Quarterly Report

For the Three and Nine Months Ended
September 30, 2012

Management's Discussion & Analysis

For the Three and Nine Months Ended September 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated November 23, 2012, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2012 and 2011 and the audited consolidated financial statements and notes of Divestco Inc. ("Divestco" or the "Company") for the year ended December 31, 2011. All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and is reported in Canadian dollars unless otherwise specified.

DIVESTCO'S BUSINESS

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

- Software and Data: Offers the market a complete software suite designed with a thorough understanding of the workflows and requirements of oil and gas professionals; as well as a full suite of data, including well data, well logs, land, rig activity and drilling data. Software and data together provide complete solutions and have become an indispensable resource for geologists, geophysicists, engineers and land agents.

- Services: Offers geomatics services, which include data integrity validation, mapping, database hosting, and advisory support and consultation; seismic processing services, which include data quality assurance, processing and data management services for geophysical and geological information; and 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: Focused on providing the oil and natural gas industry with quick, reliable access to cost-effective, high-resolution seismic data. This includes brokering and licensing existing seismic data between data owners and licensees, managing existing seismic data for the purpose of brokering sales, and creating new seismic data inventories through recording multi-client services. The seismic brokerage division is the largest of its kind in Canada, with 11 independent brokers.

- Corporate and Other: Responsible for setting Divestco's overall strategic objectives 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 for the Periods 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 dedicated to providing a focused offering of products and services to the oil and gas industry worldwide. Through continued commitment to innovative products and services, technical expertise and exceptional customer service, Divestco offers customers the ability to conveniently access and analyze comprehensive, accurate and reliable information required to make informed critical 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 ("TSX-V") under the symbol "DVT".

FUTURE OPERATIONS

These condensed consolidated interim 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.

The Company is required to meet certain debt covenants in 2012 as described in Notes 9 and 10 to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2012. As at September 30, 2012, the Company was in violation of its working capital covenant in its operating and subordinated loan agreements. Subsequent to September 30, 2012, the lenders provided waivers of the breach as at September 30, 2012.

The Company's ability to continue as a going concern is dependent on the continued support of the Company's lenders, the availability of the lending facility and the Company's ability to obtain other financing to fund its operations. Based on the terms of the Company's operating line, there may be a temporary reduction of the availability under the facility in the short term. Therefore, there is significant doubt as to the ability of the Company to continue as a going concern. The Company continues to look for additional sources of capital including negotiating other debt facilities to extend the term of its debt payments.

These condensed consolidated interim 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. Therefore, the Company may be required to realize its assets and discharge its liabilities in other than the normal course of business at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

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 following headings of this MD&A: "Overview of Financial and Operational Results", "Results for the Periods by Segment", "Liquidity and Capital Resources", and "New IFRS 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
- 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
- Ability of the Company to continue to be able to identify, attract, and employ qualified staff and to 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
- Ability 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.

ADDITIONAL GAAP MEASURES

The Company's condensed consolidated interim 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 additional 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. These measures include:

Earnings before interest, taxes, depreciation and amortization ("EBITDA")

Divestco uses EBITDA as a key measure to evaluate the performance of its segments and divisions, as well as the Company overall, with the closest IFRS measure being net income or net loss. EBITDA is a measure 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 assists 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 is not a calculation based on IFRS and should not be considered an alternative to net income or net loss in measuring the Company's performance. As well, EBITDA should not be used as an exclusive measure of cash flow because it does 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 condensed consolidated interim statements of cash flows. While EBITDA has 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 as reported by Divestco may not be comparable in all instances to EBITDA as reported by other companies. Investors should also carefully consider the specific items included in Divestco's computation of EBITDA.

The following is a reconciliation of EBITDA with net income (loss):

	Three months ended Sep 30		Nine months ended Sep 30	
(Thousands)	**2012**	2011	**2012**	2011
Net Income (Loss)	**$ (1,080)**	$ 255	**$ 2,505**	$ (3,842)
Income Tax Expense (Reduction)	**(51)**	(4)	**(51)**	61
Finance Costs	**309**	303	**280**	507
Depreciation and Amortization	**1,178**	1,167	**9,354**	6,081
EBITDA	**$ 356**	$ 1,721	**$ 12,088**	$ 2,807

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 condensed consolidated interim 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 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 from (used in) operating activities:

	Three months ended Sep 30		Nine months ended Sep 30	
(Thousands)	**2012**	2011	**2012**	2011
Cash from Operating Activities	**$ 2,162**	$ 2,238	**$ 15,047**	$ 5,090
Changes in non-cash Working Capital Balances Related to Operating Activities	**(2,007)**	(548)	**(3,323)**	(2,292)
Interest Paid	**273**	250	**155**	391
Income Taxes Refunded	**(237)**	(301)	**(215)**	(352)
Funds from (used in) Operations	**$ 191**	$ 1,639	**$ 11,664**	$ 2,837

Funded debt and funded debt to equity

Funded debt is a measure of Divestco's long-term debt position and includes bank indebtedness and long-term debt obligations (shareholder and subordinated loans and finance leases). Funded debt to equity is funded debt divided by shareholders' equity (as reported on the Company's consolidated statement of financial position). The ratio indicates what proportion of equity and debt the Company is using to finance its assets and is used by the Company to determine an appropriate capital structure.

Working capital

Working Capital is calculated as current assets minus current liabilities (excluding deferred revenue). Working capital provides a measure that can be used to gauge Divestco's ability to meet its current obligations.

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, the most significant customers accounted for 29% of the Company's accounts receivable as at September 30, 2012, and five customers accounted for 31% of the Company's revenue for the nine months ended September 30, 2012. 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.

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. Also, the Company's Software and Data segment has recurring revenue throughout the year due to its license and subscription sales.

Competition

Divestco operates in a highly competitive, price-sensitive industry. In addition, the Company 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.

Financing

Divestco may require additional financing in order to implement its business strategy. There is no assurance that financing will be available or, if obtainable, that it will be on reasonable terms. Unless adequate funds are attainable, Divestco may not be able to take advantage of acquisition opportunities, or otherwise respond to competitive pressures.

Proprietary protection

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. Management believes that Divestco's proprietary rights are sufficient to carry on its activities as currently contemplated.

Despite Divestco's efforts to protect its proprietary rights, unauthorized parties may have copied, or attempted to copy, aspects of its technology, or tried to obtain and use information that Divestco regards as proprietary, such as its various oil and gas data sets and its seismic data library. In an effort to protect the Company's seismic data asset, Divestco has initiated actions against companies for breach of license agreement, copyright, and duty of confidentiality, for unauthorized sharing of its proprietary seismic data with third parties. Divestco will continue to enforce its proprietary right using all methods at its disposal.

However, the policing of unauthorized use of any intellectual property and determining the extent of any such piracy, is difficult. The laws of some foreign countries do not protect proprietary rights as comprehensively as do the laws of Canada and the Company has not sought protection for its proprietary rights outside Canada except for one U.S. patent. There is no assurance that Divestco's efforts to protect

its proprietary rights in Canada will be adequate or that competition will not independently develop similar technology. Divestco may be subject to additional risks if it enters into transactions in countries where intellectual property laws are poorly written, poorly enforced, or completely ineffective.

Divestco has no knowledge of infringing any proprietary rights of third parties. However, the Company cannot assure investors that third parties will not assert infringement or misappropriation claims against Divestco in the future, with respect to current or future products, as the number of products and competitors in this industry segment grows and the functionality and products overlap. Any claims, with or without merit, could be time consuming to defend, result in costly litigation fees, divert management's attention and resources, or force Divestco into royalty or licensing agreements that are unacceptable. In the event of a successful claim of infringement against Divestco, the business, operating results and financial stability of Divestco could be materially affected.

Litigation may also be necessary to enforce Divestco's proprietary rights, or to determine the scope and validity of a third party's proprietary rights. There is no assurance that funds would be available to Divestco in the event of such litigation, or that Divestco would prevail in any such action. An adverse outcome in litigation or other proceedings in a court or intellectual property office could subject Divestco to significant liabilities, require disputed rights to be licensed from other parties or require Divestco to cease using certain technology or products, any of which could have an adverse effect on Divestco.

Technological change

Computer-related technologies are changing rapidly. There is no assurance that new technologies will not emerge and supplant those existing technologies on which Divestco has based some of its products. Neither can the Company be certain that it will anticipate technological changes and adapt in time to be competitive. The ability of Divestco to compete successfully will depend to a large extent on its ability to maintain a technically competent research and development group and effectively adapt to technological changes, including the continued compatibility of its products with evolving computer hardware and software environments. There is no assurance that Divestco will be successful in these efforts.

Market acceptance

The future success of Divestco depends on its ability to address the needs of its potential customer base by developing and introducing products, product updates and services on a timely basis, by adapting the operation of its products to new platforms and by keeping pace with technological developments and emerging industry standards. In order to secure future growth, Divestco must be able to commit substantial resources to developing and marketing new products and services. If markets do not develop, or demand for Divestco's products occurs more slowly than expected, the Company will have expended resources and capital without realizing sufficient revenue, and its business and operating results could be adversely affected.

Control of shares by insiders

Directors and officers of Divestco own approximately 41% of the outstanding common shares. As a result, these shareholders, acting together, are able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of fundamental changes to Divestco. This concentration of ownership may have the effect of delaying or preventing a change in control of Divestco, its Board of Directors or management.

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.

Additional information is available on the Company's website at www.divestco.com and all other previous public filings are available through SEDAR at www.sedar.com.

OVERALL PERFORMANCE

Summary Financial Results (Thousands, Except Per Share Amounts)								
	Three months ended Sep 30				Nine months ended Sep 30			
	2012	2011	$ Change	% Change	**2012**	2011	$ Change	% Change
Revenue	**$ 6,409**	$ 9,565	$ (3,156)	-33%	**$ 32,358**	$ 29,017	$ 3,341	12%
Operating Expenses	**6,013**	7,873	(1,860)	-24%	**20,229**	26,237	(6,008)	-23%
Other Loss (Income)	**40**	(29)	69	N/A	**41**	(27)	68	N/A
EBITDA [1]	**356**	1,721	(1,365)	-79%	**12,088**	2,807	9,281	331%
Finance Costs	**309**	303	6	2%	**280**	507	(227)	-45%
Depreciation and Amortization	**1,178**	1,167	11	1%	**9,354**	6,081	3,273	54%
Income (Loss) before Income Taxes	**(1,131)**	251	(1,382)	N/A	**2,454**	(3,781)	6,235	N/A
Income Tax Expense	**(51)**	(4)	(47)	N/A	**(51)**	61	(112)	N/A
Net Income (Loss)	**$ (1,080)**	$ 255	$ (1,335)	N/A	**$ 2,505**	$ (3,842)	$ 6,347	N/A
Per Share - Basic and Diluted	**(0.02)**	-	(0.02)	N/A	**0.04**	(0.06)	0.10	N/A
Funds from Operations [1]	**$ 191**	$ 1,639	$ (1,448)	-88%	**$ 11,664**	$ 2,837	$ 8,827	311%
Per Share - Basic and Diluted	**-**	0.03	(0.03)	-100%	**0.17**	0.05	0.12	240%
Class A Shares Outstanding	**66,717**	59,903	N/A	N/A	**66,717**	59,903	N/A	N/A
Weighted Average Shares Outstanding Basic and Diluted	**66,715**	59,785	N/A	N/A	**66,657**	59,535	N/A	N/A

[1] *See the "Additional GAAP Measures" section.*

OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Q3 2012 vs. Q3 2011

During Q3 2012, Divestco generated revenue of $6.4 million compared to $9.6 million in Q3 2011, a decrease of $3.2 million (33%). Revenue in the Seismic Data segment decreased by $3.2 million (85%) attributable to the timing of multi-client surveys. In Q3 2011, the Company was in the process of acquiring a new survey, while in Q3 2012, there were no surveys in progress or completed at that time. Revenue in the Software and Data segment increased by $1.9 million (82%) due to a large data transaction completed during Q3 2012. Revenue in the Services segment decreased by $1.9 million (53%) as demand for seismic processing land management services was weaker, while demand for geomatics was slightly stronger.

