels. The Company will continue to focus on reducing operating expenses and adjusting to industry activity levels. The Company is looking to sublease excess space in its current office premises and with the rapid rise in the market for commercial space over the past six months, it is expected the space will be sublet on a full recovery basis. In addition, the Company anticipates a reduction of salaries and benefits in Q3 and Q4 2011 due to continuation of its summer work program to reduce labour costs in these seasonal slow periods.

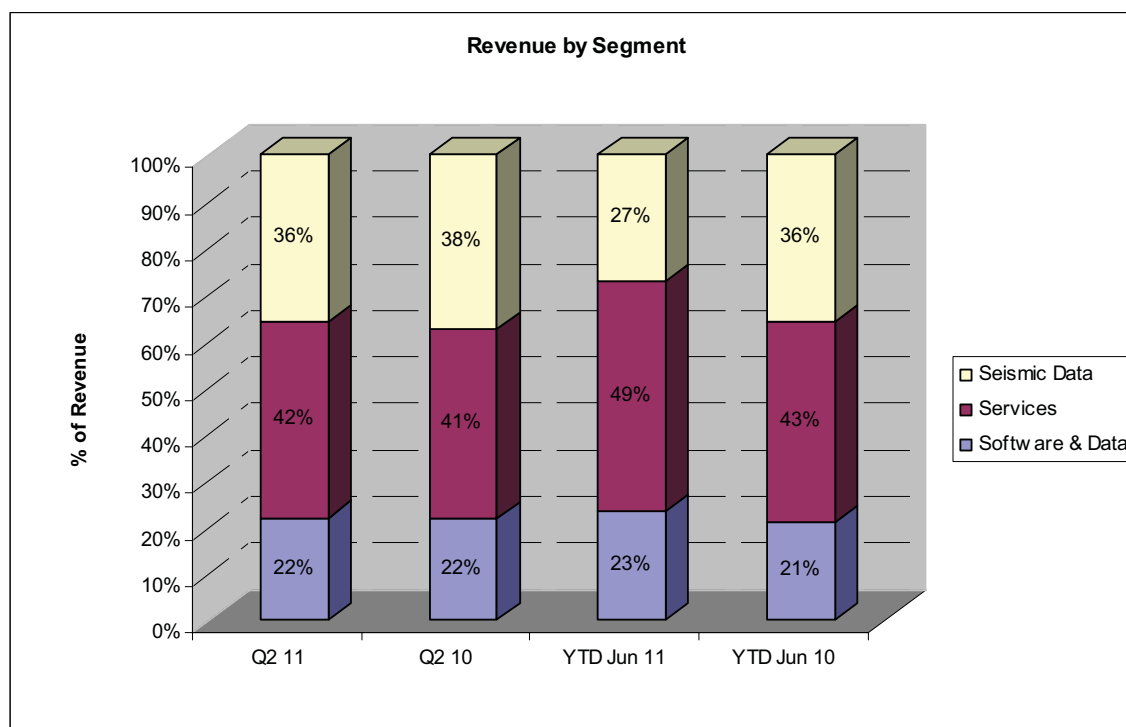
SELECTED QUARTERLY INFORMATION

(Thousands, Except Per Share Amounts)	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue ⁽²⁾	\$ 10,637	\$ 8,815	\$ 8,235	\$ 8,516	\$ 10,648	\$ 10,647	\$ 10,268	\$ 13,411
EBITDA ⁽¹⁾⁽²⁾	1,945	(857)	(4,931)	(9,009)	2,389	2,406	122	5,903
Operating Income (Loss) ⁽¹⁾⁽²⁾	253	(4,283)	(7,491)	(17,985)	(5,991)	(5,975)	(8,714)	(2,740)
Net Income (Loss) ⁽²⁾	235	(4,332)	(7,500)	(49,883)	(4,577)	(4,561)	(7,291)	(1,245)
Per Share - Basic	0.00	(0.07)	(0.17)	(1.19)	(0.11)	(0.11)	(0.17)	(0.03)
Per Share - Diluted	0.00	(0.07)	(0.17)	(1.19)	(0.11)	(0.11)	(0.17)	(0.03)
Funds from Operations ⁽¹⁾⁽²⁾	2,067	(933)	(4,801)	(6,970)	1,970	2,422	(47)	9,984
Per Share - Basic	0.03	(0.02)	(0.11)	(0.17)	0.05	0.06	0.00	0.24
Per Share - Diluted	0.03	(0.02)	(0.11)	(0.17)	0.05	0.06	0.00	0.24

⁽¹⁾ See the Non-GAAP Measures section.

⁽²⁾ Q1 and Q2 2010 were restated in accordance with IFRS. Q4, Q3 2010 and Q4, Q3, Q2 2009 are stated in accordance Canadian GAAP.

The trend illustrated in the table above is a result of divestments made by Divestco, unanticipated negative regional and global market conditions including a worldwide economic recession in 2009 and for most of 2010, depressed equity and credit markets and low natural gas prices.

RESULTS OF OPERATIONS BY SEGMENT**FINANCIAL SUMMARY BY SEGMENT**

For the three months ended June 30, 2011 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$ 2,361	\$ 4,480	\$ 3,796	\$ -	\$ 10,637
EBITDA ⁽¹⁾	662	910	3,177	(2,804)	1,945
Finance costs	-	(1)	(1)	169	167
Depreciation and Amortization	906	272	34	313	1,525
Operating Income (Loss) ⁽¹⁾	(244)	639	3,144	(3,286)	253

For the three months ended June 30, 2010 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$ 2,304	\$ 4,336	\$ 4,007	\$ -	\$ 10,647
EBITDA ⁽¹⁾	903	493	3,278	(2,268)	2,406
Finance costs	-	-	-	523	523
Depreciation and Amortization	694	374	6,614	176	7,858
Operating Income (Loss) ⁽¹⁾	209	119	(3,336)	(2,967)	(5,975)

For the Six months ended June 30, 2011 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$ 4,539	\$ 9,606	\$ 5,307	\$ -	\$ 19,452
EBITDA ⁽¹⁾	1,433	2,312	3,744	(6,401)	1,088
Finance costs	-	(1)	(3)	208	204
Depreciation and Amortization	2,037	563	972	1,342	4,914
Operating Income (Loss) ⁽¹⁾	(604)	1,750	2,775	(7,951)	(4,030)

For the Six months ended June 30, 2010 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue ⁽²⁾	\$ 4,724	\$ 9,829	\$ 8,172	\$ -	\$ 22,725
EBITDA ⁽¹⁾	1,829	1,864	6,314	(3,996)	6,011
Finance costs	-	-	-	1,092	1,092
Depreciation and Amortization	1,428	903	14,291	472	17,094
Operating Income (Loss) ^{(1), (s)}	401	961	(7,977)	(5,560)	(12,175)

⁽¹⁾ See the Non-GAAP Measures section.

⁽²⁾ Results for the three and six months ended June 30, 2010 were restated in accordance with IFRS.

SOFTWARE AND DATA

(Thousands)	Three months ended Jun 30				Six months ended Jun 30			
	2011	2010	\$ Change	% Change	2011	2010	\$ Change	% Change
Revenue ⁽²⁾	\$ 2,361	\$ 2,304	\$ 57	2%	\$ 4,539	\$ 4,724	\$ (185)	-4%
EBITDA ⁽¹⁾⁽²⁾	662	903	(241)	-27%	1,433	1,829	(396)	-22%
Finance costs	-	-	-	N/A	-	-	-	N/A
Depreciation and Amortization	906	694	212	31%	2,037	1,428	609	43%
Operating Income (Loss) ⁽¹⁾⁽²⁾	(244)	209	(453)	-217%	(604)	401	(1,005)	-251%

⁽¹⁾ See the Non-GAAP Measures section

⁽²⁾ Results for the three and six months ended June 30, 2010 were restated in accordance with IFRS.

Q2 2011 VERSUS Q2 2010

In the second quarter of 2011, Software and Data recorded an operating loss of \$244,000, compared with operating income of \$209,000 in the second quarter of 2010.

The increase in revenue of \$57,000 (2%) was due to higher software and log data revenues which were offset by a decrease in support data revenues. The Company had a significant software license sale during Q2 2011.

The \$241,000 (27%) decrease in EBITDA was attributable an increase in G&A expenses of \$243,000 (98%) due to a royalty adjustment and bad debt expense and an increase in salaries and benefits of \$46,000 (4%) due to severance costs offset by a slight increase in revenue. Amortization of deferred development costs increased by \$274,000 (66%) due to the completion of projects for which amortization commenced in 2010 while depreciation of property and equipment decreased by \$90,000 (174%).

SIX MONTHS ENDED JUNE 30, 2011 VERSUS SIX MONTHS ENDED JUNE 30, 2010

In the first six months of 2011, Software and Data recorded an operating loss of \$604,000, compared with operating income of \$401,000 in the first six months of 2010.

The decrease in revenue of \$185,000 (4%) was due to lower software and support data revenues which was offset by an increase in the log data revenues. Development consulting has been limited, and larger projects that were expected to be secured have not come through, however LandRite should perform better in the second half of the year.

The \$396,000 (22%) decrease in EBITDA was mainly attributable to a decrease in revenue, an increase in G&A expenses by \$283,000 (55%) due to a royalty adjustment and bad debt expense and an increase in sales and marketing expense of \$38,000 (16%). These were offset by a decrease in salaries and benefits of \$92,000 (4%) compared to same period in 2010. Amortization of deferred development costs increased by \$770,000 (92%) due to the completion of projects for which amortization commenced in 2010 while depreciation of property and equipment decreased by \$86,000 (75%).

OUTLOOK

Development and release of new product versions continued though Q2 2011 with plans for a variety of additional releases in Q3/Q4 2011. Work has commenced on a significant technological advancement to Divestco's powerful geophysical interpretation system, WinPICS. Phase one of this project will begin to move WinPICS into a more robust operating environment allowing Divestco to exploit new emerging technologies to the benefit of our customers.

Divestco is also pleased with the consistent activity levels seen in the Log Data division; both in subscription take up, service offerings and opportunities with new customers. The Company hopes that this is a leading indicator for future activity that is starting to germinate.

SERVICES

(Thousands)	Three months ended Jun 30				Six months ended Jun 30			
	2011	2010	\$ Change	% Change	2011	2010	\$ Change	% Change
Revenue ⁽²⁾	\$ 4,480	\$ 4,336	\$ 144	3%	\$ 9,606	\$ 9,829	\$ (223)	-2%
EBITDA ⁽¹⁾⁽²⁾	910	493	417	85%	2,312	1,864	448	24%
Finance costs	(1)	-	(1)	N/A	(1)	-	(1)	N/A
Depreciation and Amortization	272	374	(102)	-27%	563	903	(340)	-38%
Operating Income (Loss) ⁽¹⁾⁽²⁾	639	119	520	437%	1,750	961	789	82%

⁽¹⁾ See the Non-GAAP Measures section

⁽²⁾ Results for the three and six months ended June 30, 2010 were restated in accordance with IFRS.

Q2 2011 VERSUS Q2 2010

In the second quarter of 2011, Services recorded operating income of \$639,000, compared to operating income of \$119,000 in the second quarter of 2010.

Geomatics revenue in Q2 2011 decreased by \$148,000 (14%) compared to Q2 2010 mainly due to the affects of the economic downturn. The main areas affected were DLS and consulting as there were continued delays on a project for a large client while database and mapping continued to face difficulties as the economic downturns greatly affected project-type work. Processing division revenue increased by \$385,000 (21%) due to some larger projects that came in during Q2. Land management services division revenue was down \$61,000 (5%) due to slower periods in the surface land services area which is expected to rebound in Q3 2011 offset by increases in crown and telecom services revenue related to increase in land sales in Alberta and telecom activity in eastern Canada.

Salaries and benefits decreased by \$60,000 (2%) due to a reduced headcount offset by severance costs in Q2 2011. G&A expenses were also lower, decreasing by 247,000 (20%) mainly due to a decrease in occupancy costs as Land relocated to the Company's less expensive NE Calgary office premises. Amortization and depreciation decreased by \$210,000 (56%) due to a reduction in capital spending.

SIX MONTHS ENDED JUNE 30, 2011 VERSUS SIX MONTHS ENDED JUNE 30, 2010

In the first six months of 2011, Services recorded operating income of \$1.8 million, compared to operating income of \$961,000 in the six months of 2010.

