Divestco

Quarterly Report

Three and Nine Months Ended
September 30, 2014

Divestco

Management's Discussion & Analysis

Three and Nine Months Ended
September 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated November 25, 2014, and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Divestco Inc. ("Divestco" or the "Company") as at and for the three and nine months ended September 30, 2014 and 2013 and the audited consolidated financial statements and notes as at and for the years ended December 31, 2013 and 2012. All financial information in this MD&A has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), and is reported in Canadian dollars unless otherwise specified.

DIVESTCO'S BUSINESS

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 has created 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".

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.

- 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.

GOING CONCERN

The Company incurred a net loss of $7.7 million for the nine months ended September 30, 2014 and as at September 30, 2014 had a working capital deficiency of $6.4 million (see "Financial Position" under the "Overall Performance and Operational Results" section to this MD&A), excluding deferred revenue of $7.8 million. In addition, it has future operating lease commitments.

On September 30, 2014, the Company entered into a short-term bridge loan to fully repay all bank indebtedness (see "Bridge Loan" under the "Capital Resources" section to this MD&A) and augment working capital while management continues to move forward with the sale of non-strategic assets and putting a new long-term conventional banking facility in place.

Management is currently in discussions with a number of interested parties with the intention of selling non-strategic assets. All discussions are preliminary and there is no assurance that any transaction will proceed.

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

As a result of the uncertainty of completing the above transactions, there is material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company's ability to obtain other financing to fund its operations until it is in a position to generate positive net future cash flows and profitability. The Company believes that it will be able to meet its cash flow requirements in the near term, however, the outcome of the actions and events described above cannot be predicted at this time.

The 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 and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the 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:

- The Company's ability to keep debt and liquidity at acceptable levels, improve/maintain its working capital position and achieve profitability
- 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 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 which cause seasonal cyclicality in our business
- 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

NON-GAAP MEASURES

The Company's condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". Certain measures in this document do not have any standardized meaning as prescribed by IFRS and are considered non-GAAP measures. While these measures may not be comparable to similar measures presented by other issuers, they are described and presented in this MD&A to provide shareholders and other stakeholders 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 an indicator 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 before tax basis, without regard to financing cost and non-cash depreciation and amortization, which can vary significantly depending upon accounting methods or non-operating factors such as historical cost.

The following is a reconciliation of EBITDA with net loss:

	Three months ended Sep		Nine months ended Sep 30	
(Thousands)	**2014**	2013	**2014**	2013
Net Loss	**$ (3,033)**	$ (1,985)	**$ (7,745)**	$ (2,131)
Income Tax Reduction	**-**	-	**(31)**	-
Finance Costs	**682**	301	**1,184**	792
Depreciation and Amortization	**1,449**	1,372	**6,605**	5,435
EBITDA	**$ (902)**	$ (312)	**$ 13**	$ 4,096

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.

ADDITIONAL GAAP MEASURE

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 exclude certain working capital changes and other sources and uses of cash, which are disclosed in the condensed consolidated interim statements of cash flows.

The closest IFRS measure that can be used to gauge Divestco's capacity to generate discretionary cash flow is cash from operating activities.

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

	Three months ended Sep		Nine months ended Sep 30	
(Thousands)	**2014**	2013	**2014**	2013
Net Cash (deficit) from Operating Activities	**$ (720)**	$ 689	**$ 2,618**	$ 4,814
Changes in non-cash Working Capital Balances Related to Operating Activities	**(735)**	(1,228)	**(3,434)**	601
Interest Paid	**554**	248	**974**	678
Income Taxes Refunded	**-**	-	**(251)**	-
Funds from Operations	**$ (901)**	$ (291)	**$ (93)**	$ 6,093