Operating expenses decreased by $1.9 million (24%) to $6 million in Q3 2012 from $7.9 million in Q3 2011. Salaries and wages were down $177,000 (4%) due to a slightly lower headcount and lower severance costs. G&A expenses were down $1.7 million (46%) as occupancy costs decreased by $1.1 million (91%) due to the Company surrendering a portion of its office space lease in 2011. Professional fees decreased by $171,000 (33%), bad debt expense decreased by $107,000 and direct selling costs decreased by $331,000 (87%). Depreciation and amortization increased by $11,000 (1%) mainly due to lower deprecation on property and equipment offset by higher amortization on deferred development costs.

Divestco had a net loss of $1.1 million for the third quarter of 2012 ($0.02 per share – basic and diluted) compared to net income of $255,000 ($nil per share – basic and diluted) for the same period in 2011 mainly related to reduced seismic activity in Q3 2012.

EBITDA was $356,000 in Q3 2012, a $1.4 million (79%) decrease from $1.7 million for the same period in 2011. The Company generated funds from operations of $161,000 ($nil per share – basic and diluted) for the third quarter of 2012, compared to $1.6 million ($0.03 per share – basic and diluted) for the same period in 2011, a decrease of $1.4 million (88%) primarily due to a drop in revenues.

Operating highlights for Q3 2012 included:

- Completed a data transaction valued at $2 million
- Reduced operating expenses by $1.9 million (24%) from Q3 2011

NINE MONTHS ENDED SEPTEMBER 30, 2012 VS. NINE MONTHS ENDED SEPTEMBER 30, 2011

During the nine months ended September 30, 2012, Divestco generated revenue of $32.4 million compared to $29 million for the same period in 2011, an increase of $3.4 million (12%). Revenue in the Seismic Data segment increased by $3.4 million (37%) as the Company completed three seismic participation surveys and a large data library sale, as well as entered into a settlement agreement concerning one of its legal actions. Revenue in the Software and Data segment increased by $1.6 million (23%) primarily due to a significant data transaction completed in 2012. Revenue in the Services segment decreased by $1.6 million (12%) since demand for seismic processing and land management services was weaker and only partially offset by stronger demand for geomatics services.

Operating expenses decreased by $6 million (23%) to $20.2 million in the first nine months of 2012 from $26.2 million during the same period in 2011. Salaries and wages were down $1.2 million (8%) due to lower headcounts and a significant decrease in severance costs. G&A expenses were down $4.8 million (41%) as occupancy costs decreased by $3.8 million (54%) due to the Company surrendering a portion of its office space lease in 2011. Communication expenses were down $148,000 (41%), professional fees decreased by $400,000 (24%) and direct selling costs decreased by $747,000 (71%), partially offset by an increase in bad debt expense by $111,000. Depreciation and amortization increased by $3.3 million (54%) mainly due to the completion of three seismic participation surveys during the nine months ended September 30, 2012, partially offset by lower depreciation on property and equipment.

Divestco had net income of $2.5 million for the first nine months of 2012 ($0.04 per share – basic and diluted) compared to a loss of $3.8 million ($0.06 per share – basic and diluted) for the same period in 2011. Revenues increased with several large data-related transactions closing in 2012, while operating expenses decreased as the Company significantly reduced its occupancy costs. However, depreciation and amortization increased as three new seismic surveys were completed.

EBITDA was $12.1 million for the first nine months of 2012, a $9.3 million (331%) increase from $2.8 million for the same period in 2011. The Company generated funds from operations of $11.7 million ($0.17 per share – basic and diluted) for the first nine months of 2012, compared to $2.8 million ($0.02 per share – basic and diluted) for the same period in 2011, an increase of $8.9 million (311%) primarily

due to the completion of three seismic surveys and three significant data transactions closing during the nine months ended September 30, 2012.

Operating highlights for the nine months ended September 30, 2012:

- Entered into data agreements totaling over $6 million with $4 million included in revenue in Q2 2012 and $2 million in Q3 2012
- Generated net income of $2.5 million, an improvement of $6.3 million from a loss of $3.8 million for the same period in 2011
- Reduced operating expenses by $6 million (23%) compared to the same period in 2011
- Completed three 3D seismic participation surveys covering an area of approximately 389 km^2

Outlook and Future Operations

Despite the usual seasonal activity dip experienced in Q3 2012, Divestco remains steadfast in its goal to strengthen cash flow and its balance sheet. Heading into typically busier quarters, revenue from our product and service segments is projected to be increasingly strong with several large transactions pending. Field operations have commenced on the company’s fourth seismic program of the year with other projects being actively planned for early 2013. The results of our efforts are being realized on our balance sheet and progress is being made towards sustained profitability.

Depreciation and Amortization

	Three months ended September 30				Nine months ended September 30			
(Thousands)	**2012**	2011	$ Change	% Change	**2012**	2011	$ Change	% Change
Depreciation and Amortization	**$ 1,178**	$ 1,167	$ 11	1%	**$ 9,354**	$ 6,081	$ 3,273	54%

In the third quarter of 2012, depreciation and amortization increased slightly from Q3 2011. Amortization of deferred development costs increased by $112,000 (20%) as certain projects were completed during the period. Amortization of property and equipment and intangibles decreased by $120,000 (27%) due to a reduction in capital expenditures and certain assets being fully depreciated prior to 2012.

In the first nine months of 2012, depreciation and amortization was $9.4 million, compared with $6.1 million during the same period of 2011, an increase of $3.3 million (54%). Amortization of deferred development costs decreased by $267,000 (11%) due to certain projects being fully amortized in prior periods. Amortization of data libraries increased by $4.8 million (397%) due to the completion of three seismic surveys in 2012. Amortization of property and equipment and intangibles decreased by $1.2 million (50%) due to a reduction in capital expenditures and certain assets being fully depreciated prior to 2012.

Finance Costs

	Three months ended September 30				Nine months ended September 30			
(Thousands)	**2012**	2011	$ Change	% Change	**2012**	2011	$ Change	% Change
Interest on bank indebtedness and long-term debt obligations	**$ 273**	$ 250	$ 23	9%	**$ 155**	$ 391	$ (236)	-60%
Amortization of deferred finance charges	**28**	38	(10)	-26%	**97**	64	33	52%
Accretion of sublease loss	**8**	15	(7)	-47%	**28**	52	(24)	-46%
Finance costs	**$ 309**	$ 303	$ 6	2%	**$ 280**	$ 507	$ (227)	-45%

In the third quarter of 2012, finance costs were $309,000, compared with $303,000 in the third quarter of 2011, an increase of $6,000 (2%). The increase was mainly related to a higher debt load.

In the first nine months of 2012, finance costs were $280,000, compared with finance costs of $507,000 for the same period in 2011, a decrease of $227,000 (45%). In 2012, the Company reversed accrued

interest of $620,000 on an overdue payable as an agreement was reached with the vendor. Partially offsetting this was an increase in interest due to higher debt loads.

Income Taxes

	Three months ended September 30				Nine months ended September 30			
(Thousands)	**2012**	2011	$ Change	% Change	**2012**	2011	$ Change	% Change
Current	**(51)**	(4)	(47)	N/A	**(51)**	61	(112)	N/A

In the third quarter and first nine months of 2012, Divestco recorded a current tax recovery of $51,000. 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 will be realized.

As at September 30, 2012 there were approximately $34 million in Federal and $20 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 approximately $2 million in federal scientific research and experimental development investment tax credits to reduce taxes payable in the future, which begin to expire in 2029.

Financial Position

	Balance at Sep 30	Balance at Dec 31	Balance at Dec 31
	2012	2011	2010
Total Assets	**$ 39,258**	$ 43,761	$ 34,984
Working Capital (Deficit) [(1)(2)]	**(2,910)**	297	3,599
Long-Term Financial Liabilities [(3)]	**8,068**	8,610	3,907

[(1)] *See the "Additional GAAP Measures" section.*
[(2)] *Excludes the current portion of deferred revenue of $2.8 million (December 31, 2011: $4.6 million; December 31, 2010: $3.9 million)*
[(3)] *Includes long-term debt obligations, deferred rent obligations, sublease loss provision and other long-term liabilities. The long-term debt obligations are comprised of the Company's subordinated debt, shareholder loans and finance leases.*

Divestco ended Q3 2012 with a working capital deficit of $2.9 million (December 31, 2011: $0.3 million surplus), excluding deferred revenue of $2.8 million (December 31, 2011 - $4.6 million). The decline in working capital from the end of 2011 was primarily due to an unpredictably slow summer that directly impacted the Services segment and delayed the signing and delivery of several contracts. While the Company significantly reduced its payables since the end of 2011, receivables fell sharply as well. In addition, $1.4 million of the subordinated loan was reclassified from long-term to current liabilities as compared to December 31, 2011 as the loan matures in May 2013. The Company's funded debt to equity ratio at September 30, 2012 was 0.60:1 (December 31, 2011 - 0.64:1), with the improvement due to better operating results offset by slightly higher debt.

SELECTED QUARTERLY INFORMATION

	2012			2011				2010
(Thousands, Except Per Share Amounts)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	**$ 6,409**	$ 11,483	$ 14,466	$ 11,447	$ 9,565	$ 10,637	$ 8,815	$ 8,949
EBITDA [(1)]	**356**	4,282	7,450	3,332	1,721	1,943	(857)	(4,587)
Income (loss) before income taxes	**(1,131)**	940	2,645	(743)	251	251	(4,283)	(7,106)
Net Income (Loss)	**(1,080)**	940	2,645	(768)	255	235	(4,332)	(7,105)
Per Share - Basic and Diluted	**(0.02)**	0.01	0.04	(0.01)	0.00	0.00	(0.07)	(0.15)
Funds from Operations [(1)]	**191**	4,266	7,207	2,908	1,639	2,067	(869)	(3,382)
Per Share - Basic and Diluted	**0.00**	0.06	0.11	0.05	0.03	0.03	(0.01)	(0.08)

[(1)] See the “Additional GAAP Measures” section.

The variances in the quarterly results illustrated in the table above are a result of divestments made by Divestco and in particular the sale of its seismic data library in Q3 2010. In Q4 2010, the Company commenced rebuilding its seismic data library and added approximately 389 square kilometers of 3D data in 2011. For the first three quarters of 2011, the Company’s remaining segments continued to feel the effects of the uncertainty in the Canadian oil and gas industry with clients remaining hesitant on certain spending. Activity levels started to improve in Q4 2011 and results were stronger in 2012. The Company added a further 389 square kilometers of 3D data in the current year with the completion of three seismic participation surveys.

The steady improvement in the Company’s financial performance is also due to austerity measures it introduced in 2009 in reaction to negative regional and global market conditions. Salary austerity measures continue to be used to mitigate the effect on earnings during seasonally slow periods. In addition, the Company has reduced its occupancy costs, its largest G&A expense, through shedding unused office space starting in Q2 2011. The Company began to realize the economic benefit of this in Q4 2011 and will have significant savings going forward.

The variance in quarterly results is also a factor of seasonality. Typically, the first and fourth quarters are the busiest for the Company when drilling activities are at their peak in western Canada. As temperatures rise in the spring, the ground thaws and becomes unstable resulting in government road bans, which severely restrict activity in the second quarter. These seasonal trends typically lead to quarterly fluctuations in Canadian operating results and working capital requirements, which should be considered in any quarter-over-quarter analysis of performance of the Company.