Geomatics revenue in Q2 2011 decreased by \$212,000 (8%) compared to Q2 2010 as the division continued to be affected by industry slowdown showing with the largest shortfalls being in DLS and consulting due to a project delay. Audit revenues remained comparable to 2010. Processing division revenue increased by \$206,000 (5%) due to certain larger projects that were completed during the period. Revenue for the land management services division was up \$195,000 (8%) due to an increase in crown land services related to a rise in land sales in Alberta over the comparative period offset by a decrease in surface and mineral land services which are expected to rebound in Q3 2011. Due to the sale of the business consulting division in March 2010, revenue in Services decreased by \$384,000.

Salaries and benefits decreased marginally by \$21,000 due to severance costs in Q2 2011. G&A expenses were also lower, decreasing by 739,000 (28%) mainly due to a decrease in occupancy costs and the sale of the business consulting division in Q2 2010. Amortization and depreciation decreased by \$340,000 (38%) due to a reduction in capital spending.

OUTLOOK

Seismic processing activity levels for the second quarter were positive and the earlier trend of previously dormant customers is reversing with these customers becoming active and continuing to bring in new projects. Overall processing work for the remainder of 2011 is forecast to steadily return to higher activity levels with many new projects now being available for bid. Operational improvement efforts in this division over the past several months are protecting top-line revenues while improving efficiencies, agility and lowering costs.

Geomatics expects to launch its international campaign in Q3 as well as now offering Geomatics Advisory Services (GAS) on a yearly subscription basis. The division also got under way with the second phase of a large NAD consulting project for a major oil and gas client at the latter end of Q2 2011 (delayed from late Q1 2011). Another Oils Sands/Players maps campaign is scheduled for late Q3. Work levels are still quite a bit lower than pre-recession levels yet there is optimism for Fall and beyond.

For Divestco's land management services division (Cavalier Land), sales volumes are expected to rise due to a few key factors. First, the continued rise and stability of oil and gas prices is expected to lead to increased exploration and production among many clients. Second, the hiring of a professional account representative in January 2010 led to the addition of 12 new clients in Q1 2011 and this trend is expected to continue. Third, Cavalier Land has expanded into other markets, including telecommunications and environmental assessments. The telecommunications market added a new revenue stream in Q1 2011 and is expected to provide the greatest growth for Cavalier Land in 2011 as there has been an emergence of new providers in the market. Mineral Land Services began work on a large project for a major oil and gas client, which may lead to further revenue opportunities with the company. Finally, a significant contract with a major utility supplier signed in 2009 will continue throughout 2011 which will lead to increased field agent work across Alberta.

SEISMIC DATA

(Thousands)	Three months ended Jun 30				Six months ended Jun 30			
	2011	2010	\$ Change	% Change	2011	2010	\$ Change	% Change
Revenue ⁽²⁾	\$ 3,796	\$ 4,007	\$ (211)	-5%	\$ 5,307	\$ 8,172	\$ (2,865)	-35%
EBITDA ⁽¹⁾⁽²⁾	3,177	3,278	(101)	-3%	3,744	6,314	(2,570)	-41%
Finance costs	(1)	-	(1)	N/A	(3)	-	(3)	N/A
Depreciation and Amortization	34	6,614	(6,580)	-99%	972	14,291	(13,319)	-93%
Operating Income (Loss) ⁽¹⁾⁽²⁾	3,144	(3,336)	6,480	-194%	2,775	(7,977)	10,752	-135%

⁽¹⁾ See the Non-GAAP Measures section

⁽²⁾ Results for the three and six months ended June 30, 2010 were restated in accordance with IFRS

Seismic Data Library	Balance as at	
	Jun 30, 2011	Dec 31, 2010
2D in Gross KM	49	49
2D in Net KM	49	49
3D in Gross KM ²	138	-
3D in Net KM ²	138	-

Q2 2011 VERSUS Q2 2010

In the second quarter of 2011, Seismic Data recorded operating income of \$3.1 million compared with an operating loss of \$3.3 million in the second quarter of 2010.

Excluding seismic brokerage revenue, seismic data revenue (includes seismic data library sales and participation survey revenue) in Q2 2011 was \$3.2 million compared to \$3.4 million in Q2 2010, a \$0.2 million decrease (5%). Seismic data library revenue decreased by \$3.4 million as a result of the sale of the Company's seismic data library in Q3 2010. Therefore there was no seismic data library in Q2 2011. Participation survey revenue was \$3.2 million due to the commencement of a new program in Q2 2011. There was no participation survey revenue in Q2 2010 as no new surveys were being shot. Brokerage revenue was \$574,000 in Q2 2011 compared to \$628,000 in Q2 2010. The decrease of \$54,000 (9%) was due to large data sales in Q2 2010 that were not repeated in Q2 2011.

Salaries and benefits decreased marginally by \$36,000 (11%) while G&A expenses decreased by \$86,000 (22%) mainly due to a decrease in seismic data storage costs due to the sale of the seismic database in Q3 2010 of \$93,000 (100%) and a decrease in contractor expenses of \$75,000 (24%) offset by an increase of \$78,000 (43%) in bad debt expense. Amortization of data libraries decreased by \$6.6 million (100%) as compared to Q2 2010 due to the sale of the seismic assets in Q3 2010 which resulted in insignificant amortization in Q2 2011.

SIX MONTHS ENDED JUNE 30, 2011 VERSUS SIX MONTHS ENDED JUNE 30, 2010

In the first six months of 2011, Seismic Data recorded operating income of \$2.8 million compared with an operating loss of \$8 million during the same period in 2010.

Excluding seismic brokerage revenue, seismic data revenue (includes seismic data library sales and participation survey revenue) for the first six months of 2011 was \$4.1 million compared to \$9.1 million in for the same period in 2010, a \$5 million decrease (55%). Seismic data library revenue decreased by \$6.4 million (98%) as a result of the sale of the Company's seismic data library in Q3 2010. Therefore there was nominal seismic data library in 2011. Participation survey revenue increased by \$3.7 million (1207%) due to the completion of a new program in Q1 2011 and the commencement of a new program in Q2 2011. There was small 3D seismic participation survey completed in Q1 2011. Brokerage revenue was \$1.2 million in during the six months ended June 30, 2011 compared to \$1.3 million for the same

period in 2010. The decrease of \$0.1 million (11%) was due to large data sales in 2010 that were not repeated in 2011.

Salaries and benefits decreased marginally by 11,000 (2%) while G&A expenses decreased by \$284,000 (25%) mainly due to a decrease in seismic data storage costs due to the sale of the seismic database in Q3 2010 of \$186,000 (100%) and a decrease in consultant expenses of \$157,000 (24%). Amortization of data libraries decreased by \$13.3 million (94%) as compared to 2010 due to the sale of the seismic assets in Q3 2010.

OUTLOOK

Divestco commenced the rebuild of its seismic data library in Q4 2010, completing its first survey in Q1 2011 since it disposed of seismic assets in Q3 2010. The Company also commenced a survey of approximately 200km² in central Alberta which is expected to be completed in Q3 2011. Plans are to commence at least one additional survey in Q4 2011 depending on the level of pre-funding that is secured.

CORPORATE AND OTHER

(Thousands)	Three months ended Jun 30				Six months ended Jun 30			
	2011	2010	\$ Change	% Change	2011	2010	\$ Change	% Change
Revenue ⁽²⁾	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	N/A
EBITDA ⁽¹⁾⁽²⁾	(2,804)	(2,268)	(536)	24%	(6,401)	(3,996)	(2,405)	60%
Finance costs	169	523	(354)	-68%	208	1,092	(884)	-81%
Depreciation and Amortization	313	176	137	78%	1,342	472	870	184%
Operating Income (Loss) ⁽¹⁾⁽²⁾	(3,286)	(2,967)	(319)	11%	(7,951)	(5,560)	(2,391)	43%

⁽¹⁾ See the Non-GAAP Measures section

⁽²⁾ Results for the three and six months ended June 30, 2010 were restated in accordance with IFRS.

Q2 2011 VERSUS Q2 2010

Salaries and benefits increased by \$337,000 (35%) mainly due to severance costs. G&A expenses increased by \$248,000 (16%) mainly due to an increase in the general bad debt provision offset by decreases in occupancy costs related to operating expense credit received, professional fees and stock based payments expense. Interest expense decreased by \$354,000 (97%) as the Company repaid a significant portion of its debt in Q3 2010 with its seismic sale proceeds. Amortization increased by \$136,000 (78%) due to a net impairment recorded on leasehold improvements related to the floors the Company intends to sublease to a third party.

SIX MONTHS ENDED JUNE 30, 2011 VERSUS SIX MONTHS ENDED JUNE 30, 2010

Salaries and benefits increased by \$416,000 (21%) mainly due to severance costs. G&A expenses increased by \$2 million (80%) mainly due to a increase in occupancy costs due to the Company paying rent on multiple leased office premises due to a delay in the Company moving into its new office space, the lease for which commenced on May 1, 2010. The double rent payments are expected to cease in Q3 2011. Interest expense decreased by \$884,000 (81%) as the Company repaid a significant portion of its debt in Q3 2010 with its seismic sale proceeds. Amortization increased by \$869,000 (184%) due to a net impairment recorded on leasehold improvements related to the floors the Company intends to sublease to a third party.

OUTLOOK

Divestco continues to reduce its corporate overhead costs. In Q1, 2011, the Company finalized an agreement whereby the lease of two floors of space in its current office premises were assumed by

another company. The economic benefit of this transaction will start to be realized in Q4 2011 and will amount to an annual savings of \$2 million and management is looking to sublet additional office space. Management has negotiated lower fees with a number of vendors and continues to ensure non-revenue generating business units are the right size for the Company.

During the first six months of 2011, the Company recorded an amount with respect to the sub-leasing of additional floors at its new office premises. Based on current market conditions the Company expects to recover 100% of its leasing and related operating costs for the floors. The recovery does not include costs incurred by the Company on leasehold improvements (net of tenant inducements). In anticipation of leasing out these additional floors, the Company recorded a net impairment of \$1 million on leasehold improvements for the relevant floors.

DEPRECIATION AND AMORTIZATION

(Thousands)	Three months ended Jun 30				Six months ended Jun 30			
	2011	2010	\$ Change	% Change	2011	2010	\$ Change	% Change
Depreciation and Amortization	\$ 1,525	\$ 7,858	\$ (6,333)	-81%	\$ 4,914	\$ 17,094	\$ (12,180)	-71%

Q2 2011 VERSUS Q2 2010

In the second quarter of 2011, depreciation and amortization was \$1.5 million, compared with \$7.8 million in the second quarter of 2010, a decrease of \$6.3 million (81%). Amortization of deferred development costs increased by \$258,000 (47%) due to certain projects being completed and the amortization commencing on these in 2010. Amortization of data libraries decreased by \$6.6 million (98%) due to sale of the Company's seismic assets in Q3 2010. Amortization of property and equipment (PP&E) and intangibles increased slightly due to recording a net impairment of leasehold improvements related to the floors the Company intends to lease to a third party.

SIX MONTHS ENDED JUNE 30, 2011 VERSUS SIX MONTHS ENDED JUNE 30, 2010

In the first six months of 2011, depreciation and amortization was \$4.9 million, compared with \$17.1 million during the same period in 2010, a decrease of \$12.2 million (71%). Amortization of deferred development costs increased by \$757,000 (67%) due to certain projects being completed and the amortization commencing on these in 2010. Amortization of data libraries decreased by \$13.4 million (92%) due to sale of the Company's seismic assets in Q3 2010. Amortization of property and equipment (PP&E) and intangibles increased by \$335,000 (29%) after recording a net impairment on leasehold improvements related to the floors the Company intends to lease to a third party of \$1 million which was offset by a decrease computer hardware and software purchases.

FINANCE COSTS

(Thousands)	Three months ended Jun 30				Six months ended Jun 30			
	2011	2010	\$ Change	% Change	2011	2010	\$ Change	% Change
Interest on bank indebtedness and long term debt obligations (net of interest received)	\$ 124	\$ 468	\$ (344)	-74%	\$ 141	\$ 976	\$ (835)	-86%
Amortization of deferred finance charges	26	55	(29)	-53%	26	116	(90)	-78%
Accretion of sublease loss	17	-	17	N/A	37	-	37	N/A
Finance Costs	\$ 167	\$ 523	\$ (356)	-68%	\$ 204	\$ 1,092	\$ (888)	-81%

Q2 2011 VERSUS Q2 2010

In the second quarter of 2011, finance costs were \$167,000, compared with \$523,000 in the second quarter of 2010, a decrease of \$356 (68%). Interest expense and amortization of deferred finance charges decreased due to lower debt loads being carried by the Company. There was no amortization of sublease loss in Q2 2010.