OVERALL PERFORMANCE AND OPERATIONAL RESULTS

Summary Financial Results (Thousands, Except Per Share Amounts)	Three months ended Sep 30				Nine months ended Sep 30			
	2014	2013	*$ Change*	*% Change*	**2014**	2013	*$ Change*	*% Change*
Revenue	**$ 5,207**	$ 4,883	*$ 324*	*7%*	**$ 17,108**	$ 23,584	*$ (6,476)*	*-27%*
Operating Expenses [1]	**6,140**	5,219	*921*	*18%*	**17,281**	17,822	*(541)*	*-3%*
Other Loss (Income)	**(31)**	(24)	*(7)*	*N/A*	**(186)**	1,666	*(1,852)*	*N/A*
EBITDA [2]	**(902)**	(312)	*(590)*	*N/A*	**13**	4,096	*(4,083)*	*-100%*
Finance Costs	**682**	301	*381*	*127%*	**1,184**	792	*392*	*49%*
Depreciation and Amortization	**1,449**	1,372	*77*	*6%*	**6,605**	5,435	*1,170*	*22%*
Loss before Income Taxes	**(3,033)**	(1,985)	(1,048)	*N/A*	**(7,776)**	(2,131)	(5,645)	*N/A*
Income Tax Recovery	**-**	-	-	*N/A*	**(31)**	-	*(31)*	*N/A*
Net Loss	**$ (3,033)**	$ (1,985)	*$ (1,048)*	*N/A*	**$ (7,745)**	$ (2,131)	*$ (5,614)*	*N/A*
Per Share - Basic and Diluted	**(0.05)**	(0.03)	*(0.02)*	*N/A*	**(0.12)**	(0.03)	*(0.08)*	*N/A*
Funds from Operations [2]	**$ (901)**	$ (291)	*$ (610)*	*N/A*	**$ (93)**	$ 6,093	*$ (6,186)*	*N/A*
Per Share - Basic and Diluted	**(0.01)**	-	*(0.01)*	*N/A*	**-**	0.09	*(0.09)*	*-100%*
Class A Shares Outstanding	**67,096**	66,921	*N/A*	*N/A*	**67,096**	66,921	*N/A*	*N/A*
Weighted Average Shares Outstanding Diluted	**67,085**	66,909	*N/A*	*N/A*	**67,075**	66,896	*N/A*	*N/A*

[1] *Includes salaries and benefits, G&A and shared-based payments but excludes depreciation and amortization and other loss (income)*
[2] *See the "Non GAAP Measures and Additional GAAP Measure" sections.*

Q3 2014 vs. Q3 2013

The Company generated revenue of $5.2 million compared to $4.9 million in Q3 2013, an increase of $0.3 million (27%). Revenue in the Software & Data segment ($1.9 million) decreased by $0.2 million (11%) due to lower subscriptions and log data revenue. Revenue in the Seismic Data segment ($1 million) increased by $0.6 million (152%) due to higher seismic brokerage activity. Revenue in the Services segment ($2.3 million) decreased by $0.1 million (2%) as processing services experienced weaker demand due to falling commodity prices while land management services experienced stronger demand compared to Q3 2013.

Operating expenses increased by $0.9 million (18%) to $6.1 million in Q3 2014 as consulting fees were higher than in Q3 2013. This was related to a higher demand for services that rely on third party contractors to carry out a majority of the field work and international work (certain services are contracted out and rebilled to the client).

Finance costs increased by $381,000 (127%) to $682,000 in Q3 2014 mainly due to a higher cost of debt and the amortization of the remaining deferred finance charges related to debt the Company repaid in Q3 2014.

Depreciation and amortization ($1.4 million) increased by $77,000 (6%) mainly due to the growth of the seismic data library (Company's policy is to amortize 40% of participation survey costs immediately upon delivery of new seismic data to participants and the balance over six years straight-line).