RESULTS FOR THE PERIODS BY SEGMENT

For the Three months ended September 30 2012 (Thousands)

	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	**$ 4,203**	**$ 1,643**	**$ 563**	**$ -**	**$ 6,409**
Operating Expenses	**1,632**	**2,671**	**770**	**940**	**6,013**
Other Loss (Income)	**-**	**-**	**-**	**40**	**40**
EBITDA [1]	**2,571**	**(1,028)**	**(207)**	**(980)**	**356**
Finance Costs (Income)	**-**	**-**	**(2)**	**311**	**309**
Depreciation and Amortization	**772**	**223**	**62**	**121**	**1,178**
Income (Loss) Before Income Taxes	**1,799**	**(1,251)**	**(267)**	**(1,412)**	**(1,131)**

For the Three months ended September 30 2011 (Thousands)

	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$ 2,309	$ 3,464	$ 3,792	$ -	$ 9,565
Operating Expenses	1,343	3,342	850	2,338	7,873
Other Loss (Income)	-	-	-	(29)	(29)
EBITDA [1]	966	122	2,942	(2,309)	1,721
Finance Costs (Income)	-	(1)	(1)	305	303
Depreciation and Amortization	710	241	29	187	1,167
Income (Loss) Before Income Taxes	256	(118)	2,914	(2,801)	251

For the Nine months ended September 30 2012 (Thousands)

	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	**$ 8,423**	**$ 11,446**	**$ 12,489**	**$ -**	**$ 32,358**
Operating Expenses	**4,899**	**9,556**	**2,687**	**3,087**	**20,229**
Other Loss (Income)	**-**	**-**	**-**	**41**	**41**
EBITDA [1]	**3,524**	**1,890**	**9,802**	**(3,128)**	**12,088**
Finance Costs (Income)	**-**	**(1)**	**(8)**	**289**	**280**
Depreciation and Amortization	**2,363**	**672**	**5,877**	**442**	**9,354**
Income (Loss) Before Income Taxes	**1,161**	**1,219**	**3,933**	**(3,859)**	**2,454**

For the Nine months ended September 30 2011 (Thousands)

	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$ 6,848	$ 13,070	$ 9,099	$ -	$ 29,017
Operating Expenses	4,450	10,635	2,414	8,738	26,237
Other Loss (Income)	-	-	-	(27)	(27)
EBITDA [1]	2,398	2,435	6,685	(8,711)	2,807
Finance Costs (Income)	-	(2)	(5)	514	507
Depreciation and Amortization	2,747	805	1,001	1,528	6,081
Income (Loss) Before Income Taxes	(349)	1,632	5,689	(10,753)	(3,781)

[1] *See the “Additional GAAP Measures” section.*

SOFTWARE AND DATA

	Three months ended September 30				Nine months ended September 30			
(Thousands)	**2012**	2011	$ Change	% Change	**2012**	2011	$ Change	% Change
Revenue	**$ 4,203**	$ 2,309	$ 1,894	82%	**$ 8,423**	$ 6,848	$ 1,575	23%
Operating Expenses	**1,632**	1,343	289	22%	**4,899**	4,450	449	10%
EBITDA [(1)]	**2,571**	966	1,605	166%	**3,524**	2,398	1,126	47%
Depreciation and Amortization	**772**	710	62	9%	**2,363**	2,747	(384)	-14%
Income (Loss) Before Income Taxes	**1,799**	256	1,543	603%	**1,161**	(349)	1,510	N/A

[(1)] See the "Additional GAAP Measures" section.

Q3 2012 vs. Q3 2011

Software and Data had revenues of $4.2 million in Q3 2012, compared to $2.3 million in Q3 2011. The increase of $1.9 million (82%) was primarily due to a significant data transaction completed during the quarter and higher digitizing revenue. This was partially offset by a decrease in software sales across all product lines due to sales staff turnover.

In Q3 2012, Software and Data recorded income before taxes of $1.8 million, compared with $256,000 in the second quarter of 2011, an increase of $1.5 million. EBITDA increased by $1.6 million (166%). Operating expenses were $1.6 million in Q3 2012 compared to $1.3 million in Q3 2011, an increase of $289,000 (22%). Salaries and benefits increased by $102,000 (12%) due to a profit-share accrual, while G&A costs increased by $187,000 (40%) due to higher IT allocations offset by lower bad debt write-offs. Depreciation and amortization decreased by $62,000 (9%) as amortization of deferred development costs increased by $105,000 (20%) due to some projects being completed during the quarter, while depreciation of property and equipment and intangibles increased by $43,000 (23%).

NINE MONTHS ENDED SEPTEMBER 30, 2012 VS. NINE MONTHS ENDED SEPTEMBER 30, 2011

Software and Data had revenues of $8.4 million in the first nine months of 2012, compared to $6.8 million during the same period in 2011. The increase of $1.6 million (23%) was due to a significant data transaction completed during the quarter as well as higher digitizing and scanning revenues. This was partially offset by a decrease in software sales across all product lines due to sales staff turnover.

In the first nine months of 2012, Software and Data recorded income before taxes of $1.2 million, compared with a loss of $349,000 during the same period in 2011, an improvement of $1.5 million. EBITDA increased by $1.1 million (47%). Operating expenses were $4.9 million in 2012 compared to $4.5 million in 2011, an increase of $449,000 (10%). Salaries and benefits decreased by $38,000 (1%) due to lower headcounts while G&A costs increased by $487,000 (32%) due to higher occupancy costs and IT allocations offset by lower bad debt write-offs. Depreciation and amortization decreased by $384,000 (18%) as amortization of deferred development costs decreased by $237,000 (11%) due to some large projects being fully amortized prior to 2012, while depreciation of property and equipment and intangibles decreased by $147,000 (24%).

Outlook

As expected, sales activity picked up in late Q3 and has continued to date. Logs and Data continue to have a strong year as Divestco cultivates opportunities. Beyond licensed sales, we have seen strong levels of activity in our digitizing service division. From a data perspective, the Company has commenced a project to add another key data set to our portfolio; as always we remain focused on adding assets that add value for our customers and shareholders.

Software sales activity is on the rise with particular attention being paid to GeoVista and WinPICS. We continue to invest in software improvement. In Q4 2012, we expect to release new versions of both GeoVista and WinPICS, and we are focused on rolling out the latest version of GeoCarta, which was

released in September 2012. Significant on-going work surrounds LandRite as well, including multiple conversions, work requests and on-going development activity.

SERVICES

	Three months ended September 30				Nine months ended September 30			
(Thousands)	2012	2011	$ Change	% Change	2012	2011	$ Change	% Change
Revenue	**$ 1,643**	$ 3,464	$ (1,821)	-53%	**$ 11,446**	$ 13,070	$ (1,624)	-12%
Operating Expenses	**2,671**	3,342	(671)	-20%	**9,556**	10,635	(1,079)	-10%
EBITDA (1)	**(1,028)**	122	(1,150)	N/A	**1,890**	2,435	(545)	-22%
Finance Costs	**-**	(1)	1	N/A	**(1)**	(2)	1	N/A
Depreciation and Amortization	**223**	241	(18)	-7%	**672**	805	(133)	-17%
Income (Loss) Before Income Taxes	**(1,251)**	(118)	(1,133)	N/A	**1,219**	1,632	(413)	-25%

(1) *See the "Additional GAAP Measures" section.*

Q3 2012 vs. Q3 2011

Services generated revenues of $1.6 million in Q3 2012, compared to $3.5 million in Q3 2011, a decrease of $1.9 million (53%). Revenue in Geomatics increased slightly while seismic processing and land management services were directly impacted by employee turnover.

Services recorded a loss before taxes of $1.3 million, compared to a loss of $118,000 in the third quarter of 2011, an increase in the loss of $1.1 million. EBITDA decreased by $1 million. Operating expenses were $2.7 million in Q3 2012 compared to $3.3 million in Q3 2011, a decrease of $671,000 (20%). Salaries and benefits decreased by $417,000 (19%) due to reduced headcounts and lower severance costs. G&A expenses decreased by $254,000 (23%), mainly due to an increase in IT allocations offset by a decrease in direct operating expenses for the land management division. Amortization and depreciation decreased by $18,000 (7%) due to assets being fully amortized in prior periods and reduced capital spending.

NINE MONTHS ENDED SEPTEMBER 30, 2012 VS. NINE MONTHS ENDED SEPTEMBER 30, 2011

Services generated revenues of $11.4 million in the first nine months of 2012, compared to $13.1 million for the same period in 2011, a decrease of $1.7 million (12%). Geomatics showed better results year over year due to strong audit sales. Processing completed some larger projects earlier on in the year but levelled off due to softer industry activity levels and higher employee turnover in Q3 2012. Land management services experienced similar issues to that of processing.

Income before taxes decreased $413,000 (25%) to $1.2 million compared to $1.6 million in the first nine months of 2011. EBITDA decreased by $545,000 (22%). Operating expenses were $9.6 million compared to $10.6 million in 2011, a decrease of $1 million (10%). Salaries and benefits decreased by $805,000 (11%) due to reduced headcounts and lower severance costs. G&A expenses decreased by $274,000 (8%), mainly due to a decrease in direct operating expenses for the land management division, offset by an increase in IT allocations. Amortization and depreciation decreased by $133,000 (17%) due to lower amortization of deferred development costs and reduced capital spending.

Outlook

The processing group is continuing to redevelop itself, which includes a modification to the license software technologies from Paradigm™ and the addition of certain technologies (through alliance partners when necessary) which otherwise would be difficult to develop. We will continue to develop our proprietary multi-component solution as we believe this to be a significant strategy for a market that has not yet fully realized its potential regarding rock physics and reservoir analysis. The addition of these resources allows the processing group a cost-effective solution to compete on an international level. Processing will expect to see the benefits of these arrangements by the end of 2012 and moving forward.

As well, the processing group has added technical expertise and will continue to enlist qualified technical people who have client relationships, with the purpose of developing a true broader client base and product solutions; to push forward our mandate to provide expertise to an international market and expand our borders.

Despite a slow start to Q4 2012, Geomatics is well into a large international audit project that will help bolster the quarter's results. Several other large projects are also expected to commence prior to year - end. Geomatics will be presenting at this years, Doodletrain on the "Fundamentals of Survey".

Despite overall lower than expected industry activity, the land services division continues to focus services on oil and liquids-rich players. The Cavalier team brought on a major telecom client at the beginning of Q4 2012 and we anticipate considerable growth from the telecom revenue stream going forward into 2013. Our marketing and sales focus will continue to be toward solidifying our existing client base and making gains with prospective clients when the opportunity arises. The traditional third quarter lower activity is expected to be offset by a busier fourth quarter when industry levels return to higher levels. The division is optimistic about its position in the industry and continues to build on its reputation for quality work.