SIX MONTHS ENDED JUNE 30, 2011 VERSUS SIX MONTHS ENDED JUNE 30, 2010

In the first six months of 2011, finance costs were \$204,000, compared with \$1.1 million for the same period in 2010, a decrease of \$888,000 (81%). Interest expense and amortization of deferred finance charges decreased due to lower debt loads being carried by the Company. There was no amortization of sublease loss for the same period in 2010.

INCOME TAXES

(Thousands)	Three months ended Jun 30				Six months ended Jun 30			
	2011	2010	\$ Change	% Change	2011	2010	\$ Change	% Change
Current	16	(48)	64	-133%	65	(79)	144	-182%
Future (Reduction)	-	(1,352)	1,352	-100%	-	(3,230)	3,230	-100%
Income Taxes (Reduction)	\$ 16	\$ (1,400)	\$ 1,416	-101%	\$ 65	\$ (3,309)	\$ 3,374	-102%

Q2 2011 VERSUS Q2 2010

In the second quarter of 2011, Divestco recorded a current tax provision of \$16,000. No deferred tax provision was recorded as the Company has not recognized any benefit associated with its tax pools as there is no certainty when they will be realized.

SIX MONTHS ENDED JUNE 30, 2011 VERSUS SIX MONTHS ENDED JUNE 30, 2010

In the first six months of 2011, Divestco recorded a current tax provision of \$65,000. No deferred tax provision was recorded as the Company has not recognized any benefit associated with its tax pools as there is no certainty when they will be realized.

TAX POOLS

As at June 30, 2011 there were \$41 million in Federal and \$26 million in Alberta non-capital loss carry-forwards (\$2.7 million was assumed through various acquisitions in 2007) which begin to expire in 2027. In addition the Company has \$1.4 million in federal scientific research and experimental development investment tax credits to reduce taxes payable in the future which expire in 2029.

MAJOR TRANSACTIONS**SEISMIC RELATED**

In Q4 2010, Divestco commenced a 71 km² 3D seismic survey which was completed in Q1 2011 at a cost of \$2.3 million. The Company also signed an agreement in late 2010 whereby in exchange for a license to the survey it completed in Q1 2011, it obtained the ownership rights to an existing 3D survey covering an area of 66 km². The Company commenced a 3D survey in Q2 2011 which is expected to cover an area of approximately 200 km².

LIQUIDITY AND CAPITAL RESOURCES

Summary of Financial Position (Thousands, except as otherwise indicated)	Balance as at	
	Jun 30, 2011	Dec 31, 2010
Current Assets	\$ 13,544	\$ 15,994
Current Liabilities ⁽¹⁾	11,602	12,395
Working Capital (Deficiency)	1,942	3,599
Funded Debt ⁽²⁾	6,841	2,606
Shareholders' Equity	14,103	18,070
Funded Debt to Equity ⁽³⁾ - %	49%	14%

⁽¹⁾ Excludes deferred revenue

⁽²⁾ Current and long-term portion of debt obligations and convertible debentures

⁽³⁾ Funded debt divided by shareholders' equity

WORKING CAPITAL

Divestco's working capital as at June 30, 2011, was \$1.9 million (excluding deferred revenue of \$2.9 million) compared to working capital of \$4.2 million (excluding deferred revenues of \$2.7 million) as at December 31, 2010

The decrease in working capital was mainly due the funds required for the build-out of the Company's new office premises (net of tenant inducements) and to cover double-rent costs. Accounts receivable were lower due to a decrease in revenue and an increase in operating expenses. This was partially offset by a decrease in accounts payable due to a portion of the funds received from bride loan being used to pay vendor accounts.

While the Company has focused on collection of its receivables, especially those that are greater than 90 days old, the Company records an allowance for doubtful accounts of 20% of balances over 120 days old. Where there are indications that legal action may be required, settlement could be further delayed.

To mitigate further economic pressure the Company remains committed to limiting capital expenditures unless they are well funded (mainly seismic participation surveys) and implemented further cost-cutting measures to reduce aggregate corporate overhead and labour costs.

Divestco's debt summary at June 30, 2011:

	Balance as at January 1, 2011	Payments (net of advances)	Balance as at June 30, 2011	Expected payments	Forecasted balance as at December 31, 2011
Operating Line ⁽¹⁾	2,050	(550)	1,500	-	1,500
Bridge Loan ⁽²⁾	-	5,000	5,000	-	5,000
Capital Leases ⁽²⁾	556	14	570	(291)	279
	2,606	4,464	7,070	(291)	6,779

⁽¹⁾ Included in bank indebtedness on the consolidated balance sheets

⁽²⁾ Included in long-term debt obligations on the consolidated balance sheets

CONTINGENCIES

The Company is party to various legal actions arising in the normal course of business. Matters that are probable of an unfavorable outcome to the Company and that can be reasonably estimated are accrued. Such accruals are based on information known about the matters, the Company's estimates of the outcomes of such matters and its experience in contesting, litigating and settling similar matters. None of the actions against the Company are believed by management to involve future amounts that would be

material to the Company's financial position or results of operations after consideration of recorded accruals. However, actual amounts could differ significantly from management's estimate.

As outlined in the Seismic Data Purchase Agreement incorporated by reference in the August 26, 2010 Information Circular and filed on SEDAR, Divestco retained the right to litigate and retain in whole or in part the proceeds of certain past breaches with respect to certain of the disposed seismic assets. Divestco relies on a combination of patent, copyright, trademark and trade secret laws, confidentiality agreements, contractual provisions and other measures to protect its own proprietary information. Despite Divestco's efforts to protect its proprietary rights, unauthorized parties may or have attempted to copy aspects of its technology or to obtain and use information that Divestco regards as proprietary such as its current and past seismic data library. In an effort to protect the Company's seismic data asset both past and present, Divestco has commenced (or is contemplating) legal action(s) against companies for breaches of its license agreement(s), copyright and duty of confidentiality for unauthorized sharing of its proprietary seismic data with third parties and will continue to enforce its proprietary rights using all methods at its disposal. These actions commenced or contemplated could have a material financial impact to the Company. Given the nuances it is difficult to quantify the timing or potential financial impact of any legal action commenced or contemplated.

SELECTED CASH FLOW ITEMS

Six Months Ended June 30	2011	2010
(Thousands)		
Operating Activities		
Funds from Operations ⁽¹⁾	\$ 1,198	\$ 4,360
Changes in Non-Cash Working Capital Balances	1,744	5,177
Interest Paid	(141)	(988)
Income Taxes Refunded (Paid)	51	290
Cash Flows From Operating Activities	2,852	8,839
Financing Activities		
Bank Indebtedness	(550)	-
Long-Term Debt Obligations	4,779	(4,149)
Issue of Common Shares, Net of Repurchases	99	-
Other - Net	(155)	-
Cash Flows From (Used in) Financing Activities	4,173	(4,149)
Investing Activities		
Acquisition of Data Libraries	(2,482)	(2,647)
Surveys in Progress	(1,566)	1,981
Additions to Property, Plant and Equipment	(5,422)	(442)
Additions to Tenant Inducements	3,306	-
Decrease in Sublease Loss	(488)	-
Acquisitions	(29)	-
Proceeds on sale of Property and Equipment	-	93
Deferred Development Costs	(1,295)	(1,425)
Changes in Non-Cash Working Capital Balances	(1,842)	(1,940)
Cash Flows Used in Investing Activities	(9,818)	(4,380)
Change in Cash	\$ (2,793)	\$ 310

⁽¹⁾ See the Non-GAAP Measures section.

OPERATING ACTIVITIES

In Q2 2011, funds from operations were \$2.1 million ((\$0.03) /share (basic and diluted)), compared with \$2.4 million (\$0.06 /share (basic and diluted)) in Q2 2010. The decrease was mainly due to an increase in G&A expenses related to the Company's office premises.

For the first six months of 2011, funds operations were \$1.2 million compared to \$4.4 million for the same period in 2010. The decrease was mainly due to a \$3.3 million (14%) decrease in revenue caused primarily by the sale of the Company's seismic assets in Q3 2010.

FINANCING ACTIVITIES

In Q2 2011, the Company reduced the outstanding balance on its revolving credit facility by \$1.5 million. The facility is subject to the Company meeting certain debt covenants as follows: (a) current ratio cannot fall below 0.90:1 for Q2 2011 to Q3 2011, 1.00:1 for Q4 2011 and 1:25:1 thereafter; and (b) debt service coverage ratio cannot fall below 2.25:1 (applies to Q2 2011 onwards). As at June 30, 2011, the Company was not in violation of its debt covenants.

In addition, the Company secured a \$5 million subordinate bridge loan with \$2 million of the loan proceeds being provided by two directors in accordance with a condition of the financing. Payments are interest only until January 2012, at which time \$150,000 monthly principal payments commence. The security for the loan is a \$6.25 million demand debenture providing a second floating charge security over all personal and real property assets of the Company and a negative pledge and undertaking to provide fixed charges on the Company's corporate assets at the request of the lender. The loan has a maturity date of April 30, 2013 with a balloon payment of \$2.6 million due at that time. As at June 30, 2011, the loan had a balance of \$5 million. The loan is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 0.90:1 for Q1, Q2 and Q3 2011, 1.00:1 for Q4 2011 and 1.25:1 thereafter; funded debt to equity ratio cannot exceed 2.00:1; and debt service coverage ratio cannot fall below 2.25:1. In June 2011, the lender removed the funded debt to equity ratio covenant from its requirement. As at June 30, 2011, the Company was not in violation of any of its debt covenants.

On January 10, 2011, the Company closed a private placement whereby it sold 454,546 Units at a price of \$0.22 per Unit for gross proceeds of \$100,000. Each Unit was comprised of one Class A share of Divestco (the "Share") and one non-transferable share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase one Share on or before December 31, 2012 at an exercise price of \$0.32 per Share. The shares and the warrants, and any shares issued on exercise of the warrants are subject to a hold period under applicable Canadian securities laws and policies of the TSX Venture Exchange.

INVESTING ACTIVITIES

During Q2 2011, Divestco acquired \$1.8 million of property, plant and equipment (excluding \$235,000 in equipment acquired under finance leases) mainly related to the build-out costs for the Company's new office space and received \$1.7 million in tenant inducements. The Company commenced a \$5.4 million 3D survey expected to cover an area of approximately 200 km².

During the first six months of 2011, Divestco acquired \$5.4 million of property, plant and equipment (excluding \$235,000 in equipment acquired under finance leases) mainly related to the build-out costs for the Company's new office space and received \$3.3 million in tenant inducements. In addition, the Company completed a 71 km² 3D seismic survey for \$2.3M and commenced a \$5.4 million 3D survey expected to cover an area of approximately 200 km². The Company also signed an agreement in Q4 2010 whereby in exchange for a license to the seismic survey it completed in Q1 2011, it obtained the ownership rights to an existing 3D survey covering an area of 66 km². No revenue or costs were recognized as the net cash paid/received was zero.

OUTSTANDING SHARE DATA

Divestco's Class A common shares are listed on the TSX Venture Exchange (TSX-V) and trade under the symbol DVT. The Company is authorized to issue an unlimited number of voting Class A common shares.

The following table summarizes the Company's outstanding equity instruments:

	Balance as at (thousands)		
	Aug 25, 2011	Jun 30, 2011	Dec 31, 2010
Class A shares			
Outstanding	59,866	59,585	58,938
Weighted Average Outstanding			
Basic and diluted - YTD ⁽¹⁾		59,408	42,601
Basic and diluted - QTR ⁽¹⁾		59,471	44,491
Stock Options			
Outstanding	3,175	625	907
Exercise Price Range	\$0.165 to \$4.70	\$0.68 to \$4.70	\$0.68 to \$6.10
Share Purchase Warrants			
Outstanding	16,280	16,280	15,825
Exercise Price	\$0.32	\$0.32	\$0.32

⁽¹⁾ In calculating diluted weighted average outstanding shares, conversion or exercise of equity instruments is assumed only if the effect is dilutive. For the three and six months ended June 30, 2011, options to purchase 641,000 and warrants to purchase 16,280,000 Class A common shares have been excluded from the calculation of diluted weighted average outstanding shares as they were anti-dilutive.

