Press Release

Divestco

Divestco Reports Q2 2014 Results

August 29, 2014, Calgary, AB (TSX-V: DVT) – Divestco Inc. ("Divestco" or the "Company"), an exploration services company dedicated to providing a comprehensive and integrated portfolio of data, software and services to the oil and gas industry worldwide, today announced its financial and operating results for the three and six months ended June 30, 2014.

Financial Highlights

OVERALL PERFORMANCE AND OPERATIONAL RESULTS

Financial Results (Thousands, Except Per Share Amounts)								
	Three months ended June 30				Six months ended Jun 30			
	2014	2013	*$ Change*	*% Change*	**2014**	2013	*$ Change*	*% Change*
Revenue	**$ 5,189**	$ 7,083	*$ (1,894)*	*-27%*	**$ 11,901**	$ 18,701	*$ (6,800)*	*-36%*
Operating Expenses (1)	**5,516**	5,948	*(432)*	*-7%*	**11,141**	12,603	*(1,462)*	*-12%*
Other Loss (Income)	**28**	1,694	*(1,666)*	*-98%*	**(155)**	1,690	*(1,845)*	*N/A*
EBITDA (2)	**(355)**	(559)	*204*	*N/A*	**915**	4,408	*(3,493)*	*-79%*
Finance Costs	**243**	221	*22*	*10%*	**502**	491	*11*	*2%*
Depreciation and Amortization	**3,399**	1,450	*1,949*	*134%*	**5,156**	4,063	*1,093*	*27%*
Loss before Income Taxes	**(3,997)**	(2,230)	(1,767)	N/A	**(4,743)**	(146)	(4,597)	N/A
Income Tax Reduction	**-**	-	-	*N/A*	**(31)**	-	*(31)*	*N/A*
Net Loss	**$ (3,997)**	$ (2,230)	*$ (1,767)*	*N/A*	**$ (4,712)**	$ (146)	*$ (4,566)*	*N/A*
Per Share - Basic and Diluted	**(0.06)**	(0.03)	*(0.03)*	*N/A*	**(0.07)**	(0.00)	*(0.07)*	*N/A*
Funds from Operations (2)	**$ (316)**	$ 1,173	*$ (1,489)*	*N/A*	**$ 808**	$ 6,384	*$ (5,576)*	*-87%*
Per Share - Basic and Diluted	**-**	0.02	*(0.02)*	*-100%*	**0.01**	0.10	*(0.09)*	*-90%*
Class A Shares Outstanding	**67,085**	66,903	*N/A*	*N/A*	**67,085**	66,903	*N/A*	*N/A*
Weighted Average Shares Outstanding Diluted	**67,085**	66,885	*N/A*	*N/A*	**67,069**	66,830	*N/A*	*N/A*

(1) Includes salaries and benefits, G&A and shared-based payments but excludes depreciation and amortization and other loss (income)

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

Q2 2014 vs. Q2 2013

The Company generated revenue of $5.2 million compared to $7.1 million in Q2 2013, a decrease of $1.9 million (27%). Revenue in the Software & Data segment ($1.9 million) decreased by $1.2 million (38%) as had been a significant data license sale in Q2 2013. Revenue in the Seismic Data segment ($0.8 million) decreased by $0.3 million (30%) due to lower industry activities. Revenue in the Services segment ($2.5 million) decreased by $0.4 million (14%) with geomatics, processing and land management services all experiencing weaker demand as compared to Q2 2013.

Operating expenses decreased by $0.4 million (7%) to $5.5 million in Q2 2014 as G&A expenses, including salaries & wages, were down $0.4 million due to the Company's cost cutting measures.

The increase in finance costs of $22,000 (10%) in Q2 2014 compared to Q2 2013 was mainly due a higher cost of debt in 2014.

Depreciation and amortization ($3.4 million) increased by $1.9 million (134%) mainly due to higher amortization of the seismic data library delivered to participants in Q2 2014 (Company's policy is to amortize 40% of participation survey costs immediately upon delivery of new seismic data to participants and the balance over six years straight-line).