SEISMIC DATA

	Three months ended September 30				Nine months ended September 30			
(Thousands)	2012	2011	$ Change	% Change	2012	2011	$ Change	% Change
Revenue	**$ 563**	$ 3,792	$ (3,229)	-85%	**$ 12,489**	$ 9,099	$ 3,390	37%
Operating Expenses	**770**	850	(80)	-9%	**2,687**	2,414	273	11%
EBITDA [(1)]	**(207)**	2,942	(3,149)	N/A	**9,802**	6,685	3,117	47%
Finance Costs	**(2)**	(1)	(1)	N/A	**(8)**	(5)	(3)	N/A
Depreciation and Amortization	**62**	29	33	114%	**5,877**	1,001	4,876	487%
Income (Loss) Before Income Taxes	**(267)**	2,914	(3,181)	N/A	**3,933**	5,689	(1,756)	-31%

[(1)] *See the "Additional GAAP Measures" section.*

Seismic Data Library	Balance at Sep 30	Balance at Dec 31
	2012	2011
2D in Gross KM	**49**	49
2D in Net KM	**49**	49
3D in Gross KM^2	**758**	389
3D in Net KM^2	**758**	389

Q3 2012 vs. Q3 2011

Seismic data had revenues of $562,000 for Q3 2012, compared to $3.8 million for Q3 2011. The decrease of $3.2 million (85%) was mainly attributable to the timing of multi-client surveys. In Q3 2011 the Company was in the process of acquiring a new survey while in Q3 2012 there were no surveys in progress or completed at that time. Brokerage revenue was $421,000 in Q3 2012 compared to $704,000 in Q3 2011. The decrease of $283,000 (40%) was due to a slowdown in industry activity levels as compared to last year.

For Q3 2012, Seismic data recorded a loss before taxes of $267,000, compared with income of $2.9 million in the third quarter of 2011. In addition, EBITDA decreased by $3.1 million attributed to the timing of multi-client activity; there was a survey in progress in Q3 2011. Operating expenses were down $81,000 or 10% ($769,000 in Q3 2012 compared to $850,000 in Q3), G&A expenses decreased by $97,000 (18%). Salaries and benefits increased by $17,000 (5%), while amortization of data libraries increased by $33,000 (114%) due to an increase in seismic data assets from this time last year.

NINE MONTHS ENDED SEPTEMBER 30, 2012 VS. NINE MONTHS ENDED SEPTEMBER 30, 2011

Seismic data had revenues of $12.5 million in the first nine months of 2012, compared to $9.1 million in the same period of 2011, an increase of $3.4 million (37%). Excluding seismic brokerage revenue, seismic data revenue (including sales of existing data and participation survey revenue) was $10.9 million, compared to $7.2 million in 2011, a $3.7 million increase (52%). There were $4.1 million of sales of existing seismic data in the first three quarters of 2012, compared to $105,000 in same period of 2011. Participation survey revenue was $6.8 million for 2012 compared to $7.1 million for 2011, a $0.3 million (4%) decrease. To date the Company has completed three surveys in 2012. Brokerage revenue was $1.6 million in 2012, compared to $1.9 million in 2011. The decrease of $328,000 (17%) was due to a slowdown in industry activity levels as compared to last year.

Seismic data recorded income before taxes of $3.9 million, compared to $5.7 million in the first nine months of 2011, a decrease of $1.8 million (31%). Despite this decrease EBITDA increased by $3.1 million (47%) due to the completion of a multi-client seismic program and the licensing of the existing data library during the current period. Operating expenses were $2.7 million in 2012, compared to $2.4 million in 2011, an increase of $273,000 (11%). Salaries and benefits increased by $54,000 (5%), while G&A expenses increased by $219,000 (16%) mainly due to an increase in bad debt expense partially offset by a decrease in consulting expenses. Amortization of data libraries increased by $4.8 million (498%) due to the completion of a large survey in 2012.

Outlook

Divestco is committed to rebuilding a significant seismic data library and is currently evaluating a number of opportunities that exist. Currently we are in the field acquiring a multi-client seismic program in the Willisden Green area of Alberta. This 90 square-kilometre 3D program will be an excellent resource to evaluate the emerging shale oil plays in the area with expected delivery in early January 2013.

CORPORATE AND OTHER

	Three months ended September 30				Nine months ended September 30			
(Thousands)	2012	2011	$ Change	% Change	2012	2011	$ Change	% Change
Revenue	**$ -**	$ -	$ -	N/A	**$ -**	$ -	$ -	N/A
Operating Expenses	**940**	2,338	(1,398)	-60%	**3,087**	8,738	(5,651)	-65%
Other Loss (Income)	**40**	(29)	69	N/A	**41**	(27)	68	N/A
EBITDA [(1)]	**(980)**	(2,309)	1,329	N/A	**(3,128)**	(8,711)	5,583	N/A
Finance Costs	**311**	305	6	2%	**289**	514	(225)	-44%
Depreciation and Amortization	**121**	187	(66)	-35%	**442**	1,528	(1,086)	-71%
Income (Loss) Before Income Taxes	**(1,412)**	(2,801)	1,389	N/A	**(3,859)**	(10,753)	6,894	N/A

[(1)] *See the "Additional GAAP Measures" section.*

Q3 2012 vs. Q3 2011

Loss before income taxes in Q3 2012 was $1.4 million, compared to $2.8 million in Q3 2011, a decrease of $1.4 million. Salaries and benefits decreased by $159,000 (26%), mainly due to a lower headcount. G&A expenses decreased by $1.2 million (72%), mainly due to a reduction in occupancy costs as the Company surrendered four floors of office space in its new premises. This was offset by an increase in stock-based compensation expense of $60,000. Finance costs increased by $6,000 (2%) due to a higher debt load. Amortization decreased by $66,000 (35%) due to additional amortization recorded on leasehold improvements in 2011 related to the surrendered office space.

NINE MONTHS ENDED SEPTEMBER 30, 2012 VS. NINE MONTHS ENDED SEPTEMBER 30, 2011

Loss before income taxes in the first nine months of 2012 was $3.9 million, compared to $10.8 million in the same period of 2011, a decrease of $6.9 million. Salaries and benefits decreased by $1.1 million (43%), mainly due to reduced severance costs. G&A expenses decreased by $4.6 million (73%), mainly due to a reduction in occupancy costs as the Company surrendered four floors of office space in its new premises in 2011. This was offset by an increase in stock-based compensation expense of $306,000, as there was no expense in the first six months of 2011. Finance costs decreased by $227,000 (45%), as the Company reversed $620,000 in accrued interest on an overdue payable as agreed to by the vendor. This was offset by interest on a $5 million subordinated loan secured in May 2011 and shareholder loans secured in October 2011 and May 2012. Amortization decreased by $1.1 million (71%), due to a net impairment recorded on leasehold improvements in 2011 related to the surrendered office space.

Outlook

Divestco continues to reduce its corporate overhead costs. In 2011, the Company finalized two agreements whereby the lease of five floors of space in its current office premises was assumed by another company. As compared to 2011, this will save the Company approximately $4 million in 2012 and $5 million annually going forward until the lease expires in 2025.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Financial Position	**Balance at Sep 30**	Balance at Dec 31
(Thousands, except as otherwise indicated)	**2012**	2011
Working Capital (1)		
Current Assets	**$ 9,051**	$ 16,242
Current Liabilities (2)	**11,961**	15,945
Working Capital (1)	**$ (2,910)**	$ 297
Funded Debt to Equity Ratio (1)(5)		
Funded Debt (3)	**$ 10,584**	$ 9,434
Shareholders' Equity (4)	**17,594**	14,711
Funded Debt to Equity Ratio (1)(5)	**0.60**	0.64

(1) See the “Additional GAAP Measures” section
(2) Excludes deferred revenue of $2.8 million (December 31, 2011 - $4.6 million)
(3) Includes bank indebtedness (operating line), shareholder and subordinated loans, and finance leases for both current and long-term portions
(4) Includes equity instruments, contributed surplus and deficit
(5) Funded debt divided by shareholders' equity

LIQUIDITY

For the nine months ended September 30, 2012, Divestco had funds from operations of $11.7 million. Of this, the Company incurred $9.4 million acquiring seismic data, $1.1 million on PP&E additions (mainly leasehold improvements) and $1.8 million on deferred development costs. The Company increased its total obligations by $1.1 million for the same period, which included a draw of $650,000 on the Company’s operating line. Divestco has a $5 million revolving operating loan facility of which $4.4 million drawn at September 30, 2012. The remaining increase in debt was from proceeds received from shareholder loans and debentures net of repayments on the subordinated debt and finance leases.

While management believes that the Company's funds from operations will provide the capital to continue to operate in the short-term, based on the terms of the Company's operating line, there may be a temporary reduction of the availability under the facility in the short term. In the next 12 months, the Company has loan and operating lease commitments totaling $7.5 million that could exceed funds generated from operations less capital expenditures. The Company's funds from operations are dependent upon future financial performance, which in turn will be subject to financial, business, and other risk factors, including elements beyond the Company's control. To mitigate these risks, the Company is looking at additional sources of capital. In the medium to long-tem, additional financing may be required to meet the Company's planned growth. This could comprise additional debt, equity, or a combination thereof, dependent on capital market conditions.

Divestco is in continuous negotiations with its lenders and potential lenders to ensure that the Company's credit facilities, combined with its working capital and funds from operations, will be sufficient in the short-term and long-term to meet planned growth and to fund future capital expenditures. Furthermore, Divestco has implemented significant cost-cutting measures, which included surrendering a significant portion of its office space lease in 2011 and is utilizing salary austerity measures during seasonally slow periods. In addition, the Company evaluates all material capital expenditures, mainly seismic participation surveys, before commencement to ensure they meet appropriate funding levels. The Company may also continue to dispose of non-core assets.

The Company is required to meet certain debt covenants in 2012, as described in the "Financial Instruments" section. As at September 30, 2012, the Company was in violation of its working capital covenant in its operating and subordinated loan agreements. Subsequent to September 30, 2012, the lenders have provided waivers of the breach as at September 30, 2012.

Working capital

As at September 30, 2012, Divestco had a working capital deficit of $2.9 million (excluding deferred revenue of $2.8 million), compared to working capital of $297,000 (excluding deferred revenue of $4.6 million) as at December 31, 2011. The decrease from the end of last year was primarily due to a significant slow down in industry activity levels during Q3 2012 due to a fall in commodity prices and worldwide economic pressures. While Q3 is typically a slower period for the Company, these other factors led to a sharper decline than had been expected. In addition, employee turnover directly impacted processing and land services. While Divestco lost some key employees during the time, the Company has been able to rehire in those positions. In addition, the current portion of the subordinated loan increased by $1.2 million as the loan matures in May 2013.

Current assets decreased by $7.1 million (44%), while current liabilities decreased by $4 million (25%) excluding deferred revenue as at September 30, 2012. In the first nine months of 2012, the Company drew $650,000 on its operating line to cover operating costs. Accounts receivable decreased by $6.2 million (53%). Accounts payable decreased by $5.8 million (54%), due to payments made offset by costs related to new seismic surveys. The current portion of long-term debt obligations increased by $1.1 million (97%), as the subordinated bridge loan matures in less than 12 months.

Funded Debt to Equity

Divestco had a funded debt to equity ratio of 0.60:1 as at September 30, 2012. The Company's practice is to utilize an appropriate mix of debt and equity to finance its current capital expenditures and growth initiatives. Consistent with the year ended December 31, 2011, the strategy of the Board of Directors and management is to operate the Company with the lowest possible debt load in reaction to the poor economic conditions in 2009 and 2010. This is to ensure adequate financial flexibility to meet the financial obligations, both current and long-term and as part of the Company's effort to maintain a healthy statement of financial position. The Company's strategy is to maintain a funded debt to equity ratio of less than 1:1.