PRIVATE PLACEMENT

On January 10, 2011, the Company closed a private placement whereby it sold 454,546 Units at a price of \$0.22 per Unit for gross proceeds of \$100,000. Each Unit was comprised of one Class A share of Divestco (the "Share") and one non-transferable share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase one Share on or before December 31, 2012 at an exercise price of \$0.32 per Share. The shares and the warrants, and any shares issued on exercise of the warrants are subject to a hold period under applicable Canadian securities laws and policies of the TSX Venture Exchange.

LONG SERVICE AWARDS

On May 1, 2011, the Company adopted a plan whereby 5- and 10-year service awards ("Service Awards") are issued to employees in the form of Class A shares issued from treasury. The value for a 5-year award is \$750 and \$1,250 for a 10-year award. The number of shares issued is based on the closing price on the last trading day prior to the issuance of the Service Award. Service Awards are issued at the end of the month in which the employee has their 5- or 10-year anniversary. During the six months ended June 30, 2011, 192,208 shares were issued. From July 1, 2011 to August 25, 2011, 39,748 shares were issued.

EMPLOYEE STOCK PURCHASE PLAN

The Company's employee stock ownership plan ("ESOP") allows each employee to contribute up to 25% of their regular salary towards the savings plan. The Company matches the employee's contribution through a combination of cash and Class A shares issued from treasury up to 4.5% of their monthly regular salary to a maximum of \$450 per month. All cash contributions are used to purchase Class A common shares through the facilities of the TSX-V and the value of the Company's contribution is included in salaries and benefits in the consolidated statements of loss and comprehensive loss. The Company reinstated matching on July 1, 2011. From July 1, 2011 to August 25, 2011, 131,366 shares were issued.

SHARES FOR SERVICES

On July 27, 2010, the Company issued 110,276 Class A common shares for services to an employee valued at \$18,747 at a deemed price of \$0.17 per Class A common share. The issuance related to deferred income accumulated by the employee from April 1 to December 31, 2008.

STOCK OPTIONS

As at June 30, 2011, there were 5,939,232 Class A common shares reserved for grants of stock options combined with all other forms of stock-based compensation.

During the six months ended June 30, 2011:

- 282,113 options were forfeited with exercise prices ranging from \$0.68 to \$6.10

From July 1, 2011 to August 25, 2011:

- 2,580,000 options were granted at an exercise price of \$0.165 including 1,650,000 to Directors and officers.
- 29,800 options were forfeited with exercise prices ranging from \$0.68 to \$2.51.

PERFORMANCE SHARE UNITS

On May 19, 2011, the Company's shareholders approved the establishment of a Performance Share Unit ("PSU") Plan (the "PSU Plan"). Each PSU awarded conditionally entitles the eligible unit holder to the delivery of one Class A common share of the Company upon attainment of the PSU vesting conditions at the Board's sole discretion. As the Company intends to settle these with Class A shares it will therefore classify these awards as equity in the consolidated statement of financial position. These PSUs plus dividend equivalents in the form of additional PSUs equal to the dividends declared and issued, if any, on the underlying units will vest where performance conditions for the 2011 fiscal year are met.

The aggregate number of units reserved for issuance upon the vesting of all PSUs granted under the PSU plan will not exceed 1,188,000 Class A Shares, being 2% of the issued and outstanding Class A shares of the Corporation as of April 13, 2011, the date of Board approval of the Plan, and a maximum of 594,000 Class A Shares, being 1% of the issued and outstanding Class A shares of the Corporation as of April 13, 2011, the date of Board approval of the Plan, for any one insider. Compensation expense related to the PSUs will be accrued over the term of the performance period based on the expected total compensation to be paid out at the end of the performance period. On July 27, 2011, 900,000 PSUs were granted to a director, officers and employees.

RELATED PARTY TRANSACTIONS

Divestco had the following related party transactions for the six months ended June 30, 2011:

- On May 4, 2011, the Company secured a \$5 million subordinate bridge loan with \$2 million of the loan proceeds being provided by two directors in accordance with a condition of the financing.
- During the six months ended June 30, 2011 the Company incurred \$89,000 (June 30, 2010 - \$88,000) in seismic consulting fees and brokerage commissions from a company controlled by a director. Included in accounts payable as at June 30, 2011 was \$226,000 (December 31, 2010 - \$147,000) related to these commissions.
- During the six months ended June 30, 2011, the Company incurred \$206,000 (June 30, 2010 - \$89,000) in legal fees from the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at June 30, 2011 was \$88,000 (December 31, 2010 - \$74,000) related to these legal fees.

All related party transactions are in the normal course of operations and have been measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

CRITICAL ACCOUNTING ESTIMATES

Significant items subject to such estimates and assumptions include the useful life and recoverable amount of the intangibles assets, including data libraries, proprietary software and code, deferred development costs as well as the stage of completion of participation surveys in progress and valuation allowances for accounts receivable and deferred income taxes. Actual results could differ from those estimates.

The costs associated with purchasing or creating the seismic data library are capitalized. Purchases of existing seismic data are capitalized and amortized on a straight-line basis over 10 years. The Company also creates seismic data and capitalizes the costs paid to third parties for the acquisition of data, permitting, surveying, and other related costs. Created seismic may be acquired without pre-sale commitments or with pre-sale commitments that include an exclusive data use period. Created seismic, without pre-sale commitments, is amortized on a straight-line basis over a seven-year period. Created seismic with pre-sale commitments is initially amortized at 40% on delivery of the data to the customer, with the remaining balance on a straight-line basis over the next six-year period. Some of the created seismic is acquired jointly with others. The Company's financial statements reflect only its proportionate share of the costs of the jointly-created seismic data library.

ACCOUNTING POLICIES

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has prepared the interim consolidated financial statements for the three and six months ended June 30, 2011 and the comparative information for the three and six months ended June 30, 2010, in accordance with International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards", and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the IASB. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP, or previous GAAP. The adoption of IFRS has not had an impact on the Company's operations and strategic decisions.

The Company's IFRS accounting policies are provided in Note 4 to the condensed interim consolidated financial Statements for the three months ended March 31, 2011. In addition, Note 20 to the condensed interim consolidated financial statements for the three and six months ended June 30, 2011 presents reconciliations between the Company's 2010 previous GAAP results and the 2010 IFRS results. The reconciliations include a consolidated statement of financial position as at June 30, 2010 and consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2010.

Accounting Policy Changes

The Company's MD&A for the three months ended March 31, 2011 includes a detailed explanation of the significant differences between and changes to the Company's previous GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been consistently and retrospectively applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

NEW IFRS PRONOUNCEMENTS

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended June 30, 2011, and have not been applied in preparing these consolidated financial statements

Joint Arrangements and Off Balance Sheet Activities

In May 2011, the IASB issued the following new and amended standards:

- IFRS 10, “Consolidated Financial Statements” (“IFRS 10”) replaces IAS 27, “Consolidated and Separate Financial Statements” (“IAS 27”) and Standing Interpretations Committee (“SIC”) 12, “Consolidation – Special Purpose Entities”. IFRS 10 revises the definition of control and focuses on the need to have power and variable returns for control to be present. IFRS 10 provides guidance on participating and protective rights and also addresses the notion of “de facto” control. It also includes guidance related to an investor with decision making rights to determine if it is acting as a principal or agent.
- IFRS 11, “Joint Arrangements” (“IFRS 11”) replaces IAS 31, “Interest in Joint Ventures” (“IAS 31”) and SIC 13, “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. IFRS 11 defines a joint arrangement as an arrangement where two or more parties have joint control. A joint arrangement is classified as either a “joint operation” or a “joint venture” depending on the facts and circumstances. A joint operation is a joint arrangement where the parties that have joint control have rights to the assets and obligations for the liabilities, related to the arrangement. A joint operator accounts for its share of the assets, liabilities, revenues and expenses of the joint arrangement. A joint venturer has the rights to the net assets of the arrangement and accounts for the arrangement as an investment using the equity method.
- IFRS 12, “Disclosure of Interest in Other Entities” (“IFRS 12”) replaces the disclosure requirements previously included in IAS 27, IAS 31, and IAS 28, “Investments in Associates”. It sets out the extensive disclosure requirements relating to an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements.
- IAS 28, “Investments in Associates and Joint Ventures” has been amended to conform to the changes made in IFRS 10 and IFRS 11.

The above standards are effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, providing the five standards are adopted concurrently. The Company is currently evaluating the impact of adopting these standards on its financial statements.

Fair Value Measurement

In May 2011, the IASB issued IFRS 13, “Fair Value Measurement” (“IFRS 13”) which provides a consistent and less complex definition of fair value, establishes a single source for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and applies prospectively from the beginning of the annual period in which the standard is adopted. Early adoption is permitted. The Company is currently evaluating the impact of adopting IFRS 13 on its financial statements.

Financial Instruments

IFRS 9, “Financial instruments” (“IFRS 9”) was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the

financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

Revenue Recognition

The International Accounting Standards Board (IASB) has issued an exposure draft for a new standard on revenue from customers that would replace IAS 11 "Construction Contracts" and IAS 18 "Revenue and Related Interpretations". A second exposure draft is expected in Q3 2011 for a comment period of 120 days and a final standard is expected in 2012.

The new guidance may represent a substantial change from the application of existing IFRS guidance. The initial exposure draft proposed a single revenue recognition model in which revenue would be recognized when an entity satisfies a performance obligation by transferring a promised good or service to a customer. The proposals also included the withdrawal of the percentage-of-completion method which the Company commenced using as at its transition date to IFRS.

SECURITIES REGULATIONS UPDATE

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure Controls and Procedures are controls and procedures designed and implemented by, or under, the supervision of Divestco's Chief Executive Officer (CEO) and Chief Financial Officer (CFO). These controls and procedures ensure that material information relating to the Company is communicated to them by others in the organization as it becomes known, and that the information is appropriately disclosed as required under the continuous disclosure requirements of securities legislation. In essence, these types of controls are related to the quality and timeliness of financial and non-financial information in securities filings.

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as at December 31, 2010, by and under the supervision of Divestco's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined in the Canadian Securities Administrators' National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", are effective to ensure that information required to be disclosed in reports that the Company files or submits under Canadian securities legislation is recorded, processed, summarized, and reported within the time periods specified in those rules and forms.

There were no changes in Divestco's disclosure controls and procedures that occurred during the six months ended June 30, 2011, that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Divestco maintains a set of internal controls and procedures over financial reporting which have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. The Company used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework to evaluate the effectiveness of its internal control over financial reporting. Divestco evaluated the effectiveness of its controls and procedures over financial reporting (as defined under National Instrument 52-109) for the year ended December 31, 2010. This evaluation was performed under the supervision of the CEO and the CFO, with the assistance of other Divestco employees. Based on this evaluation, the CEO and the CFO concluded that the effectiveness of these internal controls and procedures provided reasonable assurance regarding the reliability of financial reporting and that there are no material weaknesses in

Divestco's internal control over financial reporting that have been identified by management for the year ended December 31, 2010.

There were no changes in Divestco's internal control over financial reporting that occurred during the six months ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.

CORPORATE INFORMATION**BOARD OF DIRECTORS**

Edward L. Molnar^{1,2,3}
Stephen Popadynetz
Brent Gough^{2,3,4}
Wade Brillon
Bill Tobman^{2,3,4}

¹ Chairman of the Board

² Member of the Audit Committee

³ Member of the Compensation Committee

⁴ Member of the Corporate Governance Committee

OFFICERS

Stephen Popadynetz – Chief Executive Officer and President
Steve Sinclair-Smith – Chief Operating Officer
Lonn Hornsby – Senior VP Operations – Divestco Seismic
Danny Chiarastella – VP Finance
Mathew Hepton – VP Software Development

CORPORATE SECRETARY

Faralee A. Chanin

STOCK EXCHANGE LISTING

TSX-V: DVT

REGISTRAR AND TRANSFER AGENT

Canadian Stock Transfer Company Inc.