SIX MONTHS ENDED JUNE 30, 2014 vs. SIX MONTHS ENDED JUNE 30, 2013

The Company generated revenue of $11.9 million compared to $18.7 million in 2013, a decrease of $6.8 million (36%). Revenue in the Software & Data segment ($3.8 million) decreased by $1.5 million (28%) as there was a significant data license sale in 2013 which was not replicated in 2014. Revenue in the Seismic Data segment ($2.7 million) decreased by $4.6 million (63%) due to a decrease in seismic participation revenue caused by reduced exploratory activity in the oil and gas industry. To date there have been no new seismic participation revenue projects initiated in 2014, and all revenue in 2014 was attributable to the projects carried forward from Q4 2013. It is anticipated that significant new seismic participation surveys will be initiated later this year. Revenue in the Services segment ($5.3 million) decreased by $0.7 million (12%) with geomatics, processing and land management services all experiencing weaker demand as compared to the same period in 2013. The Company has $0.8 million in funds from operations for the first half of 2014.

Operating expenses decreased by $1.5 million (12%) to $11.1 million in for the first six months of 2014 as a result of the aforementioned cost cutting measures recently introduced.

The increase in finance costs of $11,000 (2%) in the first six months of 2014 was mainly due to a slightly higher cost of debt in 2014 compared the same period in 2013.

Depreciation and amortization ($5.2 million) increased by $1.1 million (27%) mainly due to higher amortization of new seismic data acquired in 2014.

A refund of income tax was recorded in Q1 2014 of $31,000. No current tax provision was recorded in the six months ending June 30, 2014 and June 30, 2013 due to tax losses available. No deferred tax provision was recorded as the Company has not recognized any benefit associated with its tax pools as it is not probable that the asset would be realized.

Business Seasonality

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

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

Financial Position

Divestco ended Q2 2014 with a working capital deficit of $6.3 million (December 31, 2013: $2.3 million deficit), excluding deferred revenue of $2.6 million (December 31, 2013 - $2.8 million). The increase in working capital deficit from the end of 2013 was primarily due to an unpredictably slow Q1 2014 and lower activity in Q2 2014 as well as the Company's term loan under its senior credit facility becoming all current. Subsequent to June 30, 2014, the Company's senior lender indicated its intention to terminate its credit facilities. Total amounts drawn and currently owning on the credit facilities have been paid down to approximately $3 million from $4.6 million at June 30, 2014.

The Company recently entered into discussions with a number of arm's length parties with the intention of selling certain corporate assets. Management has also commenced discussion with alternative lenders to replace the banking facility. All discussions are preliminary and there is no assurance any transaction will proceed.

The Company expects to settle its liabilities in the near term by using funds from operations, completing an asset disposition and obtaining an alternative senior credit facility. The outcome of these events cannot be predicted at this time.

Mr. Stephen Popadynetz, CEO commented: "The delays that Divestco noted at the end of the first quarter continued through our second quarter of 2014. All of our groups experienced flat demand except for our seismic related divisions, which experienced reduced demands for services and data. Divestco has addressed its current lender request by reducing its bank debt by 40% in the last 60 days and feels confident that the facility will be retired shortly. As a result, Divestco is anticipating a significant refocus of its businesses and a much improved balance sheet which will allow it to pursue new and exciting growth strategies in the subsequent quarters."

Operations Update and Outlook

For the last half of 2014 management anticipates Seismic data segment revenues to significantly increase given current and anticipated drilling, asset acquisition and corporate consolidation activities of oil and gas producers, which is being driven by recently renewed investment in the sector. This activity is also expected to drive increases in Software & Data and Services segment revenues, both domestically and internationally (particularly in Colombia, where the Company has had recent success in driving new business opportunities). In the second half of 2014, the Company will be introducing its new geophysical interpretation product that received excellent reviews at the Houston SEG conference in the fall of 2013 and at the May 2014 CSEG Conference in Calgary.

About the Company

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

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

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Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

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

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

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

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