Contractual Obligations

Below is a summary of Divestco's contractual obligations, including principal and interest:

(Thousands)	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	Thereafter	Total
Operating Line	$ 4,350	$ 4,350	$ 4,350	$ -	$ -	$ -	**$ 4,350**
Debt Obligations [1]	5,996	6,908	2,645	1,163	2,040	1,060	**6,908**
Finance Leases	238	269	125	68	76	-	**269**
Operating Leases [2]	n/a	56,753	4,411	3,955	12,459	35,928	**56,753**
Other Obligations [3]	1,413	1,482	356	356	770	-	**1,482**
Total	**$ 11,997**	**$ 69,762**	**$ 11,887**	**$ 5,542**	**$ 15,345**	**$ 36,988**	**$ 69,762**

(1) Includes subordinated loan, shareholder loans and debentures
(2) See "Off Balance Sheet Arrangements" section
(3) Includes sublease loss liability

SELECTED CASH FLOW ITEMS

	Three months ended Sep 30		Nine months ended Sep 30	
(Thousands)	**2012**	2011	**2012**	2011
Operating Activities				
Funds from (used in) Operations [1]	**$ 191**	$ 1,639	**$ 11,664**	$ 2,837
Changes in Non-Cash Working Capital Balances	**2,007**	548	**3,323**	2,292
Interest Paid	**(273)**	(250)	**(155)**	(391)
Income Taxes Refunded	**237**	301	**215**	352
Cash From (Used in) Operating Activities	**2,162**	2,238	**15,047**	5,090
Financing Activities				
Bank Indebtedness	**150**	1,600	**650**	1,050
Long-Term Debt Obligations	**49**	(100)	**403**	4,679
Issue of Common Shares (Net of Related Costs)	**-**	-	**-**	99
Other - Net	**-**	2	**14**	(153)
Cash From (Used in) Financing Activities	**199**	1,502	**1,067**	5,675
Investing Activities				
Additions to intangible assets	**(59)**	17	**(14,460)**	(2,465)
Participation Surveys in Progress	**8**	(3,044)	**5,108**	(4,610)
Additions to Property, Plant and Equipment	**(516)**	(140)	**(1,054)**	(5,562)
Additions to Tenant Inducements	**118**	118	**118**	3,424
Payments Towards Sublease Loss Provision	**(89)**	-	**(268)**	(488)
Investment in Affiliates	**-**	-	**-**	(29)
Deferred Development Costs	**(580)**	(588)	**(1,770)**	(1,883)
Changes in Non-Cash Working Capital Balances	**(1,183)**	83	**(2,369)**	(1,759)
Cash From (Used in) Investing Activities	**(2,301)**	(3,554)	**(14,695)**	(13,372)
Change in Cash	**$ 60**	$ 186	**$ 1,419**	$ (2,607)

(1) See the "Additional GAAP Measures" section.

Operating Activities

In the first nine months of 2012, funds from operations were $11.7 million ($0.17/share (basic and diluted)), compared with $2.8 million ($0.05/share (basic and diluted)) in the same period of 2011. The increase of $8.9 million (311%) was mainly due to an increase in revenue due to some large transactions in Q2 2012 and a reduction of operating expenses due to reduced occupancy costs.

Financing Activities

In the first nine months of 2012, the Company drew $650,000 on its revolving credit facility. The funds were used for working capital purposes. The Company made $1.7 million in principal payments on its subordinated and shareholder loans and finance leases, offset by $2.1 million received in debentures and shareholder loans.

Investing Activities

In the first nine months of 2012, Divestco incurred $936,000 for leasehold improvements (net of tenant inducements) and purchasing computer hardware. Another $132,000 was spent on consulting fees for the re-write of a commercial software product, and a further $9.4 million was spent to complete three 3D seismic surveys covering an area of approximately 389 km^2.

FINANCIAL INSTRUMENTS

Operating Line

The Company has a $5 million revolving operating loan facility 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 interest rate on this facility is prime plus 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 September 30, 2012, $4.4 million (December 31, 2011: $3.7 million) was drawn on the facility. The facility is presented as bank indebtedness in the condensed consolidated interim statements of financial position.

The facility is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.00:1 (amended from 1:25:1 effective on June 30, 2012) and debt service coverage ratio cannot fall below 2.25:1 on a trailing 12-month basis. The current ratio is current assets divided by current liabilities (excluding deferred revenue). Debt service coverage is the ratio of EBITDA to finance charges and scheduled principal payments in respect of funded debt plus all dividends declared. EBITDA is net income (loss) plus finance charges, income taxes, depreciation and amortization. As at September 30, 2012, the Company was in violation of its current ratio covenant. Subsequent to September 30, 2012, the lender provided the Company with a waiver of the covenant breach as at September 30, 2012.

Subordinated Debt

The Company has a $5 million subordinated bridge loan with $2 million of the loan proceeds being provided by two of the Company's directors as a condition of the financing. The interest rate on this facility is 12% per annum. On November 1, 2011, the loan agreement was amended to postpone the directors' portion of the principal payments effective January 1, 2012. Monthly principal payments of $90,000 commenced on January 1, 2012. The loan has a maturity date of April 30, 2013 with a balloon payment of $1.6 million due at that time. The directors agreed to postpone receiving their monthly principal payments of $60,000 until October 1, 2013. As at September 30, 2012, the principal amount due on the loan was $4.2 million (December 31, 2011: $5 million).

The facility is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.00:1 (amended from 1:25:1 effective on June 30, 2012) and debt service coverage ratio cannot

fall below 2.25:1 on a trailing 12-month basis. The current ratio is current assets divided by current liabilities (excluding deferred revenue). Debt service coverage is the ratio of EBITDA to finance charges and scheduled principal payments in respect of funded debt plus all dividends declared. EBITDA is net income (loss) plus finance charges, income taxes, depreciation and amortization. As at September 30, 2012, the Company was in violation of its current ratio covenant. Subsequent to September 30, 2012, the lender provided the Company with a waiver of the covenant breach as at September 30, 2012.

Debentures

The Company has $1,060,000 in secured debentures with a royalty interest. Three directors of the Company subscribed for $850,000 of the debentures. The debentures bear interest of 8% per annum. Principal payments are calculated as follows: 50% of the net revenues generated by the Company's seismic data on or after July 1, 2012, multiplied by the amount of debentures outstanding divided by $5 million. The balance of the revenue is retained by the Company. Net revenues equal 90% of the gross revenues generated by the seismic data as the Company retains 10% of the gross revenues as a management fee. The seismic data is comprised of the seismic surveys acquired by Corporation prior to July 1, 2012. Principal payments may be postponed if the Company is in breach of any of its senior debt covenants. No principal payments have been made since issuance.

Upon full repayment of the principal amount of the debentures and all accrued interest, the royalty interest becomes effective and will be paid as a royalty indefinitely. Royalty payments are calculated as follows: 25% of the net revenues generated by the seismic data multiplied by the amount of debentures outstanding divided by $5 million. The balance of the revenue is retained by the Company. Net revenues will equal 90% of the gross revenues generated by the seismic data as the Company will retain 10% of the gross revenues as a management fee. Royalty payments may be postponed if the Company is in breach of any of its senior debt covenants.

The principal amount of the debentures and accrued interest, but not the royalty interest, is secured against the seismic data by way of a registered security interest pursuant to the Personal Property Security Act (Alberta) but is subordinated to the Company's existing and future senior debt.

Unsecured loans from shareholders

The Company has $800,000 in unsecured loans from two of the Company's directors. The loans bear interest of 10% per annum and payments are interest only until September 30, 2013. During Q3 2012, $700,000 in shareholder loans was converted into debentures.

Finance leases

As at September 30, 2012, equipment under finance lease is computer hardware and office equipment. Interest rates are fixed, ranging between 1.8 to 12.4% and expire between 2012 and 2016.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has an office lease with a term of 15 years expiring in 2025. Excluding subleases, the monthly commitment is approximately $355,000 including operating costs for 2012 and is $268,000 for 2013. The annual square foot rate increases in 2012, 2016, 2018, 2020 and 2023. A portion of the space is subleased on a month-to-month basis. Monthly sublease payments of $6,500 are expected to be received during 2012. The Company also leases approximately 15,000 square feet of office space in another location with the lease expiring in 2025. The monthly commitment is approximately $60,000 including operating costs for 2012 and $63,000 for 2013.

In 2011, the Company surrendered four floors of space in its new office premises and will surrender a fifth floor on January 1, 2013. Total savings will be approximately $4 million in 2012 and $5 million annually after 2012.

Summary of non-cancellable building lease (net of subleases) commitments until expiry:

	Sep 30, 2012	Dec 31, 2011
One year	**$ 4,411**	$ 4,450
Between one and five years	**16,414**	15,140
More than five years	**35,928**	38,710
	$ 56,753	$ 58,300

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. The Company's estimates of the outcomes of such matters are based on information known 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.

In September 2010, the Company disposed of its seismic data library and commenced building another proprietary seismic data library. The Company retained the right to litigate and retain in whole or in part the proceeds of past breaches, with respect to certain of the disposed seismic assets. In addition, 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 assets, 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 estimate the timing or quantify the potential financial impact of any legal action commenced or contemplated. During 2012, the Company discontinued and settled one of its legal actions.

OUTSTANDING SHARE DATA

Divestco's Class A common shares are listed on the 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:

(Thousands)	Balance as at Nov 23, 2012	Sep 30, 2012	Dec 31, 2011
Class A shares			
Outstanding	66,731	**66,717**	66,610
Weighted Average Outstanding			
Basic and diluted - YTD (1)		**66,657**	60,575
Basic and diluted - QTR (2)		**66,715**	59,797
Stock Options			
Outstanding	4,115	**4,140**	3,030
Exercise Price Range	$0.17 to $2.51	**$0.17 to $2.51**	$0.17 to $3.68
Performance Share Units			
Outstanding	1,310	**1,310**	-
Share Purchase Warrants			
Outstanding	16,280	**16,280**	16,280
Exercise Price	$0.32	**$0.32**	$0.32

(1) In computing diluted net income (loss) per share, no shares were added to the weighted average number of Class A Shares outstanding for the nine months ended September 30, 2012 as the options and warrants were anti-dilutive. For the nine months ended September 30, 2011, no shares were added as the options and warrants were anti-dilutive.

(2) In computing diluted net income (loss) per share, no shares were added to the weighted average number of Class A Shares outstanding for the three months ended September 30, 2012 as there was a net loss for the period. For the three months ended September 30, 2011, no shares were added as the options and warrants were anti-dilutive.

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 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 nine months ended September 30, 2012, 87,434 shares were issued. From July 1, 2012 to November 23, 2012, 13,236 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 purchase of Divestco shares. 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 all share contributions are issued from treasury. The value of the Company’s contribution is included in salaries and benefits in consolidated statement of income (loss). During nine months ended September 30, 2012, no shares were issued as the contributions were all in cash. From July 1, 2012 to November 23, 2012, no shares were issued as the Company contributions were all in cash.

Stock Options

As at September 30, 2012, there were 6,662,000 Class A common shares reserved for grants of stock options combined with all other forms of stock-based compensation.

During the nine months ended September 30, 2012:

- 1,585,000 options were granted with exercise prices ranging from of $0.17 to $0.25 per option including 750,000 options granted to officers and directors with an exercise price of $0.25 per option.

- 475,125 options were forfeited with exercise prices ranging from $0.17 to $3.68 per option.

From July 1, 2012 to November 23, 2012:
- 178,400 options were forfeited with an exercise prices ranging from $0.17 to $1.30 per option.

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 PSUs' non-market performance vesting conditions approved by Board of Directors. As the Company will settle these obligations with Class A common shares, it has classified these awards as equity in the consolidated statement of financial position. These PSUs vest if the performance conditions for the current fiscal year are met.

The aggregate number of Class A common shares reserved for issuance upon the vesting of all PSUs granted under the PSU plan cannot exceed 2% of the issued and outstanding Class A common shares of the Corporation and a maximum of 1% for any one insider. Compensation expense related to the PSUs is 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.

During the nine months ended September 30, 2012, 1,310,000 PSU's were granted, including 700,000 to officers, and 20,000 Class A common shares were issued for PSU's that vested from 2011. There were 1,310,000 PSU's outstanding as at September 30, 2012.

