Divestco

Press Release

Divestco Reports 2016 Q2 Results

August 29, 2016, Calgary, AB (TSX-V: DVT) – Divestco Inc. ("Divestco" or the "Company"), an exploration services company dedicated to providing a comprehensive and integrated portfolio of data, software and services to the oil and gas industry worldwide, today announced its financial and operating results for the three and six months ended June 30, 2016.

Financial Highlights

Overall Performance and Operational Results

Financial Results (Thousands, Except Per Share Amounts)								
	Three months ended June 30				Six months ended June 30			
	2016	2015	*$ Change*	*% Change*	**2016**	2015	*$ Change*	*% Change*
Revenue	**$ 3,135**	$ 2,936	*$ 199*	*7%*	**$ 6,272**	$ 12,341	*$ (6,069)*	*-49%*
Operating Expenses [(1)]	**2,517**	4,053	*(1,536)*	*-38%*	**5,192**	9,400	*(4,208)*	*-45%*
Other Loss (Income)	**2**	36	*(34)*	*-94%*	**71**	(5,584)	*5,655*	*N/A*
EBITDA [(2)]	**616**	(1,153)	*1,769*	*N/A*	**1,009**	8,525	*(7,516)*	*-88%*
Finance Costs	**355**	208	*147*	*71%*	**710**	666	*44*	*7%*
Depreciation and Amortization	**1,675**	1,399	*276*	*20%*	**3,107**	8,385	*(5,278)*	*-63%*
Net Loss	**$ (1,414)**	$ (2,760)	*$ 1,346*	*N/A*	**$ (2,808)**	$ (526)	*$ (2,282)*	*N/A*
Per Share - Basic and Diluted	**(0.02)**	(0.04)	*0.02*	*N/A*	**(0.04)**	(0.01)	*(0.03)*	*N/A*
Funds from (used in) Operations [(2)]	**$ 623**	$ (1,124)	*$ 1,747*	*N/A*	**$ 1,020**	$ 2,988	*$ (1,968)*	*-66%*
Per Share - Basic and Diluted	**0.01**	(0.02)	*0.03*	*N/A*	**0.02**	0.04	*(0.02)*	*-50%*
Class A Shares Outstanding	**67,252**	67,108	*N/A*	*N/A*	**67,252**	67,108	*N/A*	*N/A*
Weighted Average Shares Outstanding Basic and Diluted	**67,252**	67,108	*N/A*	*N/A*	**67,233**	67,108	*N/A*	*N/A*

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

[(2)] *See the "Non GAAP Measures" section of the Company's Management Discussion and Analysis filed on the Company's website and on SEDAR*

Q2 2016 vs. Q2 2015

Divestco generated revenue of $3.1 million in Q2 2016 compared to $2.9 million in Q1 2015, an increase of $0.2 million (7%). While the Company's Seismic Data and Software & Data segments had stronger revenues, Services segment revenues were weaker due to low commodity prices. Revenue in the Software & Data segment ($1.3 million) increased by $0.1 million (13%). Revenue in the Seismic Data segment ($1.5 million) increased by $1.3 million (660%). Revenue in the Services segment ($0.3 million) decreased by $1.2 million (78%) as result of reduced capital spending by clients due to low commodity prices.

Operating expenses decreased by $1.6 million (38%) to $2.5 million in Q2 2016 from $4.1 million in Q2 2015. Salaries declined by $0.9 million (41%) due to reduced staffing levels and the austerity measures put in place in response to current economic conditions. G&A expenses declined by $0.7 million (34%) due to a decrease in discretionary expenses as well as software licences and contractor fees.

Finance costs increased by $147,000 (71%) to $355,000 in Q2 2016 from $208,000 in Q2 2015 mainly related to repayment of a $4.5 million bridge loan in Q1 2015. The Company then a secured a new bridge loan in Q3 2015. Therefore, debt levels were lower in Q2 2015 compared to Q2 2016.

Depreciation and amortization increased by $0.3 million (20%) to $1.7 million in Q2 2016 from $1.4 million in Q2 2015 mainly related to seismic data in Q1 2015; no new data was acquired in Q1 2016. (Divestco's accounting policy is to amortize 40% of participation survey costs immediately upon delivery of new seismic data to participants and the balance over six years straight-line commencing one year from the delivery date).