AUDITORS

KPMG LLP

LEGAL COUNSEL

Field LLP

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CAVALIER LAND AND LANDMASTERS

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Divestco Inc.
Condensed Interim Consolidated Financial
Statements
For the three and six months ended June 30, 2011
(Unaudited)

Contents

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Divestco Inc.
Condensed Consolidated Statement of Financial Position

As at	June 30, 2011	December 31, 2010
(Thousands - Unaudited)		
Assets		
Current Assets		
Cash	\$ 903	\$ 3,696
Funds held in trust	16	15
Accounts receivable	12,137	11,759
Prepaid expenses, supplies and deposits	224	237
Income taxes receivable	264	287
	13,544	15,994
Investment in affiliated company	128	100
Participation surveys in progress	2,819	1,253
Property and equipment (Note 6)	5,783	3,026
Intangible assets (Note 7)	14,966	14,611
	\$ 37,240	\$ 34,984
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank indebtedness (Note 8)	\$ 1,500	\$ 2,050
Accounts payable and accrued liabilities	7,724	8,248
Deferred revenue	2,934	2,710
Current loss on sublease loss provision (Note 13)	1,193	1,729
Current portion of long-term debt obligations (Note 9)	1,044	368
Current portion of tenant inducement (Note 13)	141	-
	14,536	15,105
Deferred rent obligations (Note 13)	992	-
Long-term debt obligations (Note 9)	4,297	188
Sublease loss provision (Note 13)	1,402	1,621
Tenant Inducements (Note 13)	1,810	-
Other long-term liabilities (Note 9(b))	100	-
	23,137	16,914
Shareholders' Equity		
Equity instruments (Note 10)	75,383	75,253
Contributed surplus	5,590	5,590
Deficit	(66,870)	(62,773)
	14,103	18,070
Future operations (Note 2)		
Contingencies (Note 16)		
Subsequent Event (Note 18)		
	\$ 37,240	\$ 34,984

See notes to condensed interim consolidated financial statements.

Divestco Inc.
Condensed Consolidated Statement of Income (Loss) and
Comprehensive Income (Loss)

(Thousands, Except Per Share Amounts - Unaudited)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Revenue	\$ 10,637	\$ 10,647	\$ 19,452	\$ 22,725
Operating expenses				
Salaries and benefits	5,107	4,843	10,266	9,948
General and administrative	3,585	3,324	8,098	6,646
Share based payments	-	74	-	120
	8,692	8,241	18,364	16,714
Finance costs	167	523	204	1,092
Depreciation and amortization	1,525	7,858	4,914	17,094
Other loss (income)	2	(14)	2	(94)
Income (loss) before income taxes	251	(5,961)	(4,032)	(12,081)
Income taxes				
Current (recovery)	16	(48)	65	(79)
Deferred (reduction)	-	(1,352)	-	(3,230)
	16	(1,400)	65	(3,309)
Net income (loss) and comprehensive income (loss) for the period	\$ 235	\$ (4,561)	\$ (4,097)	\$ (8,772)
Net income (loss) per share (Note 10(d))				
Basic and Diluted	\$ -	\$ (0.11)	\$ (0.07)	\$ (0.21)

See notes to condensed interim consolidated financial statements.

Divestco Inc.
Condensed Consolidated Statement of Changes in Equity

(Thousands - Unaudited)	Number of Shares Issued Share Capital		Number of Warrants Issued Warrants		Equity Instruments	Contributed Surplus	Equity portion of convertible debentures	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2010	41,958	\$ 70,518	-	\$ -	\$ 70,518	\$ 5,562	\$ 56	\$ 31,411	\$ 107,547
Net loss and comprehensive loss for the period								(8,772)	(8,772)
Transactions with owners, recorded in equity contributions by and distributions to owners: Share-based payment transactions						120			120
Balance at June 30, 2010	41,958	\$ 70,518	-	\$ -	\$ 70,518	\$ 5,682	\$ 56	\$ 22,639	\$ 98,895
Balance at January 1, 2011	58,938	\$ 73,445	15,825	\$ 1,808	\$ 75,253	\$ 5,590	\$ -	\$ (62,773)	\$ 18,070
Net loss and comprehensive loss for the period								(4,097)	(4,097)
Transactions with owners, recorded in equity contributions by and distributions to owners:									
Issue on private placement	455	48	455	52	100				100
Share-based payment transactions	192	31			31				31
Share issue costs		(1)			(1)				(1)
Balance at June 30, 2011	59,585	\$ 73,523	16,280	\$ 1,860	\$ 75,383	\$ 5,590	\$ -	\$ (66,870)	\$ 14,103

See notes to condensed interim consolidated financial statements.

Divestco Inc.
Consolidated Statement of Cash Flows

For the six months ended June 30 (Thousands - Unaudited)	2011	2010
Cash flows from operating activities		
Net loss for the period	\$ (4,097)	\$ (8,772)
Items not affecting cash:		
Equity investment gain	1	-
Depreciation and amortization	4,914	17,094
Sublease loss (Note 13)	(303)	-
Amortization of tenant inducements	(38)	-
Deferred rent obligations	425	-
Income taxes	65	(3,309)
Data exchanges	-	(1,775)
Gain on sale of property and equipment	-	(90)
Unrealized foreign exchange loss	(4)	-
Non-cash employment benefits (Note 11(c))	31	-
Share based payments	-	120
Finance costs	204	1,092
	1,198	4,360
Changes in non-cash working capital balances (Note 12)	1,744	5,019
Changes in long-term prepaid expense	-	158
Interest paid	(141)	(988)
Income taxes refunded	51	290
	2,852	8,839
Cash flows from (used in) financing activities		
Bank indebtedness	(550)	-
Issue of common shares, net of related expenses	99	-
Repayment of long-term debt obligations	(221)	(3,129)
Deferred financing costs	(155)	-
Proceeds received from long-term debt obligations (net of committed revolver repayments)	5,000	(1,020)
	4,173	(4,149)
Cash flows used in investing activities		
Additions to intangible assets	(2,482)	(2,647)
Decrease (increase) in participation surveys in progress	(1,566)	1,981
Purchase of property and equipment	(5,422)	(442)
Additions to tenant inducements	3,306	-
Payment made on sublease loss provision	(488)	-
Investment in affiliates	(29)	-
Proceeds on sale of property and equipment	-	93
Deferred development costs	(1,295)	(1,425)
Changes in non-cash working capital balances (Note 12)	(1,842)	(1,940)
	(9,818)	(4,380)
Increase (decrease) in cash	(2,793)	310
Cash, beginning of period	3,696	768
Cash, end of period	\$ 903	\$ 1,078

See notes to condensed interim consolidated financial statements.

Divestco Inc.

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2011

(Tabular amounts in thousands, unless otherwise stated)

1. Reporting Entity

Divestco Inc. ("Divestco" or the "Company") is incorporated under the Business Corporations Act of Alberta and is a publicly traded company on the TSX Venture Exchange (TSX-V) under the symbol DVT. The Company offers its customers the ability to access and analyze information and make business decisions to optimize their success in the upstream oil and gas industry through three operating segments which include: Software and Data, Services and Seismic Data. The Corporate and Other segment provides support services to the operating segments.

2. Future Operations

These condensed interim consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

For the six months ended June 30, 2011, the Company incurred a net loss of \$4.1 million and had cash flows from operating activities of \$2.9 million. The net loss included occupancy costs related to the Company's existing office space leases and its new office space lease which commenced on May 1, 2010. The double rent obligations are expected to cease in Q3 2011 and the Company is actively searching for subtenants in its new office space to reduce its overall operating expenses. The Company had working capital of \$1.9 million excluding deferred revenue of \$2.9 million at June 30, 2011.

In May 2011, management secured on a new \$5 million subordinated demand bridge loan maturing on April 30, 2013 as detailed in Note 9. The loan was fully drawn down as at June 30, 2011. In addition the Company had \$3.5 million of availability on its operating line as at June 30, 2011.

There is substantial doubt as to the ability of the Company to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the continued support of the Company's lenders as well as the Company's ability to obtain other financing to fund its operations until the Company is in a position where it is generating positive net future cash flows and profitability. The Company believes that it will be able to meet its cash flow requirements in the near term, however, the outcome of the actions and events described above cannot be predicted at this time.

These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed interim consolidated financial statements.

3. Basis of Presentation

(a) Statement of compliance

The condensed interim consolidated financial statements of the Company have been prepared by management in accordance with International Accounting Standard 34, "Interim Financial

Divestco Inc.

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2011

(Tabular amounts in thousands, unless otherwise stated)

Reporting" ("IAS 34"). These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. The Company's significant accounting policies under IFRS are presented in Note 4 of the Company's condensed interim consolidated financial statements as at and for the three months ended March 31, 2011. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1. An explanation of how the transition to IFRS has affected the reported financial position of the Company is provided in Note 17.

These condensed interim consolidated financial statements were authorized for issuance by the Company's Audit Committee on August 25, 2011.

(a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(b) Presentation currency

These consolidated financial statements are presented in Canadian dollars.

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and contingent assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed annually at a minimum as required by IFRS. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant items subject to such estimates and assumptions include the useful life and recoverable amount of the intangibles assets, including data libraries, proprietary software and code, deferred development costs as well as the stage of completion of participation surveys in progress and valuation allowances for accounts receivable and deferred income taxes. Actual results could differ from those estimates.

4. Seasonality of Operations

Acquisition of seismic data is usually completed in the winter season when the ground is frozen. These conditions are imperative, especially in the northern areas of Alberta and British Columbia where seismic acquisition requires the use of heavy equipment. Unfavourable weather conditions may cause potential cost overruns and delays in the field data acquisition portion of the seismic data survey which could delay revenue recognition. Revenue is recognized on a percentage of completion basis.

Other segments of the Company, such as Services, normally exhibit a noticeable reduction in sales from mid-April through to the end of September and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. The

Divestco Inc.

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2011

(Tabular amounts in thousands, unless otherwise stated)

Company tries to minimize these fluctuations by performing specific types of contract work appropriate for lower-activity months. The Software and Data segment typically experiences a slowdown during July and August, which is generally a slower period for the oil and gas industry in western Canada. As a result, the operating results of the Company will vary on a quarterly basis.

5. Operating Segments

Divestco is an oil and gas services company offering products and services to customers in the oil and gas exploration and production industry. The Company operates in three segments: Software and Data, Services and Seismic Data. In addition, the Company reports its overhead activities through its Corporate and Other segment. The Company operates in Canada and has its headquarters in Calgary, Alberta.

Software and Data sells, maintains, and supports licensed software exploration products as well as provides a full suite of support data layers. Services provides geomatics, processing and land management services. Seismic Data provides seismic brokerage services in addition to developing and maintaining the Company's seismic data assets. Corporate and Other includes costs for executive management, finance, accounting, marketing, human resources, investor relations, and information technology.

The accounting policies of the segments are the same as those described in Note 4 of the Company's condensed interim consolidated financial statements as at and for the three months ended March 31, 2011. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation.

Performance is evaluated and resources are allocated based on specific segment requirements and measurable factors. Segment assets are those assets that are specifically identified with the operations in each operational segment. Corporate assets primarily include property and equipment. Corporate expense includes salaries and benefits and general and administrative expenses for the Company's support divisions in addition to finance costs as well as depreciation and amortization.

Performance is measured based on operating income, as included in the Company's internal management reports that are reviewed by the CEO. Operating income is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Divestco Inc.
Notes to Condensed Interim Consolidated Financial Statements

June 30, 2011

(Tabular amounts in thousands, unless otherwise stated)

As at and for the three months ended June 30, 2011					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$ 2,361	\$ 4,480	\$ 3,796	\$ -	\$ 10,637
Inter-segment revenue	-	9	-	-	9
Operating income (loss) ⁽¹⁾	(244)	639	3,144	(3,286)	253
Finance costs	-	(1)	(1)	169	167
Depreciation and amortization	906	272	34	313	1,525
Total assets	15,142	9,650	9,321	3,127	37,240
Capital expenditures ⁽²⁾	282	593	3,300	395	4,570
Deferred development costs	586	-	-	-	586

As at and for the three months ended June 30, 2010					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$ 2,304	\$ 4,336	\$ 4,007	\$ -	\$ 10,647
Inter-segment revenue	-	92	-	-	92
Operating income (loss) ⁽¹⁾	209	119	(3,336)	(2,967)	(5,975)
Finance costs	-	-	-	523	523
Depreciation and amortization	694	374	6,614	176	7,858
Total assets	15,798	8,063	132,792	654	157,307
Capital expenditures ⁽²⁾	8	17	92	11	128
Deferred development costs	613	58	7	-	678

As at and for the six months ended June 30, 2011					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	\$ 4,539	\$ 9,606	\$ 5,307	\$ -	\$ 19,452
Inter-segment revenue	-	90	1	(1)	90
Operating income (loss) ⁽¹⁾	(604)	1,750	2,775	(7,951)	(4,030)
Finance costs	-	(1)	(3)	208	204
Depreciation and amortization	2,037	563	972	1,342	4,914
Total assets	15,142	9,650	9,321	3,127	37,240
Capital expenditures ⁽²⁾	851	1,856	5,572	1,191	9,470
Deferred development costs	1,295	-	-	-	1,295

As at and for the six months ended June 30, 2010					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	\$ 4,724	\$ 9,829	\$ 8,172	\$ -	\$ 22,725
Inter-segment revenue	-	260	-	-	260
Operating income (loss) ⁽¹⁾	401	961	(7,977)	(5,560)	(12,175)
Finance costs	-	-	-	1,092	1,092
Depreciation and amortization	1,428	903	14,291	472	17,094
Total assets	15,798	8,063	132,792	654	157,307
Capital expenditures ⁽²⁾	69	138	804	97	1,108
Deferred development costs	1,213	163	49	-	1,425

⁽¹⁾ Operating income (loss) is revenue less operating expenses, finance costs, depreciation and amortization and impairment of goodwill and intangibles

⁽²⁾ Capital expenditures include the additions of intangible assets (net of changes in participation surveys in progress) and property and equipment.