Nine Months Ended September 30, 2014 vs. Nine Months Ended September 30, 2013

The Company generated revenue of $17.1 million compared to $23.6 million in 2013, a decrease of $6.5 million (27%). Revenue in the Software & Data segment ($5.7 million) decreased by $1.7 million (23%) mainly due to a large data sale in 2013 which was not repeated in 2014 and the formation of a new affiliated company in June 2013 whereby the support data division was sold to that company. Revenue in the Seismic Data segment ($3.7 million) decreased by $4 million (52%) due to a decrease in seismic participation revenue caused by reduced exploratory activity in the oil and gas industry in the early part of the year. All seismic data revenue in 2014 has been attributable to projects carried forward from Q4 2013. Revenue in the Services segment ($7.7 million) decreased by $0.7 million (9%) with geomatics and processing experiencing weaker demand compared to the same period in 2013 while land management services experienced stronger demand.

Operating expenses decreased by $0.5 million (3%) to $17.3 million for the nine-month period of 2014 due to lower salaries and benefits ($1 million or 10% decrease) partially offset by higher consulting fees. The increase in consulting fees was related to higher demand for services that rely on third party contractors to carry out a majority of the field work and international work (certain services are contracted out and rebilled to the client).

Finance costs increased by $0.4 million (49%) to $1.2 million in 2014 mainly due to a higher cost of debt and the amortization of the remaining deferred finance charges related to debt the Company repaid in Q3 2014.

Depreciation and amortization ($6.6 million) increased by $1.2 million (22%) mainly due to higher amortization of new seismic data acquired in 2014.

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

Business Seasonality

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

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

Financial Position

Divestco ended Q3 2014 with a working capital deficit of $6.4 million (December 31, 2013: $2.3 million deficit), excluding deferred revenue of $7.8 million (December 31, 2013 - $2.8 million). The increase in working capital deficit from the end of 2013 was primarily due to the reclassification of debt from long-term to current. The significant increase in accounts receivable ($5 million) and accounts payable ($4.5 million) was due to a large seismic brokerage transaction realized in Q3 2014 which the balance ($0.5 million) being recognized as revenue.

On September 30, 2014, the Company entered into a short-term bridge loan to fully repay all bank indebtedness (see “Bridge Loan” under the “Capital Resources” section to this MD&A) and augment working capital while management continues to move forward with the sale of non-strategic assets and putting a new long-term conventional banking facility in place. In addition, the Company consolidated its shareholder loans under a single loan agreement effective September 29, 2014. Since the entire shareholder loan is due on demand and there are no scheduled principal repayments, it is classified as current debt.

Financial Position (Thousands)	**Balance at**		
	Sep 30	**Dec 31**	**Dec 31**
	2014	2013	2012
Total Assets	**$ 41,963**	$ 40,721	$ 41,945
Working Capital (Deficit) (1)(2)	**(6,436)**	(2,295)	(7,483)
Long-Term Financial Liabilities (3)	**12,898**	9,357	7,622

(1) *See the “Non GAAP and Additional GAAP Measures” sections.*
(2) *Excludes the current portion of deferred revenue of $7.8 million (December 31, 2013: $2.8 million; December 31, 2012: $2.4 million).*
(3) *Includes long-term debt obligations (both current and long-term portions), sublease loss provision (both current and long-term portions), deferred rent obligations. Excludes tenant inducements of $0.8 million (December 31, 2013: $0.8 million; December 31, 2012: $1.5 million).*

SELECTED QUARTERLY INFORMATION

	2014			2013				2012
(Thousands, Except Per Share Amounts)	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Revenue	**$ 5,207**	**$ 5,189**	**$ 6,712**	$ 10,395	$ 4,883	$ 7,083	$ 11,618	$ 7,270
EBITDA (1)	**(902)**	**(355)**	**1,270**	5,127	(312)	(559)	4,967	311
Income (loss) before income taxes	**(3,033)**	**(3,997)**	**(746)**	3,458	(1,985)	(2,230)	2,084	(1,232)
Net Income (Loss)	**(3,033)**	**(3,997)**	**(715)**	3,458	(1,985)	(2,230)	2,084	(1,232)
Per Share - Basic and Diluted	**(0.05)**	**(0.06)**	**(0.01)**	0.05	(0.03)	(0.03)	0.03	(0.02)
Funds from Operations (1)	**(901)**	**(316)**	**1,124**	5,189	(291)	1,173	5,211	10
Per Share - Basic and Diluted	**(0.01)**	**0.00**	**0.02**	0.08	0.00	0.02	0.08	0.00