RELATED PARTY TRANSACTIONS

Loans from directors and shareholders

The Company has $800,000 in unsecured loans from two directors.

$2 million of the $5 million subordinated bridge loan was loaned to the Company by two directors in accordance with a condition of the financing.

$850,000 of the debentures was subscribed for by three directors and $210,000 was subscribed for by shareholders.

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 stock option plan, PSU plan and ESOP.

Key management personnel and director transactions

Directors and officers of the Company control 41% percent of the voting shares of the Company. A director controls 13% and the CEO (also a director) controls 13%.

A number of key management personnel and Board members, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

			Transaction value for the nine months ended September 30		Balance due from (to) as at Sep 30	Balance due from (to) as at Dec 31
Name	Position	Transaction	2012	2011	2012	2011
W. Brillon	Director and shareholder	Consulting fees and commissions[1]	138	143	(61)	(226)
W. Tobman	Director and shareholder	Seismic data management services [2]	219	-	-	-
B. Gough	Director and shareholder	Seismic processing and geomatics services[3]	10	-	-	-

(1) The Company pays seismic consulting fees to a company controlled by Mr. Brillon for the purposes of acquiring seismic data. The Company also pays this company commissions for providing seismic brokerage services. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

(2) The Company managed a seismic data survey for a company controlled by Mr. Tobman. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

(3) The Company provided seismic processing and geomatics services to a company where Mr. Gough is the Vice President, Operations. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

NEW IFRS PRONOUNCEMENTS

A number of new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective as at September 30, 2012, and have not been applied in preparing the interim 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 above standards are adopted concurrently. The Company is currently evaluating the impact of adopting these standards on its financial statements.

Presentation of Items of Other Comprehensive Income

The IASB also issued "Presentation of Items of Other Comprehensive Income", an amendment to IAS 1 "Financial Statement Presentation". The amendment addresses the presentation of other comprehensive income and requires the grouping of items within other comprehensive income that might eventually be reclassified to the profit and loss section of the income statement. The change becomes effective for the annual period beginning January 1, 2013 with earlier adoption permitted.

The Company has not completed its evaluation of the effect 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 intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

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. There is currently an exposure draft that proposes the effective date of IFRS 9 to annual periods beginning on after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

Revenue recognition

The 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 final standard was expected in the second quarter of 2011; however, given the importance of revenue numbers, in the third quarter of 2011 the IASB decided to re-expose the proposals for a comment period of 120 days.

The new guidance may represent a substantial change from existing IFRS. The original exposure draft proposed a single revenue recognition model in which revenue is recognized when an entity satisfies a performance obligation by transferring a promised good or service to a customer.

Selection of amortization method

IFRIC received a request to clarify the meaning of the term ‘consumption of the expected future economic benefits embodied in the asset’ in paragraphs 97 and 98 of IAS 38 “Intangible Assets” when determining the appropriate amortization method for intangible assets.

IFRIC noted that the principle in IAS 38 is that an amortization method should reflect the pattern of consumption of the expected future economic benefits and not the pattern of generation of the expected future economic benefits.

In particular, IFRIC noted that amortization methods based on revenue are not an appropriate reflection of the pattern of consumption of the expected future economic benefit embodied in an intangible asset.

IFRIC’s recommendation will be submitted to the IASB for discussion at a future IASB meeting. If these recommendations are accepted by the IASB, they will be included in the exposure draft of proposed Improvements to IFRSs that is expected to be published during 2012. This could affect the way in which the Company amortizes its seismic data library.

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, Chief Financial 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
CIBC Mellon Trust Company

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Condensed Consolidated Interim Financial Statements

For the Three and Nine months ended
September 30, 2012

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Divestco Inc.
Condensed Consolidated Interim Statements of Financial Position

		September 30	December 31
(Thousands - Unaudited)	**Note**	**2012**	**2011**
Assets			
Current Assets			
Cash		**$ 2,966**	$ 1,547
Funds held in trust		**108**	40
Accounts receivable		**5,584**	11,810
Prepaid expenses, supplies and deposits		**312**	235
Income taxes receivable		**81**	110
Asset held for sale	6	**-**	2,500
Total current assets		**9,051**	16,242
Investment in affiliated company		**143**	141
Participation surveys in progress		**-**	5,108
Property and equipment		**4,529**	4,147
Intangible assets	7	**25,535**	18,123
Total assets		**$ 39,258**	$ 43,761
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank indebtedness	9	**$ 4,350**	$ 3,700
Accounts payable and accrued liabilities		**4,911**	10,669
Deferred revenue		**2,793**	4,561
Current loss on sublease loss provision		**326**	320
Current portion of long-term debt obligations	10	**2,252**	1,143
Current portion of tenant inducement		**122**	113
Total current liabilities		**14,754**	20,506
Deferred rent obligations		**421**	1,124
Long-term debt obligations	10	**3,982**	4,591
Sublease loss provision		**1,087**	1,332
Tenant Inducements		**1,420**	1,397
Other long-term liabilities		**-**	100
Total liabilities		**21,664**	29,050
Shareholders' Equity			
Equity instruments	11	**9,069**	76,431
Contributed surplus		**6,020**	5,663
Retained Earnings (Deficit)		**2,505**	(67,383)
Total shareholders' equity		**17,594**	14,711
Total liabilities and shareholders' equity		**$ 39,258**	$ 43,761

The notes are an integral part of the condensed consolidated interim financial statements.

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

		Three months ended Sep 30		Nine months ended Sep 30	
(Thousands, Except Per Share Amounts - Unaudited)	Note	2012	2011	2012	2011
Revenue		**$ 6,409**	$ 9,565	**$ 32,358**	$ 29,017
Operating expenses					
Salaries and benefits		**4,054**	4,231	**13,314**	14,497
General and administrative		**1,845**	3,588	**6,555**	11,686
Share-based payments	12	**114**	54	**360**	54
Total operating expenses		**6,013**	7,873	**20,229**	26,237
Finance costs	8	**309**	303	**280**	507
Depreciation and amortization		**1,178**	1,167	**9,354**	6,081
Other loss (income)		**40**	(29)	**41**	(27)
Income (loss) before income taxes		**(1,131)**	251	**2,454**	(3,781)
Income taxes					
Current		**(51)**	(4)	**(51)**	61
Net income (loss) and comprehensive income (loss) for the period		**$ (1,080)**	$ 255	**$ 2,505**	$ (3,842)
Net income (loss) per share					
Basic and Diluted	11	**$ (0.02)**	$ -	**$ 0.04**	$ (0.06)

The notes are an integral part of the condensed consolidated interim financial statements.

Divestco Inc.
Condensed Consolidated Interim Statements of Changes in Equity

(Thousands - Unaudited)	Note	Number of Shares Issued	Share Capital	Number of Warrants Issued	Warrants	Equity Instruments	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance as 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								(3,842)	(3,842)
Transactions with owners, recorded in equity contributions by and distributions to owners:									
Issue of Class A common shares		965	129	455	52	181			181
Share-based payment transactions							54		54
Share issue costs			(1)			(1)			(1)
Balance as at September 30, 2011		59,903	$ 73,573	16,280	$ 1,860	$ 75,433	$ 5,644	$ (66,615)	$ 14,462
Balance as at January 1, 2012		66,610	$ 74,571	16,280	$ 1,860	$ 76,431	$ 5,663	$ (67,383)	$ 14,711
Reduction of stated capital and deficit	11		**(67,383)**			**(67,383)**		**67,383**	**-**
Net income and comprehensive income for the period								**2,505**	**2,505**
Transactions with owners, recorded in equity contributions by and distributions to owners:									
Issue of Class A common shares		**87**	**18**			**18**			**18**
Issue on exercise of PSUs		**20**	**3**			**3**			**3**
Reclassification on exercise of PSUs						**-**	**(3)**		**(3)**
Share-based payment transactions						**-**	**360**		**360**
Balance as at September 30, 2012		**66,717**	**$ 7,209**	**16,280**	**$ 1,860**	**$ 9,069**	**$ 6,020**	**$ 2,505**	**$ 17,594**

The notes are an integral part of the condensed consolidated interim financial statements.

Divestco Inc.
Condensed Consolidated Interim Statements of Cash Flows

		Nine months ended Sep 30	
(Thousands - Unaudited)	**Note**	**2012**	**2011**
Cash from (used in) operating activities			
Net income (loss) for the period		**$ 2,505**	$ (3,842)
Items not affecting cash:			
Equity investment income		**(16)**	(21)
Depreciation and amortization		**9,354**	6,081
Sublease loss		**-**	(607)
Amortization of tenant inducements		**(86)**	(113)
Deferred rent obligations		**(703)**	638
Income taxes		**(51)**	61
Unrealized foreign exchange loss		**3**	(2)
Non-cash employment benefits		**18**	81
Share-based payments	12	**360**	54
Finance costs		**280**	507
Funds from operations	17	**11,664**	2,837
Changes in non-cash working capital balances	13	**3,323**	2,292
Interest paid		**(155)**	(391)
Income taxes refunded		**215**	352
Net cash from operating activities		**15,047**	5,090
Cash from (used in) financing activities			
Bank indebtedness		**650**	1,050
Advances from affiliated company		**14**	-
Issue of common shares (net of related costs)		**-**	99
Repayment of long-term debt obligations		**(1,657)**	(321)
Deferred financing costs		**-**	(153)
Proceeds received from long-term debt obligations		**2,060**	5,000
Net cash from (used in) financing activities		**1,067**	5,675
Cash from (used in) investing activities			
Additions to intangible assets		**(14,460)**	(2,465)
Decrease (increase) in participation surveys in progress		**5,108**	(4,610)
Purchase of property and equipment		**(1,054)**	(5,562)
Additions to tenant inducements		**118**	3,424
Payments towards sublease loss provision		**(268)**	(488)
Investment in affiliates		**-**	(29)
Deferred development costs		**(1,770)**	(1,883)
Changes in non-cash working capital balances	13	**(2,369)**	(1,759)
Net cash from (used in) investing activities		**(14,695)**	(13,372)
Increase (decrease) in cash		**1,419**	(2,607)
Cash, beginning of period		**1,547**	3,696
Cash, end of period		**$ 2,966**	$ 1,089

The notes are an integral part of the condensed consolidated interim financial statements.

1. Reporting Entity

Divestco Inc. (the "Company") is a company domiciled in Canada. The address of the Company's registered office is 400, 604 – 1st Street S.W., Calgary, Alberta, Canada. The Company is publicly traded on the TSX Venture Exchange (TSX-V) under the symbol DVT. The condensed consolidated interim financial statements of the Company as at and for the three and nine months ended September 30, 2012 are comprised of the Company and its subsidiaries (together referred to as the "Company") and the Company's interest in entities where the Company holds a significant influence. The Company primarily 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 the following operating segments: Software & Data, Services and Seismic Data. The Corporate and Other segment provides support services to the operating segments.

2. Future Operations

These condensed consolidated interim 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.

The Company is required to meet certain debt covenants in 2012 as described in Notes 9 and 10. As at September 30, 2012, the Company was in violation of its working capital covenant in its operating and subordinated loan agreements. Subsequent to September 30, 2012, the lenders provided waivers of the breach as at September 30, 2012.

The Company's ability to continue as a going concern is dependent on the continued support of the Company's lenders, the availability of the lending facility and the Company's ability to obtain other financing to fund its operations. Based on the terms of the Company's operating line, there may be a temporary reduction of the availability under the facility in the short term. Therefore, there is significant doubt as to the ability of the Company to continue as a going concern. The Company continues to look for additional sources of capital including negotiating other debt facilities to extend the term of its debt payments.