Six Months Ended June 30 2016 vs. Six Months Ended June 30 2015

Divestco generated revenue of $6.3 million during the first half of 2016 compared to $12.3 million in the same period in 2015, a decrease of $6.0 million (49%). This was primarily a result of lower seismic participation revenue and Services segment revenue partially offset by higher seismic data library and log data revenue. Revenue in the Software & Data segment ($2.4 million) decreased by $0.8 million (24%) mainly due to the sale of the land software assets in Q1 2015 partially offset by higher log data revenue. Revenue in the Seismic Data segment ($2.4 million) decreased by $2.7 million (53%) due to three seismic participation surveys that were completed in the first half of 2015; there were no surveys completed in the first half of 2016. Seismic brokerage revenue was also lower. These decreases were partially offset by an increase in seismic data library revenue of $2.0 million. Revenue in the Services segment ($1.5 million) decreased by $2.6 million (63%) as result of reduced capital spending by clients due to low commodity prices.

Operating expenses decreased by $4.2 million (45%) to $5.2 million in the first half of 2016 from $9.4 million in the same period in 2015. Salaries declined by $2.4 million (45%) due to reduced staffing levels and the austerity measures put in place in response to current economic conditions. G&A expenses declined by $1.8 million (44%) due to a decrease in discretionary expenses as well as software licences and contractor fees.

Finance costs increased by $44,000 (7%) to $710,000 in the first half 2016 from $666,000 in the same period in 2015 mainly related to repayment of a $4.5 million bridge loan in Q1 2015. The Company then a secured a new bridge loan in Q3 2015. Therefore, debt levels were lower in Q2 2015 compared to Q2 2016.

Depreciation and amortization decreased by $5.3 million (63%) to $3.1 million in the first half of 2016 from $8.4 million in same period in 2015 mainly due to the addition of new seismic data in first half of 2015; no new data was acquired in first half of 2016. (Divestco's accounting policy is to amortize 40% of participation survey costs immediately upon delivery of new seismic data to participants and the balance over six years straight-line commencing one year from the delivery date).

Financial Position

As at June 30, 2016, Divestco had a working capital deficiency of $5.2 million (December 31, 2015: $2.1 million deficiency), excluding deferred revenue of $1.2 million (December 31, 2015: $1.3 million). The increase in the working capital deficit from the end of 2015 was primarily due to the reclassification of the Company's bridge loan and a portion of its shareholder loans from long-term to current at June 30, 2016 for a total reclassification of $3.5 million. The bridge loan is repayable on March 31, 2017 and shareholder loan repayments commence on April 1, 2017.

(1) *See the "Non GAAP Measures" section of the Company's Management Discussion and Analysis filed on the Company's website and on SEDAR*

Operations Update and Outlook

There has been an improvement in West Texas Intermediate oil prices from a low of US$27/barrel in February 2016 to US$45/barrel in August 2016 and rig utilization has improved from 5% in May 2016 to 17% in August 2016. However, commodity prices and rig utilization remain significantly lower than 2014 levels which has forced the majority of North American oil and gas producers to keep their capital spending to historically low levels and access to capital remains challenging for industry as a whole. Due to significantly lower activity levels, Divestco continues to reduce its operating expenses. As a result of the austerity measures implemented by the Company starting in Q1 2015, salaries have decreased by

45% (first half of 2016 compared to first half of 2015) and all other discretionary expenses have been lowered as well. These measures are expected to remain in place for the remainder of 2016 or until a material change in activity levels is realized.

Mr. Stephen Popadynetz, CEO and President commented: “The cost controls we continued to utilize in 2016 combined with higher data license revenue contributed to Divestco achieving positive funds from operations of $0.6 million for Q2 2016, an improvement of $1.8 million from negative funds from operations of $1.1 million in Q2 2015. As well, Divestco expects to return to acquiring new seismic in the later part of 2016 and if oil prices continue to improve, we could have several other programs that should be economic for our customers. We are beginning to see some signs that the recession is in its final stages and we continue to receive bids for a significant number of international opportunities. All of this coupled with improving domestic markets, is expected to lead to better and more profitable quarters in our near future.”

About the Company

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

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

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

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

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

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