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(Tabular amounts in thousands, unless otherwise stated)

6. Property and Equipment

	Computer Hardware and Software	Office Furniture and Equipment	Leasehold Improvements	Assets under Finance Leases	Land	Total
Cost:						
At January 1, 2010	\$ 6,919	\$ 1,739	\$ 1,492	\$ 3,522	\$ 30	\$ 13,702
Additions	38	-	404	255	-	697
Disposals	(22)	(4)	-	-	-	(26)
Reclassification	449	(449)	-	-	-	-
At June 30, 2010	7,384	1,286	1,896	3,777	30	14,373
Additions	19	-	1,297	116	-	1,432
Write-off fully amortized asset	(19)	-	-	-	-	(19)
At December 31, 2010	7,384	1,286	3,193	3,893	30	15,786
Additions	331	7	5,085	235	-	5,658
At June 30, 2011	\$ 7,715	\$ 1,293	\$ 8,278	\$ 4,128	\$ 30	\$ 21,444
Accumulated depreciation:						
At January 1, 2010	\$ 5,555	\$ 1,456	\$ 1,032	\$ 2,912	-	\$ 10,955
Depreciation	504	89	146	423	-	1,162
Disposals	(12)	(7)	(1)	(3)	-	(23)
Reclassification	449	(449)	-	-	-	-
At June 30, 2010	6,496	1,089	1,177	3,332	-	12,094
Depreciation	309	96	50	229	-	684
Write-off fully amortized asset	(18)	-	-	-	-	(18)
At December 31, 2010	6,787	1,185	1,227	3,561	-	12,760
Depreciation	266	58	2,477	100	-	2,901
At June 30, 2011	\$ 7,053	\$ 1,243	\$ 3,704	\$ 3,661	\$ -	\$ 15,661
Carrying amounts:						
At January 1, 2010	\$ 1,364	\$ 283	\$ 460	\$ 610	\$ 30	\$ 2,747
At June 30, 2010	888	197	719	445	30	2,279
At December 31, 2010	597	101	1,966	332	30	3,026
At June 30, 2011	662	50	4,574	467	30	5,783

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7. Intangible Assets

	Sismic Data	Datasets	Logand Drilling Library	Reference Library	Map Library	Total Data Libraries	Proprietary Software and Code	Deferred Development Costs	Total
Cost									
At January 1, 2010	\$ 253,040	\$ 632	\$ 7,209	\$ 445	\$ 239	\$ 261,565	\$ 8,256	\$ 8,179	\$ 278,000
Additions	4,421	-	-	-	-	4,421	-	1,017	5,438
At June 30, 2010	257,461	632	7,209	445	239	265,986	8,256	9,196	283,438
Additions	62	-	-	-	-	62	-	1,885	1,947
Disposals	(257,461)	-	-	-	-	(257,461)	-	-	(257,461)
At December 31, 2010	62	632	7,209	445	239	8,587	8,256	11,081	27,924
Additions	2,325	-	-	-	-	2,325	157	1,205	3,687
At June 30, 2011	\$ 2,387	\$ 632	\$ 7,209	\$ 445	\$ 239	\$ 10,912	\$ 8,413	\$ 12,286	\$ 31,611

	Sismic Data	Datasets	Logand Drilling Library	Reference Library	Map Library	Total Data Libraries	Proprietary Software and Code	Deferred Development Costs	Total
Accumulated depreciation									
At January 1, 2010	\$ 119,765	\$ 486	\$ 2,098	\$ 416	\$ 88	\$ 122,853	\$ 4,762	\$ 1,480	\$ 129,095
Amortization	14,233	16	180	29	8	14,466	339	1,126	15,931
At June 30, 2010	133,998	502	2,278	445	96	137,319	5,101	2,606	145,026
Amortization	2	18	180	-	8	208	339	1,738	2,285
Disposals	(133,998)	-	-	-	-	(133,998)	-	-	(133,998)
At December 31, 2010	2	520	2,458	445	104	3,529	5,440	4,344	13,313
Amortization	904	17	180	-	8	1,109	339	1,884	3,332
At June 30, 2011	\$ 906	\$ 537	\$ 2,638	\$ 445	\$ 112	\$ 4,638	\$ 5,779	\$ 6,228	\$ 16,645

	Sismic Data	Datasets	Logand Drilling Library	Reference Library	Map Library	Total Data Libraries	Proprietary Software and Code	Deferred Development Costs	Total
Carrying amount									
At Jan 1, 2010	\$ 133,275	\$ 146	\$ 5,111	\$ 29	\$ 151	\$ 138,712	\$ 3,494	\$ 6,689	\$ 148,905
At June 30, 2010	123,463	130	4,981	-	143	128,667	3,155	6,580	138,412
At December 31, 2010	60	112	4,751	-	135	5,088	2,816	6,737	14,611
At June 30, 2011	1,481	95	4,571	-	127	6,274	2,634	6,088	14,966

8. Bank Indebtedness

As at June 30, 2011, the Company had a revolving operating loan facility of \$5 million aggregate with advances being limited to the lesser of the maximum principal of the facility and the aggregate of 75% of accounts receivable of the Company excluding certain accounts that are outstanding for more than 90 days. The facility consists of a prime-based loan, letters of credit (to an aggregate maximum of \$500,000) and corporate MasterCard (to a maximum of \$150,000). The lender has a general security agreement over all present and after acquired personal property and a floating charge on all lands of the Company. The interest rate on this facility is Prime + 2.50% per annum with a non-refundable facility fee of 0.75% per annum being charged on the unused portion of the facility. As at June 30, 2011, \$1.5 million (December 31, 2010: \$2.1 million) was drawn on the facility.

The facility is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 0.90:1 for Q2 and Q3 2011, 1.00:1 for Q4 2011 and 1.25:1 thereafter; and debt service coverage ratio cannot fall below 2.25:1. As at June 30, 2011, the Company was not in violation of any of its debt covenants.

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9. Long-Term Debt Obligations

	Balance as at	
	June 30, 2011	December 31, 2010
Bridge loan (a)	\$ 5,000	\$ -
Finance lease obligations	570	556
	5,570	556
Deferred finance charges (b)	(229)	-
Current portion ⁽¹⁾	(1,044)	(368)
Long-term portion	\$ 4,297	\$ 188

⁽¹⁾ Includes the current portion of deferred finance charges of \$147,000

(a) Bridge loan

On May 4, 2011, the Company secured a \$5 million subordinate bridge loan with \$2 million of the loan proceeds being provided by two directors in accordance with a condition of the financing. The interest rate on this facility is 12% per annum with a commitment fee of \$200,000 (\$100,000 is deferred until March 31, 2013) and work fee of \$40,000. Payments are interest only until January 2012, at which time \$150,000 monthly principal payments commence. The loan has a maturity date of April 30, 2013 with a balloon payment of \$2.6 million due at that time. As at June 30, 2011, the balance on the loan was \$5 million. The security for the loan is a \$6.25 million demand debenture providing a second floating charge security over all personal and real property assets of the Company and a negative pledge and undertaking to provide fixed charges on the Company's corporate assets at the request of the lender.

The loan is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 0.90:1 for Q2 and Q3 2011, 1.00:1 for Q4 2011 and 1.25:1 thereafter; and debt service coverage ratio cannot fall below 2.25:1. As at June 30, 2011, the Company was not in violation of any of its debt covenants.

(b) Deferred finance charges

	Balance as at	
	June 31, 2011	December 31, 2010
Balance, beginning of year	\$ -	\$ 428
Additions ⁽¹⁾	255	50
Amortization ⁽²⁾	(26)	(478)
Balance, end of year	\$ 229	\$ -

⁽¹⁾ Includes \$100,000 that is not due to be paid until March 31, 2013

⁽²⁾ Included in finance costs in the consolidated statement of income (loss) and comprehensive income (loss)

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10. Equity Instruments

(a) Authorized

An unlimited number of voting Class A common shares.

(b) Par value

The Class A common shares do not have a par value.

(c) Rights, preference and restrictions

There are no restrictions on the distributions of dividends except for the Business Corporations Act (Alberta) solvency test. There are no restrictions with respect to the repayment of capital, subject to the process set out in the Business Corporations Act being followed and a solvency test being met.

(d) Net income (loss) per share

Basic net income (loss) per share is computed using the weighted-average number of Class A common shares outstanding during the year, being 59,471,000 for Q2 2011 (Q2 2010 – 41,958,000) and 59,408,000 for the six months ended June 30, 2011 (June 30, 2010 – 41,958,000). In computing diluted net (income) loss per share, no shares were added in Q2 2011 and Q2 2010 or for the six months ended June 30, 2011 and June 30, 2010 to the weighted average number of Class A common shares outstanding for the dilution from the stock options, warrants and convertible debentures (repaid September 2010) as they were anti-dilutive.

11. Share Based Payments

As at June 30, 2011, the Company had the following share based payment arrangements:

(a) Stock options

The Company has a stock option plan (the “Option Plan”) whereby options may be granted to directors, officers, employees and consultants. The Option Plan allows for the granting of options to purchase Class A common shares to a maximum number equal to 10% of the then issued and outstanding Class A common shares of the Company combined with the Company’s other share based compensation arrangements. The price of each stock option granted is based on the market value of the Company’s stock on the last trading day prior to the date of grant. The options have a five-year term and vest equally over a three-year period commencing on the first anniversary of the date of grant. There were no options granted during the six months ended June 30, 2011.

A summary of the status of the Company’s stock option plan as at June 30, 2011 and December 31, 2010 and changes during the periods then ended is presented below:

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	Number of Options	Option Price	Weighted Average Price
Options outstanding, January 1, 2010	2,137	\$0.60-\$6.10	\$1.99
Granted	615	\$0.68-\$0.78	\$0.69
Exercised ⁽¹⁾	(1,155)	\$0.60-\$0.78	\$0.63
Forfeited ⁽²⁾	(690)	\$0.60-\$6.10	\$1.91
Options outstanding, December 31, 2010	907	\$0.68-\$6.10	\$2.89
Forfeited	(282)	\$0.68-\$6.10	\$5.00
Options outstanding, June 30, 2011	625	\$0.68-\$4.70	\$1.94

⁽¹⁾ 850,000 options were exercised by directors, officers and former officers

⁽²⁾ 187,500 options were forfeited by former Directors, an officer and former officers

Stocks options which were outstanding and vested as at June 30, 2011, are summarized as follows:

Options Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
437	\$0.68-\$1.99	\$1.09	2.72	437	\$1.09
30	\$2.00-\$3.49	\$2.48	1.56	30	\$2.48
158	\$3.50-\$4.70	\$4.17	0.44	158	\$4.17
625	\$0.68-\$4.70	\$1.94	2.08	625	\$1.94

(b) Employee stock ownership plan

The Company's employee stock ownership plan ("ESOP") allows each employee to contribute up to 25% of their regular salary towards the savings plan. The Company matches the employee's contribution through a combination of cash and Class A common shares issued from treasury up to 4.5% of their monthly regular salary to a maximum of \$450 per month. All cash contributions are used to purchase Class A common shares through the facilities of the TSX-V and the value of the Company's contribution is included in salaries and benefits in the consolidated statements of loss and comprehensive loss. The Company reinstated matching on July 1, 2011.