These condensed consolidated interim 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. Therefore, the Company may be required to realize its assets and discharge its liabilities in other than the normal course of business at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

3. Basis of Presentation

(a) Statement of Compliance

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2012 have been prepared in accordance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company

for the year ended December 31, 2011. The disclosures below are incremental to those included with annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted.

These condensed consolidated interim financial statements were authorized for issuance by the Company's Audit Committee on November 23, 2012, and should be read in conjunction with the annual financial statements for the year ended December 31, 2011.

(b) Use of estimates and judgements

The preparation of the condensed consolidated interim 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. Therefore, actual results may differ from these estimates. This note should be read in conjunction with the consolidated interim financial statements for the three and six months ended June 30, 2012 and the annual financial statements for the year ended December 31, 2011.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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, delaying 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. Divestco tries to minimize these fluctuations by performing specific types of contract work appropriate for lower-activity months. The Company's Software and Data segment has recurring revenue through out the year due to its license and subscription sales.

5. Operating Segments

The Company has four reportable operating segments. These offer different products and services which are managed separately as they require different technologies, marketing and financial management strategies. For each strategic segment, the Company's chief operating decision maker reviews internal management reports on a monthly basis.

The following summary describes the operations in each of the Company's reportable segments.

- Software and Data: includes selling, maintaining, and supporting licensed (perpetual and periodic) software exploration products as well as provides a full suite of support data layers.
- Services: includes providing geomatics, processing and land management services.
- Seismic Data: includes providing seismic brokerage services in addition to building, licensing and maintaining the Company's seismic data assets.
- Corporate and Other: includes providing overall strategic direction to the Company through 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 to the consolidated financial statements of the Company for the year ended December 31, 2011. There are varying levels of integration between the Services and Seismic Data reportable segments. This integration includes the provision of geomatics and processing services to the seismic data division. Inter-segment pricing is determined on an arm's length basis. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment income or loss before tax, as included in the internal management reports that are reviewed by the Company's chief operating decision maker. Segment income or loss before tax 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. Taxes reported on the Company's statement of income (loss) and comprehensive income (loss) are not allocated to the reportable segments.

Segment assets and liabilities are those assets and liabilities that are specifically identified with the operations in each reportable segment. Corporate assets primarily include property and equipment. Corporate liabilities primarily include bank indebtedness, shareholder loans and subordinated debt. Corporate expense includes salaries and benefits and general and administrative expenses for the Company's support divisions in addition to finance costs, amortization and depreciation.

As at and for the Three months ended September 30 2012	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 4,203	$ 1,643	$ 563	$ -	$ 6,409
Inter-segment revenue	-	5	-	-	5
Reportable segment income (loss) before tax	1,799	(1,251)	(267)	(1,412)	(1,131)
Finance costs	-	-	(2)	311	309
Depreciation and amortization	772	223	62	121	1,178
Share of profit (loss) of equity-accounted investees	-	-	-	21	21
Reportable segment assets	12,383	6,783	17,411	2,681	39,258
Reportable segment liabilities	4,217	2,581	2,517	12,349	21,664
Equity-accounted investees	-	-	-	143	143
Capital expenditures (1)	83	143	54	287	567
Deferred development costs	580	-	-	-	580

As at and for the Three months ended September 30 2011	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 2,309	$ 3,464	$ 3,792	$ -	$ 9,565
Inter-segment revenue	-	-	-	-	-
Reportable segment income (loss) before tax	256	(118)	2,914	(2,801)	251
Finance costs	-	(1)	(1)	305	303
Depreciation and amortization	710	241	29	187	1,167
Share of profit (loss) of equity-accounted investees	-	-	-	22	22
Reportable segment assets	15,142	9,650	9,321	3,127	37,240
Reportable segment liabilities	5,104	4,978	3,822	9,233	23,137
Equity-accounted investees	-	-	-	128	128
Capital expenditures [(1)]	22	103	3,010	32	3,167
Deferred development costs	588	-	-	-	588

As at and for the Nine months ended September 30 2012	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue from external customers	**$ 8,423**	**$ 11,446**	**$ 12,489**	**$ -**	**$ 32,358**
Inter-segment revenue	**-**	**298**	**-**	**-**	**298**
Reportable segment income (loss) before tax	**1,161**	**1,219**	**3,933**	**(3,859)**	**2,454**
Finance costs (income)	**-**	**(1)**	**(8)**	**289**	**280**
Depreciation and amortization	**2,363**	**672**	**5,877**	**442**	**9,354**
Share of profit (loss) of equity-accounted investees	**-**	**-**	**-**	**16**	**16**
Reportable segment assets	**12,383**	**6,783**	**17,411**	**2,681**	**39,258**
Reportable segment liabilities	**4,217**	**2,581**	**2,517**	**12,349**	**21,664**
Equity-accounted investees	**-**	**-**	**-**	**143**	**143**
Capital expenditures [(1)]	**170**	**377**	**9,275**	**584**	**10,406**
Deferred development costs	**1,770**	**-**	**-**	**-**	**1,770**

As at and for the Nine months ended September 30 2011	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 6,848	$ 13,070	$ 9,099	$ -	$ 29,017
Inter-segment revenue	-	90	-	-	90
Reportable segment income (loss) before tax	(349)	1,632	5,689	(10,753)	(3,781)
Finance costs (income)	-	(2)	(5)	514	507
Depreciation and amortization	2,747	805	1,001	1,528	6,081
Share of profit (loss) of equity-accounted investees	-	-	-	21	21
Reportable segment assets	15,142	9,650	9,321	3,127	37,240
Reportable segment liabilities	5,104	4,978	3,822	9,233	23,137
Equity-accounted investees	-	-	-	128	128
Capital expenditures [(1)]	873	1,959	8,582	1,223	12,637
Deferred development costs	1,883	-	-	-	1,883

[(1)] Capital expenditures include additions to intangible assets (net of changes in participation surveys in progress) and purchases of property and equipment.

6. Assets Held for Sale

At December 31, 2011, assets held for sale consisted of seismic data the Company acquired in December 2011 that it sold to a third party in February 2012. No gain or loss was recognized on the sale of assets.

7. Intangible Assets

	Data Libraries								
	Seismic Data Library	Datasets	Log, Support and Drilling Data Library	Reference Library	Map Library	Sub-Total	Proprietary Software and Code	Deferred Development Costs[1]	Total
Cost									
At January 1 2011	$ 62	$ 632	$ 7,209	$ 445	$ 239	$ 8,587	$ 8,256	$ 11,081	$ 27,924
Additions	8,358	-	-	-	-	8,358	653	2,214	11,225
At December 31 2011	8,420	632	7,209	445	239	16,945	8,909	13,295	39,149
Additions	14,329	-	-	-	-	14,329	131	1,633	16,093
At September 30 2012	**$ 22,749**	**$ 632**	**$ 7,209**	**$ 445**	**$ 239**	**$ 31,274**	**$ 9,040**	**$ 14,928**	**$ 55,242**
Accumulated depreciation									
At January 1 2011	$ 2	$ 520	$ 2,458	$ 445	$ 104	$ 3,529	$ 5,440	$ 4,344	$ 13,313
Amortization	3,353	34	361	-	16	3,764	615	3,334	7,713
At December 31 2011	3,355	554	2,819	445	120	7,293	6,055	7,678	21,026
Amortization	5,740	14	271	-	12	6,037	410	2,234	8,681
At September 30 2012	**$ 9,095**	**$ 568**	**$ 3,090**	**$ 445**	**$ 132**	**$ 13,330**	**$ 6,465**	**$ 9,912**	**$ 29,707**
Carrying amount									
At December 31 2011	$ 5,065	$ 78	$ 4,390	$ -	$ 119	$ 9,652	$ 2,854	$ 5,617	$ 18,123
At September 30 2012	**13,654**	**64**	**4,119**	**-**	**107**	**17,944**	**2,575**	**5,016**	**25,535**

[1] During the nine months ended September 30, 2012, the Company expensed $1.2 million (2011: $1.2 million) in research costs.

As at September 30, 2012, management assessed the indicators of impairment and have concluded that there are no triggers for impairment. Therefore, the Company is not required to carry out any tests for impairment as at September 30, 2012.

The Company's operating lender has a general security agreement over all present and after acquired personal property and a floating charge on all lands of the Company (Note 9). The Company's subordinated lender has 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 (Note 10).

8. Finance costs

	For the Three months ended September 30		For the Nine months ended September 30	
	2012	2011	**2012**	2011
Interest expense on financial liabilities measured at amortized cost	**$ 273**	$ 250	**$ 155**	$ 391
Amortization of deferred finance charges	**28**	38	**97**	64
Accretion of sublease loss	**8**	15	**28**	52
	$ 309	$ 303	**$ 280**	$ 507

9. Bank Indebtedness

The Company has a $5 million revolving operating loan facility 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 September 30, 2012, $4.4 million (December 31, 2011: $3.7 million) was drawn on the facility.

The facility is subject to the Company meeting certain debt covenants as follows: current ratio (current assets divided by current liabilities (excluding deferred revenue) cannot fall below 1.00:1 (amended from 1.25:1 effective June 30, 2012) and debt service coverage ratio (ratio of EBITDA to finance charges and scheduled principal payments in respect of funded debt plus all dividends declared. EBITDA is net income (loss) plus finance charges, income taxes, depreciation and amortization) cannot fall below 2.25:1 on a trailing 12-month basis. As at September 30, 2012, the Company was in violation of its current ratio covenant. Subsequent to September 30, 2012, the lender provided the Company with a waiver of the covenant breach as at September 30, 2012.

10. Long-term Debt Obligations

This note provides information about the contractual terms of the Company’s interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company’s exposure to liquidity risk see Note 16.

	Sep 30, 2012	Dec 31, 2011
Non-current liabilities		
Secured subordinated bridge loan	**$ 2,000**	$ 3,920
Debenture	**1,060**	-
Unsecured loans from shareholders	**800**	500
Finance lease obligations	**122**	201
Deferred finance charges	**-**	(30)
	$ 3,982	$ 4,591
Current liabilities		
Secured subordinated bridge loan	**$ 2,190**	$ 1,080
Finance lease obligations	**116**	184
Deferred finance charges	**(54)**	(121)
	$ 2,252	$ 1,143
Total long-term and current	**$ 6,234**	$ 5,734

	Nominal interest rate	Year of maturity	September 30, 2012		December 31, 2011	
			Face value	Carrying amount	Face value	Carrying amount
Secured subordinated bridge loan	12%	2013	**$ 4,190**	**$ 4,136**	$ 5,000	$ 4,849
Debenture	8%	N/A	**1,060**	**1,060**	-	-
Unsecured loans from shareholders	10%	2016	**800**	**800**	500	500
Finance lease obligations	1.8-12.4%	2012-2016	**269**	**238**	434	385
Total interest-bearing liabilities			**$ 6,319**	**$ 6,234**	$ 5,934	$ 5,734

Secured subordinated bridge loan

The Company has a $5 million subordinated bridge loan with $2 million of the loan proceeds being provided by two of the Company's directors as a condition of the financing. The interest rate on this facility is 12% per annum. On November 1, 2011, the loan agreement was amended to postpone the directors' portion of the principal payments effective January 1, 2012. Monthly principal payments of $90,000 commenced on January 1, 2012. The loan has a maturity date of April 30, 2013 with a balloon payment of $1.6 million due at that time. The directors agreed to postpone receiving their monthly principal payments of $60,000 until October 1, 2013. As at September 30, 2012, the principal amount due on the loan was $4.2 million (December 31, 2011: $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 facility is subject to the Company meeting certain debt covenants as follows: current ratio (current assets divided by current liabilities (excluding deferred revenue)) cannot fall below 1.00:1 (amended from 1.25:1 effective June 30, 2012) and debt service coverage ratio (ratio of EBITDA to finance charges and scheduled principal payments in respect of funded debt plus all dividends declared. EBITDA is net income (loss) plus finance charges, income taxes, depreciation and amortization) cannot fall below 2.25:1 on a trailing 12-month basis. As at September 30, 2012, the Company was in violation of its current ratio covenant. Subsequent to September 30, 2012, the lender provided the Company with a waiver of the covenant breach as at September 30, 2012.