(1) *See the “Non GAAP Measures and Additional GAAP Measure” sections.*

The variances in the quarterly results illustrated in the table above are primarily a result of changing industry factors affecting oil and gas producers’ exploration activities, upon which our business model is based. In turn, the producers' primary activity drivers are crude oil and natural gas commodity pricing and general economic and industry labour conditions, which have fluctuated in these reporting periods.

The variance in quarterly results is also influenced by seasonality. Typically, the first and fourth quarters are the busiest for the Company when drilling activities are at their peak in western Canada. Road bans severely restrict field activity in the second quarter and seismic field work can be limited in summer months for agricultural reasons.

OUTLOOK

For the last quarter of 2014, management anticipates seismic data segment revenues to significantly increase given current and anticipated drilling, asset acquisition and corporate consolidation activities of oil and gas producers, which is being driven by recently renewed investment in the sector. There have been three new seismic participation revenue projects initiated in Q4 2014 with revenue expected to be recognized in Q4 2014 and Q1 2015. Activity levels are also expected to increase in the Services segment revenues, both domestically and internationally. The Software & Data segment released its new seismic interpretation solution (GlassTM) on October 1, 2014, which received excellent reviews at the May 2014 CSEG Conference in Calgary and October 2014 SEG Conference in Denver.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized on the statement of financial position when the Company becomes a party to the instrument's contractual obligations. The Company's financial assets include cash and cash equivalents, trade and other receivables and its financial liabilities primarily comprise accounts payables and debt.

Fair Value

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amount largely due to the short-term maturities of these instruments. The fair value of the term debt instruments have been measured at amortized cost using the effective interest rate method.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in connection with the collection of its revenues. The Company controls its credit risk by assessing each customer's creditworthiness prior to transacting and subsequently monitoring and making efforts to collect its outstanding accounts receivable.

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. Currently there are no significant economic dependencies on any particular customers.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. The Company's interest rate risk exposure is mainly related to term debt and is not considered significant.

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 funds to meet its liabilities when due, under both normal and stressed conditions.

The Company incurred a net loss of $7.7 million for the nine months ended September 30, 2014 and as at September 30, 2014 had a working capital deficiency of $6.4 million, excluding deferred revenue of $7.8 million. In addition, it has future operating lease commitments (see the "Off-Balance Sheet Arrangements" section of this MD&A).

On September 30, 2014, the Company entered into a short-term bridge loan to fully repay all bank indebtedness (see "Bridge Loan" under the "Capital Resources" section of this MD&A) and augment working capital while management continues to move forward with the sale of non-strategic assets and putting a new long-term conventional banking facility in place.

Management is currently in discussions with a number of interested parties with the intention of selling non-strategic assets. All discussions are preliminary and there is no assurance that any transaction will proceed.

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

Contractual Obligations

Below is a summary of Divestco's contractual obligations as at September 30, 2014, including principal and interest:

(Thousands)	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	Thereafter	Total
Debt Obligations [1]	11,254	11,435	10,766	669	-	-	**11,435**
Finance Leases	387	419	212	140	67	-	**419**
Operating Leases	N/A	33,219	2,904	2,998	8,641	18,676	**33,219**
Sublease loss liability	752	771	356	356	59	-	**771**
Total	**$ 12,393**	**$ 45,844**	**$ 14,238**	**$ 4,163**	**$ 8,767**	**$ 18,676**	**$ 45,844**

[1] Includes secured bridge loan, shareholder loans and debentures. Carrying amount includes deferred finance charges of $181,000.