(c) Long-term Service Awards

On May 1, 2011, the Company adopted a plan whereby 5 and 10 year service awards ("Service Awards") are issued to employees in the form of Class A common shares issued from treasury. The value for a 5 year award is \$750 and \$1,250 for a 10 year award. The number of Class A common shares issued is based on the closing price on the last trading day prior to the issuance of the Service Award. Service Awards are issued at the end of the month in which the employee has their 5 or 10 year anniversary.

(d) Warrants

In connection with the private placements the Company closed in December 2010 and January 2011, the Company issued 16,280,000 warrants. The warrants were valued upon grant using the Black-Scholes method with the following assumptions: risk free interest rate of 1.7%, expected life of 2 years, expected dividends of nil and expected volatility of 116%. These warrants entitle

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the holder to purchase Class A common shares of the Company at an exercise price of \$0.32 per share and expire in December 2012. The warrants were subject to a four-month hold period which expired in April 2011 and are non-transferable.

12. Statement of Cash Flows

Six months ended June 30	2011	2010
Changes in non-cash working capital balances		
Funds held in trust	\$ (1)	\$ 3
Accounts receivable	(378)	6,014
Prepaid expenses, supplies and deposits	13	8
Accounts payable and accrued liabilities	44	(1,676)
Deferred revenue	224	(1,270)
	\$ (98)	\$ 3,079
Changes in non-cash working capital balances related to operating activities	\$ 1,744	\$ 5,019
Changes in non-cash working capital balances related to investing activities	(1,842)	(1,940)
	\$ (98)	\$ 3,079

During the six months ended June 30, 2011, the Company recorded finance lease additions of \$235,000 (June 30, 2010 - \$256,000). As at June 30, 2011, the Company held \$11,000 (June 30, 2010 - \$124,000) of cash which was denominated in a foreign currency.

13. Operating Leases, Tenant Inducements and Sublease Loss Provision

On May 1, 2010, the Company's lease for its new premises commenced. The lease term is 15 years. The monthly commitment is approximately \$574,000 including operating costs for 2011. The annual square foot rate increases in years 3, 6, 9, 11 and 14. All other leases expire in 2011 except for approximately 9,500 square feet of space that is occupied by the Company's IT infrastructure.

Deferred Rent Obligation

The Company records the rent expense on a straight line basis over the term of the lease in accordance with IFRS under deferred lease obligation on the statement of financial position and in operating expenses on the consolidated statement of income (loss) and comprehensive income (loss).

Tenant Inducements

As part of the lease agreement, the landlord provided the Company \$3.3 million tenant inducements. The tenant inducements are amortized over the term of lease as a reduction to occupancy costs (included in operating expenses in the consolidated statements of income (loss) and comprehensive income (loss)). \$1.7 million of tenant inducements were received as of June 30, 2011 which was used for leasehold improvements. Tenant inducements have been fully amortized for any office space the Company does not intend to occupy.

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Sublease Loss Provision

In 2010, management anticipated that the Company would not occupy all of the space in its new premises and began negotiating with potential subtenants. In Q1 2011 the Company finalized an agreement whereby a new tenant assumed the lease on two floors for 10 years after which time the Company is no longer responsible for the lease obligations for that space. The lease commenced on April 1, 2011 and included an initial eight month rent-free period and additional tenant inducements matching current inducement rates. The total savings to the Company will be approximately \$2 million annually after 2011.

A liability of \$3.5 million was initially accrued for the estimated sub-lease loss, which was calculated as the present value of the difference between estimated current day sublease rental rates that could be reasonably obtained for the property and those which the Company is committed to pay to the landlord. The Company recorded accretion of \$37,000 for the six months ended June 30, 2011 (included in finance costs on the in the consolidated statements of income (loss) and comprehensive income (loss)).

During the six months ended June 30, 2011, the Company has recorded an amount with respect to the sub-leasing of additional floors at its new office premises. Based on current market conditions the Company expects to fully recover its leasing and related operating costs for the floors. The recovery does not include costs incurred by the Company on leasehold improvements (net of tenant inducements). In anticipation of leasing out these additional floors, the Company recorded a net impairment of \$1 million on leasehold improvements for the relevant floors.

Below is a summary of the new building lease commitment net of (estimated) sub-leases combined with the Company's commitment on its current premises until the leases expire:

2011	4,346
2012	6,348
2013	6,668
2014	6,820
2015 +	87,109
Total	\$111,291

14. Related Party Transactions

(a) Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers. Executive officers also participate in the Company's share option program (see note 11(a)) and ESOP (see note 11(b)).

Certain executive officers have management contracts. Upon resignation at the Company's request, they are entitled to termination benefits of up to 18 months' gross salary, depending on the number of years completed as an executive officer.

(b) Key management personnel and director transactions

Directors and officers of the Company control 35% percent of the voting shares of the Company.

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The Company had the following transactions with directors and an officer:

- (i) On May 4, 2011, the Company secured a \$5 million subordinate bridge loan with \$2 million of the loan proceeds being provided by two directors in accordance with a condition of the financing (see note 9(a)).
- (ii) During the six months ended June 30, 2011 the Company incurred \$89,000 (June 30, 2010 - \$88,000) in seismic consulting fees and brokerage commissions from a company controlled by a director. Included in accounts payable as at June 30, 2011 was \$226,000 (December 31, 2010 - \$147,000) related to these commissions.
- (iii) During the six months ended June 30, 2011, the Company incurred \$206,000 (June 30, 2010 - \$89,000) in legal fees from the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at June 30, 2011 was \$88,000 (December 31, 2010 - \$74,000) related to these legal fees.

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

15. Financial Instruments and Risk Management Overview

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

- (a) credit risk
- (b) liquidity risk
- (c) interest rate risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of

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each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. During the six months ended June 30, 2011, approximately 22% (June 30, 2010: 27%) of the Company's revenue was attributable to sales transactions with three customers. A significant portion of the Company's trade accounts receivable are from companies in the oil and gas industry in western Canada and are exposed to normal industry credit risks. The concentration risk is mitigated primarily by portion of the customers being large investment grade organizations.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Customers that fail to meet the Company's benchmark creditworthiness generally are restricted to products and services on a cash on delivery basis only.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are considered as "high risk" are closely monitored, and future sales maybe made on a prepayment basis.

In an effort to protect the Company's seismic data asset both past and present, Divestco has commenced (or is contemplating) legal action against companies for breaches of its license agreement, copyright and duty of confidentiality for unauthorized sharing of its proprietary seismic data with third parties and will continue to enforce its proprietary rights using all methods at its disposal. These actions commenced or contemplated could have a material financial impact to the Company. Given the nuances it is difficult to quantify the timing or potential financial impact of any legal action commenced or contemplated.

The Company does not require collateral in respect of trade and other receivables.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Balance as at	
	June 30, 2011	December 31, 2010
Accounts receivables	\$ 12,137	\$ 11,759
Cash	903	3,696
	\$ 13,040	\$ 15,455

The Company's most significant customers account for 32% of the carrying amount of its trade receivables at June 30, 2011 (December 31, 2010: 34%).

Impairment losses

The aging of accounts receivables at the reporting date was:

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	Balance as at			
	June 30, 2011		December 31, 2010	
	Gross	Impairment	Gross	Impairment
Not past due	\$ 3,950	\$ -	\$ 4,356	\$ -
Past due 0-30 days	3,313	-	1,579	-
Past due 31-60 days	922	-	806	-
Past due 61-90 days	407	-	357	-
More than 90 days	1,175	241	1,128	225
	9,767	241	8,226	225
Non-trade receivables and accrued revenue	2,611	-	3,758	-
	\$ 12,378	\$ 241	\$ 11,984	\$ 225
Accounts receivable and accrued revenue net of impairment	\$ 12,137		\$ 11,759	

The movement in the allowance for impairment in respect of trade and other receivables during the period was as follows:

	Balance as at	
	June 30, 2011	December 31, 2010
Balance, beginning of period	\$ 225	\$ 2,030
Impairment loss recognized (reversed)	12	(1,083)
Allowance released (used)	4	(722)
Balance, end of period	\$ 241	\$ 225

The Company reviews its accounts receivable amounts regularly and amounts are written down to their expected realizable value when outstanding amounts are determined not to be fully collectable. This generally occurs when the customer has indicated an inability to pay, the Company is unable to communicate with the customer over an extended period of time, and other methods to obtain payment have been considered and have not been successful. While the Company normally relies on in-house collection efforts, there are occasions where legal action is required to collect an overdue account.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets and the Company recording an allowance for doubtful accounts equal to 20% of balances that are older than 120 days. Bad debt expense is charged to net loss in the period that the account is determined to be doubtful.

Based on historic default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables past due by 30 days or less.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed

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conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains lines of credit.

As at June 30, 2011 the Company had a cash balance of \$0.9 million, \$12.1 million in accounts receivable and \$3.5 million in unused committed bank credit facilities totalling \$16.5 million to settle current liabilities of \$11.6 million (excluding deferred revenue of \$2.9 million). To manage liquidity risk, the Company utilizes long and short-term cash forecasts to ensure it has necessary funds to fulfill its obligations. In May 2011, management secured a new subordinated demand bridge loan to assist it with the build-out of its office space and for working capital purposes. The Company will continue to review additional sources of capital to continue its activities and discharge its commitments as they become due.

The Company's liquidity position significantly improved in 2010 with the sale of its seismic assets and the Company remains committed to not undertaking any significant capital expenditure unless the project is fully funded with sales contracts.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at June 30, 2011:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Bank Indebtedness	1,500	1,500	1,500					1,500
Accounts payable and accrued liabilities	7,724	7,724	7,724					7,724
Deferred rent obligations	992	992					992	992
Long-term debt obligations	5,341	5,570	146	146	1,179	4,099		5,570
Loss on sublease	2,595	2,718	970	178	356	1,067	147	2,718
Tenant Inducements	1,951	1,951	65	76	130	390	1,290	1,951
Total	20,103	20,455	10,405	400	1,665	5,556	2,429	20,455

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(c) Interest rate risk

The Company's operating line is based on a floating interest rate and is subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. The Company's long-term debt obligations are based on fixed interest rates ranging from 1.4% to 12%. If these transactions were entered into today, the interest expense would not be materially different. Carrying amounts are as follows:

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(Tabular amounts in thousands, unless otherwise stated)

	Balance as at	
	June 30, 2011	December 31, 2010
Fixed rate instruments		
Finance lease obligations	\$ 570	\$ 556
Bridge loan	5,000	-
Variable rate instruments		
Bank indebtedness	1,500	2,050
	\$ 7,070	\$ 2,606

The Company's sensitivity analysis includes items bearing interest at variable rates. The analysis indicates that a 100 basis points increase in interest rates at the reporting date would have increased the net loss for the six months ended June 30, 2011 by \$9,000 and 100 basis points decrease would have decreased the net loss for the six months ended June 30, 2011 by \$9,000 (December 31, 2010 – \$141,000). The Company does not use derivative financial instruments to reduce its interest risk exposure. The carrying amounts of the Company's term debt approximate their fair values.

Capital Management

The Board's policy is to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk levels and manage capital in a manner which balances the interests of equity and debt holders. Management and the Board of Directors monitor capital using a funded debt to equity ratio. Funded debt to equity is a non-GAAP measure and therefore is unlikely to be comparable to similar measures of other companies. The ratio is calculated by taking the sum of interest-bearing long-term debt obligations and bank indebtedness (current and long-term portions) divided by shareholders' equity as presented on the Company's consolidated statement of financial position.

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

The Company's strategy is to maintain a funded debt to equity ratio of less than 1:00:1. In reaction to the poor economic conditions in 2009 and 2010, management and the Board of Directors intend to operate the Company with minimum debt going forward to ensure adequate financial flexibility to meet the financial obligations, both current and long-term and as part of their effort to maintain a healthy statement of financial position.