Debentures

The Company has $1,060,000 in secured debentures with a royalty interest. Three directors of the Company subscribed for $850,000 of the debentures. The debentures bear interest of 8% per annum. Principal payments are calculated as follows: 50% of the net revenues generated by the Company's seismic data on or after July 1, 2012, multiplied by the amount of debentures outstanding divided by $5 million. The balance of the revenue is retained by the Company. Net revenues equal 90% of the gross revenues generated by the seismic data as the Company retains 10% of the gross revenues as a management fee. The seismic data is comprised of the seismic surveys acquired by Corporation prior to July 1, 2012. Principal payments may be postponed if the Company is in breach of any of its senior debt covenants. No principal payments have been made since issuance.

Upon full repayment of the principal amount of the debentures and all accrued interest, the royalty interest becomes effective and will be paid as a royalty indefinitely. Royalty payments are calculated as follows: 25% of the net revenues generated by the seismic data multiplied by the amount of debentures outstanding divided by $5 million. The balance of the revenue is retained by the Company. Net revenues will equal 90% of the gross revenues generated by the seismic data as the Company will retain 10% of the gross revenues as a management fee. Royalty payments may be postponed if the Company is in breach of any of its senior debt covenants.

The principal amount of the debentures and accrued interest, but not the royalty interest, is secured against the seismic data by way of a registered security interest pursuant to the Personal Property Security Act (Alberta) but is subordinated to the Company's existing and future senior debt.

Unsecured loans from shareholders

The Company has $800,000 in unsecured loans from two of the Company's directors. The loans bear interest of 10% per annum. The directors have agreed to postpone their principal payments until October 1, 2013. Payments are interest only until that time.

11. Equity Instruments and Net Income (Loss) per Share

Authorized - Unlimited number of voting Class A shares.

As voted on and approved by the shareholders of the Company at its Annual and Special General Meeting held on May 17, 2012, the Company's accumulated deficit balance of $67.4 million as at January 1, 2012 was eliminated and applied against accounting share capital.

Warrants

At September 30, 2012, the Company had 16,279,763 warrants outstanding. Each warrant entitles the holder to purchase one Class A Share of the Company at an exercise price of $0.32 per share until December 2012. The fair market value of the warrants was calculated based on the Black-Scholes formula.

Net income (loss) per share

Basic net income (loss) per share is computed using the weighted-average number of Class A Shares outstanding during the three months ended September 30, 2012, being 66,715,000 (2011 – 59,785,000). In computing diluted net income (loss) per share, no shares were added to the weighted average number of Class A Shares outstanding for the three months ended September 30, 2012 as there was net loss for the period. For the three months ended September 30, 2011, no shares were added as the options and

warrants were anti-dilutive.

Basic net income (loss) per share is computed using the weighted-average number of Class A Shares outstanding during the nine months ended September 30, 2012, being 66,657,000 (2011 – 59,535,000). In computing diluted net income (loss) per share, no shares were added to the weighted average number of Class A Shares outstanding for the nine months ended September 30, 2012 as the options and warrants were anti-dilutive. For the nine months ended September 30, 2011, no shares were added as the options and warrants were anti-dilutive.

12. Share-Based Payment Arrangements

Stock option plan (equity settled)

The Company has a stock option plan whereby options may be granted to directors, officers, employees and consultants. Combined with the Company's other share-based payment arrangements, the option plan allows for the granting of options to purchase Class A Shares to a maximum number equal to 10% of the issued and outstanding Class A Shares of the Company. The exercise 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 expire after five years and vest equally over a three-year period commencing on the first anniversary of the date of grant.

The following table summarizes the stock options as at September 30, 2012:

	Number	Weighted Average Exercise Price
Options outstanding, December 31, 2011	3,030	$0.37
Granted	**1,585**	**$0.23**
Forfeited	**(475)**	**$0.76**
Options outstanding, September 30, 2012	**4,140**	**$0.27**
Options exercisable, September 30, 2012	**1,157**	**$0.46**

During the nine months ended September 30, 2012, 750,000 stock options were granted to directors and officers with an exercise price of $0.25 per option and 835,000 stock options were granted to employees with an exercise prices of $0.17 to $0.21 per option.

Stocks options which were outstanding and vested as at September 30, 2012, are summarized as follows:

Options Outstanding				Exercisable Options	
Number	Price Range	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Number	Weighted Average Exercise Price
3,914	$0.17-$1.00	$0.21	4.08	931	$0.23
208	$1.01-$2.00	$1.30	1.00	208	$1.30
18	$2.01-$2.51	$2.51	0.25	18	$2.51
4,140	**$0.17-$2.51**	**$0.27**	**3.91**	**1,157**	**$0.46**

The Company recorded share-based compensation expense related to the stock options of $167,000 for the nine month period ended September 30, 2012 (September 30, 2011: $29,000) and presented as such on the Company's statements of income (loss) and comprehensive income (loss).

The grant date fair value of the stock options for the nine months ended September 30, 2012 and 2011 was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the stock option plan are the following:

	As at September 30	
	2012	2011
Weighted average fair value at grant date ($/option)	$0.16	$0.12
Expected volatility (weighted average)	108.7%	100.2%
Option life (expected weighted average)	5 years	5 years
Risk-free interest rate (weighted average)	1.4%	2.1%
Forfeiture rate	17.1%	17.1%

Performance share unit plan (equity settled)

The Company has a performance share unit (“PSU”) plan whereby each PSU awarded conditionally entitles the eligible unit holder to the delivery of one Class A Share of the Company upon attainment of the PSUs’ non-market performance vesting conditions approved by the Board of Directors. As the Company will settle these obligations with Class A Shares of the Company, it has classified these awards as equity in the consolidated statement of financial position. These PSUs vest if the performance conditions for the current fiscal year are met.

The aggregate number of Class A Shares reserved for issuance upon the vesting of all PSUs granted under the PSU plan will not exceed 2% of the issued and outstanding Class A Shares of the Company and 1% for any one insider. Compensation expense related to the PSUs will is 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.

During the nine months ended September 30, 2012, 1,310,000 PSUs were granted to officers and employees (September 30, 2011: 900,000). The Company recorded share-based compensation expense of $193,000 for the nine month period ended September 30, 2012 (September 30, 2011: $25,000) and presented as such on the Company’s statements of income (loss) and comprehensive income (loss).

13. Supplement to Statements of Cash Flows

	For the Nine months ended September 30	
	2012	2011
Changes in non-cash working capital balances		
Funds held in trust	**$ (68)**	$ (1)
Accounts receivable	**6,226**	1,015
Prepaid expenses, supplies and deposits	**(77)**	88
Accounts payable and accrued liabilities	**(3,359)**	(487)
Deferred revenue	**(1,768)**	(82)
	$ 954	$ 533
Changes in non-cash working capital balances related to operating activities	**$ 3,323**	$ 2,292
Changes in non-cash working capital balances related to investing activities	**(2,369)**	(1,759)
	$ 954	$ 533

14. Operating Leases

Summary of non-cancellable building lease (net of subleases) commitments until expiry:

	Sep 30, 2012	Dec 31, 2011
One year	**$ 4,411**	$ 4,450
Between one and five years	**16,414**	15,140
More than five years	**35,928**	38,710
	$ 56,753	$ 58,300

Movement in the commitments for the nine months ended September 30, 2012:

Balance, January 1, 2012	**$ 58,300**
Payments (net of subleases)	**(3,386)**
Operating cost adjustment	**1,839**
Balance, September 30, 2012	**$ 56,753**

The Company has an office lease with a term of 15 years expiring in 2025. Excluding subleases, the monthly commitment is approximately $355,000 including operating costs for 2012 and is $268,000 for 2013. The annual square foot rate increases in 2012, 2016, 2018, 2020 and 2023. The Company also has a monthly commitment of $30,000 related to a portion of the lease it surrendered in 2011. In addition, a portion of the space is subleased on a month to month basis. Sublease payments totalling $78,000 are expected to be received from October 2012 to September 2013. The Company also leases approximately 15,000 square feet of office space in another location with the lease expiring in 2025. The monthly commitment is approximately $60,000 including operating costs for 2012 and $63,000 for 2013.

15. Related Parties

Transactions with key management personnel

Loans from directors and shareholders

The Company has $800,000 in unsecured loans from two directors (see Note 10).

$2 million of the $5 million subordinated bridge loan was loaned to the Company by two directors in accordance with a condition of the financing (see Note 10).

$850,000 of the debentures was subscribed for by three directors and $210,000 was subscribed for by shareholders (see Note 10).

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

The Company uses daily cash flow forecasts projected out three months in advance to ensure that it has sufficient cash on hand to meet expected operational expenses, fund capital expenditures and service financial obligations. This does not take into account the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, to meet short-term financing needs, the Company:

- Maintains a $5 million operating line of credit. Interest is payable at prime plus 2.5%.
- Issued $1 million in debentures repayable with seismic data revenues.
- Secured a $5 million subordinated demand bridge loan in May 2011. $3 million is repayable by April 30, 2013 and $2 million is interest only until October 31, 2013.
- Obtained $800,000 in shareholder loans repayable by December 31, 2016. $700,000 in shareholder loans was converted into the debenture in September 2012.
- Raised $1 million through a private placement in December 2011.

As at September 30, 2012 the Company had a cash balance of $3 million, $5.6 million in accounts receivable and $0.6 million in unused committed bank credit facilities totaling $9.2 million to settle current liabilities of $11.9 million (excluding deferred revenue of $2.8 million). The Company continues to review additional sources of capital to continue its activities and discharge its commitments as they become due.

The tables below summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including estimated interest payments:

As at September 30, 2012	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	$ 4,350	$ 4,350	$ 4,350	$ -	$ -	$ -	$ -	$ 4,350
Accounts payable and accrued liabilities	4,911	4,911	4,911	-	-	-	-	4,911
Deferred rent obligations	421	421	-	-	-	-	421	421
Long-term debt obligations (excluding finance lease obligations)	5,996	6,908	818	1,827	1,163	2,040	1,060	6,908
Finance lease obligations	238	269	63	63	68	75		269
Loss on sublease	1,413	1,482	178	178	356	770	-	1,482
Total	$ 17,329	$ 18,341	$ 10,320	$ 2,068	$ 1,587	$ 2,885	$ 1,481	$ 18,341

As at December 31, 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	$ 3,700	$ 3,700	$ 3,700	$ -	$ -	$ -	$ -	$ 3,700
Accounts payable and accrued liabilities	10,669	10,669	10,669	-	-	-	-	10,669
Deferred rent obligations	1,124	1,124	-	-	-	-	1,124	1,124
Long-term debt obligations (excluding finance lease obligations)	5,349	6,637	852	819	2,847	2,119	-	6,637
Finance lease obligations	385	434	100	100	109	125	-	434
Loss on sublease	1,652	1,749	178	178	356	1,037	-	1,749
Other long-term liabilties	100	100	-	-	100	-	-	100
Total	$ 22,979	$ 24,413	$ 15,499	$ 1,097	$ 3,412	$ 3,281	$ 1,124	$ 24,413

17. Additional GAAP Measure

The Company included funds from operations in the consolidated statements of cash flows. Funds from operations represents the cash flow from continuing operations, excluding non-cash working capital items.