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(Tabular amounts in thousands, unless otherwise stated)

	Balance as at	
	Jun 30, 2011	Dec 31, 2010
Components of funded debt to equity ratio:		
Bank indebtedness	\$ 1,500	\$ 2,050
Current portion of long-term funded debt obligations	1,044	368
Long-term funded debt obligations	4,297	188
Total funded debt	6,841	2,606
Shareholders' equity	\$ 14,103	\$ 18,070
Total funded debt to equity	0.49	0.14

16. Contingencies

The Company is party to various legal actions arising in the normal course of business. Matters that are probable of an unfavorable outcome to the Company and that can be reasonably estimated are accrued. Such accruals are based on information known about the matters, the Company's estimates of the outcomes of such matters and its experience in contesting, litigating and settling similar matters. Except as discussed below, none of the actions are believed by management to involve future amounts that would be material to the Company's financial position or results of operations after consideration of recorded accruals. However, actual amounts could differ materially from management's estimate.

As at September 30, 2010, the Company disposed of its seismic data library, however it continues to build another proprietary seismic data library. As outlined in the Seismic Data Purchase Agreement incorporated by reference in the August 26, 2010 Information Circular, the Company retained the right to litigate and retain in whole or in part the proceeds of past breaches with respect to certain disposed seismic assets. The Company relies on a combination of patent, copyright, trademark and trade secret laws, confidentiality agreements, contractual provisions and other measures to protect its own proprietary information. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may or have attempted to copy aspects of its technology or to obtain and use information that the Company regards as proprietary such as its current and past seismic data library. In an effort to protect the Company's seismic data asset both past and present, the Company has commenced legal action against companies for breaches of its license agreement, copyright and duty of confidentiality for unauthorized sharing of its proprietary seismic data with third parties and will continue to enforce its proprietary rights using all methods at its disposal. These actions could have a material financial impact to the Company. Given the nuances, it is difficult to quantify the timing or potential financial impact of any legal action commenced or contemplated.

17. Explanation of Transition to IFRS

The accounting policies under IFRS have been applied to the three and six months ended June 30, 2011, the opening statement of financial position at January 1, 2010, the comparative information for the three and six months ended June 30, 2010 and the comparative information for the year ended December 31, 2010.

The adjustments resulting from the application of IFRS at the transition date were recorded to the Company's opening deficit on the statement of financial position when appropriate.

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Notes to Condensed Interim Consolidated Financial Statements

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(Tabular amounts in thousands, unless otherwise stated)

Upon transition to IFRS, the Company used certain exemptions allowed under IFRS 1 "First Time Adoption of International Reporting Standards". The following exemptions were used:

(a) Business combinations

IFRS 1 allows an entity to use the IFRS rules for business combinations on a prospective basis rather than restating all business combinations. In respect of acquisitions prior to January 1, 2010, Goodwill represents the amount recognized under the Company's previous GAAP.

(b) Share based payments

IFRS 1 allow entities an exemption on IFRS 2, "Share Based Payments" to equity instruments which vested prior to the transition date.

As stated in Note 3, these are the Company's second consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 4 of the Company's condensed interim consolidated financial statements as at and for the three months ended March 31, 2011 have been applied in preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition). All other optional exemptions in IFRS 1 were either not applicable because there were no significant differences in management's application of Canadian GAAP in these areas or were not taken. Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

IFRS reconciliations of Equity and Total Comprehensive Loss from Canadian GAAP ("CGAAP") to IFRS

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

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Notes to Condensed Interim Consolidated Financial Statements

June 30, 2011

(Tabular amounts in thousands, unless otherwise stated)

As at June 30, 2010
Consolidated Statement of Financial Position

(Thousands)	CGAAP Jun 30, 2010	Effect of transition to IFRS Jan 1, 2010	Effect of transition to IFRS	IFRS Jun 30, 2010
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,078	\$ -		1,078
Funds held in trust	15			15
Accounts receivable	13,253			13,253
Prepaid expenses, supplies and deposits	700			700
Income taxes receivable	589			589
	15,635			15,635
Long-term prepaid expense	688			688
Investment in affiliated company	88			88
Data libraries (Note a)	128,667	(138,712)	10,045	-
Participation surveys in progress	205			205
Property and equipment	2,279			2,279
Deferred development costs (Note a)	6,590	(6,699)	109	-
Intangible assets (Note a)	3,155	145,411	(10,154)	138,412
	\$ 157,307	\$ -	\$ -	\$ 157,307
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 19,509	\$ -		\$ 19,509
Deferred revenue (Note b)	2,610	(1,663)	1,663	2,610
Current portion of long-term debt obligations	22,825			22,825
	44,944	(1,663)	1,663	44,944
Long-term debt obligations	250			250
Convertible debentures	3,640			3,640
Deferred income taxes (Note d)	9,578	466	(466)	9,578
	58,412	(1,197)	1,197	58,412
Shareholders' Equity				
Equity instruments	70,518			70,518
Contributed surplus (Note c)	5,638	89	(45)	5,682
Equity portion of convertible debentures	56			56
Retained earnings (Note e)	22,683	1,108	(1,152)	22,639
	98,895	1,197	(1,197)	98,895
	\$ 157,307	\$ -	\$ -	\$ 157,307

Divestco Inc.
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June 30, 2011

(Tabular amounts in thousands, unless otherwise stated)

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss under IFRS For the three months ended June 30, 2010

(Thousands)	CGAAP 2010	Effect of transition to IFRS	IFRS 2010
Revenue	\$ 10,647	-	\$ 10,647
Operating expenses			
Salaries and benefits	4,843	-	4,843
General and administrative	3,324	-	3,324
Share based payments (note c)	90	(16)	74
	8,257	(16)	8,241
Finance costs	523	-	523
Depreciation and amortization	7,858	-	7,858
Other income	(14)	-	(14)
Loss before income taxes	(5,977)	16	(5,961)
Income taxes (recovery)			
Current	(48)	-	(48)
Deferred	(1,352)	-	(1,352)
	(1,400)	-	(1,400)
Net loss and comprehensive loss for the period	\$ (4,577)	\$ 16	\$ (4,561)
Net loss per share			
Basic and diluted	\$ (0.11)		\$ (0.11)

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Notes to Condensed Interim Consolidated Financial Statements

June 30, 2011

(Tabular amounts in thousands, unless otherwise stated)

Condensed Interim Consolidated Statement Loss and Comprehensive Loss under IFRS For the six months ended June 30, 2010

(Thousands)	CGAAP 2010	Effect of transition to IFRS	IFRS 2010
Revenue (note b)	\$ 24,388	(1,663)	\$ 22,725
Operating expenses			
Salaries and benefits	9,948	-	9,948
General and administrative	6,646	-	6,646
Share based payments (note c)	165	(45)	120
	16,759	(45)	16,714
Finance costs	1,092	-	1,092
Depreciation and amortization	17,094	-	17,094
Other income	(94)	-	(94)
Loss before income taxes	(10,463)	(1,618)	(12,081)
Income taxes (recovery)			
Current	(79)	-	(79)
Deferred (note d)	(2,764)	(466)	(3,230)
	(2,843)	(466)	(3,309)
Net loss and comprehensive loss for the period	\$ (7,620)	\$ (1,152)	\$ (8,772)
Net loss per share			
Basic and diluted	\$ (0.18)		\$ (0.21)

Notes to the IFRS reconciliations of Equity and Total Comprehensive Loss from Canadian GAAP ("CGAAP") to IFRS

(a) Intangible assets

In accordance with IFRS, the Company accounts for its data libraries and deferred development costs as intangible assets, using the historical cost model, which is consistent with the method used under Canadian GAAP. The Company's amortization policy is unchanged from the amortization policy followed under Canadian GAAP. However the Company elected to group all intangible assets into a single item on its statement of financial position.

(b) Revenue recognition

Revenue for a seismic participation survey was recognized upon delivery of the seismic data to the client following the completed contract method under Canadian GAAP. Under IFRS, revenue

Divestco Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(Tabular amounts in thousands, unless otherwise stated)

is being recognized following the percentage of completion method, resulting in earlier recognition of a significant portion of revenue prior to January 1, 2010. This has resulted in a positive change to the opening retained earnings of \$1.7 million and an equivalent reduction in deferred revenue as at January 1, 2010. This also resulted in an equivalent reduction of revenue for the six months ended June 30, 2010 by \$1.7 million (Q2 2010 - \$nil).

(c) Share based payments

Under Canadian GAAP, the Company recognized compensation expense associated with share based compensation plans on a straight-line basis and did not incorporate a forfeiture rate at the grant date. Under IFRS, the Company is recognizing the expense over the individual vesting periods using an estimated forfeiture rate at the grant date and updating it throughout the vesting period. This amounted to an additional share based payment expense of \$89,000 at January 1, 2010 which resulted in a reduction of \$89,000 in retained earnings and an equivalent increase in contributed surplus at the transition date.

Under IFRS, the Company reduced share based compensation by \$16,000 in Q2 2010 and \$45,000 for the six months ended June 30, 2010 resulting in an increase in retained earnings and an equivalent decrease in contributed surplus of \$45,000 as at June 30, 2010.

(d) Deferred income taxes

Due to the earlier recognition of revenue under IFRS, the reported deferred income tax liability at the transition date increased by \$466,000 with an equivalent decrease to the opening retained earnings. The reduction in revenue for the six months ended June 30, 2010 resulted in an increase in deferred tax reduction for the period by \$466,000.

(e) Sublease loss

Under IFRS, the Company was required to use a risk-free interest rate to present value the sublease loss. Under Canadian GAAP, the Company was required to use a risk-adjusted interest rate. This resulted in an increase in operating expenses for the year ended December 31, 2010 and an increase in deficit as at December 31, 2010. There was no impact as at and for the six months ended June 30, 2010 as the sublease loss was initially recorded in Q3 2010.

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Notes to Condensed Interim Consolidated Financial Statements

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The following is a summary of the total impact on retained earnings (deficit) of the changes described above:

Reconciliation of retained earnings as at	Jan 1, 2010
Retained earnings at December 31, 2009 per CGAAP	\$ 30,303
Increase in retained earnings due to change in revenue recognition policy	1,663
Decrease in retained earnings due to increased share based payments	(89)
Related tax effect	(466)
Retained earnings at January 1, 2010 per IFRS	\$ 31,411

Reconciliation of retained earnings as at	Jun 30, 2010
Retained earnings at June 30, 2010 per CGAAP	\$ 22,683
Increase in retained earnings due to change in revenue recognition policy at transition date	1,663
Decrease in retained earnings due to change in revenue recognition policy during 2010	(1,663)
Decrease in retained earnings due to increased share based payments at transition date	(89)
Increase in retained earnings due to decreased share based payments during 2010	45
Related tax effect at transition date	(466)
Related tax effect	466
Retained earnings as at June 30, 2010 per IFRS	\$ 22,639

Reconciliation of deficit as at	Dec 31, 2010
Deficit at December 31, 2010 per CGAAP	\$ (63,322)
Increase in retained earnings due to change in revenue recognition policy at transition date	1,663
Decrease in retained earnings due to change in revenue recognition policy during 2010	(951)
Decrease in retained earnings due to increased share based payments at transition date	(89)
Increase in retained earnings due to decreased share based payments during 2010	243
Decrease in retained earnings due to change in sublease loss amount and related accretion (note e)	(317)
Related tax effect at transition date	(466)
Related tax effect	466
Deficit as at December 31, 2010 per IFRS	\$ (62,773)

18. Subsequent event

On May 19, 2011, the Company's shareholders approved the establishment of a Performance Share Unit ("PSU") Plan (the "PSU Plan"). Each PSU awarded conditionally entitles the eligible unit holder to the delivery of one Class A common share of the Company upon attainment of the PSU vesting conditions at the Board's sole discretion. As the Company intends to settle these obligations with Class A common shares it will therefore classify these awards as equity in the consolidated statement of financial position. These PSUs plus dividend equivalents in the form of additional PSUs equal to the dividends declared and issued, if any, on the underlying units will vest where performance conditions for the 2011 fiscal year are met.

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The aggregate number of units reserved for issuance upon the vesting of all PSUs granted under the PSU plan will not exceed 1,188,000 Class A common shares, being 2% of the issued and outstanding Class A common shares of the Corporation as of April 13, 2011, the date of Board approval of the Plan, and a maximum of 594,000 Class A common shares, being 1% of the issued and outstanding Class A common shares of the Corporation as of April 13, 2011, the date of Board approval of the Plan, for any one insider. Compensation expense related to the PSUs will be accrued over the term of the performance period based on the expected total compensation to be paid out at the end of the performance period. On July 27, 2011, 900,000 PSUs and 2,580,000 stock options were granted to directors, officers and employees.