Selected Cash Flow Items

	Nine months ended Sep 30	
(Thousands)	**2014**	2013
Operating Activities		
Funds from Operations [1]	**$ (93)**	$ 6,093
Changes in Non-Cash Working Capital Balances	**3,434**	(601)
Interest Paid	**(974)**	(678)
Income Taxes Refunded	**251**	-
Cash From (Used in) Operating Activities	**2,618**	4,814
Financing Activities		
Bank Indebtedness	**(2,996)**	(1,844)
Repayment of Long-Term Debt Obligations	**(3,054)**	1,986
Proceeds from Long-Term Debt Obligations	**6,600**	-
Deferred Finance Costs	**(181)**	(298)
Cash From (Used in) Financing Activities	**369**	(156)
Investing Activities		
Additions to Intangible Assets	**(6,522)**	(3,600)
Participation Surveys in Progress	**4,732**	3,508
Additions to Property, Plant and Equipment	**(41)**	(128)
Lease Incentive	**-**	144
Payments Towards Sublease Loss Provision	**(267)**	(267)
Investment in Equity-Accounted Investees	**-**	(200)
Advances from Equity-Accounted Investees	**52**	470
Deferred Development Costs	**(1,189)**	(1,683)
Changes in Non-Cash Working Capital Balances	**691**	(3,930)
Cash From (Used in) Investing Activities	**(2,544)**	(5,686)
Change in Cash	**$ 443**	$ (1,028)

[1] *See the "Non GAAP Measures and Additional GAAP Measure" sections.*

Operating Activities

For the nine months ended September 30, 2014, funds used operations were $0.1 million ($nil/share (basic and diluted)), compared with $6.1 million in funds from operations ($0.9/share (basic and diluted)) for the same period in 2013. The decrease of $6.2 million was mainly due to lower revenues in 2014 partially offset by reduction of operating expenses due to lower salaries and occupancy costs.

Financing Activities

During the nine months ended September 30, 2014, Divestco received $4.5 million in proceeds from a short-term secured bridge loan which were used to repay existing senior debt of $3 million (a term loan of $1.7 million and an operating line of $1.3 million). $0.6 million of the proceeds were retained by the lender as an interest and default reserve (see "Bridge Loan" under the "Capital Resources" section of MD&A). The Company received an additional $2.1 million in shareholder loans and repaid $0.5 million. Repayment of finance leases totaled $0.1 million.

Investing Activities

During the nine months ended September 30, 2014, Divestco incurred $6.5 million in additions to intangible assets (primarily the result of completion of the participation surveys in progress at year end) and $1.2 million in deferred development costs.

CAPITAL RESOURCES

Share capital

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:

	Balance as at		
(Thousands)	**Nov 25, 2014**	**Sep 30, 2014**	Dec 31, 2013
Class A shares			
Outstanding	67,096	**67,096**	67,050
Weighted Average Outstanding			
Basic – YTD	N/A	**67,075**	66,989
Diluted – YTD (1)	N/A	**67,075**	67,000
Stock Options			
Outstanding	3,147	**3,147**	3,381
Exercise Price Range	$0.17 to $0.68	**$0.17 to $0.68**	$0.17 to $0.68

(1) 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, 2014, being 67,075,000 (September 30, 2013 – 66,896,000). In computing diluted net loss per share, no shares were added to the weighted average number of Class A Shares outstanding for the nine months ended September 30, 2014 as they were antidilutive. In computing diluted net income per share, 11,000 stock option shares were added to the weighted average number of Class A Shares outstanding for the year ended December 31, 2013.

Bridge Loan

On September 30, 2014, the Company entered into a short-term secured bridge loan for $4.5 million, repayable on March 31, 2015. The loan bears interest at 18% per annum and is secured by a general security agreement over all present and after acquired personal property of the Company. The loan proceeds were used to fully repay bank loans (revolving and term) totalling $3 million and augment working capital while management completes the sale of non-strategic assets and puts a new long-term conventional banking facility in place.

The bridge lender maintains a $405,000 interest reserve sufficient to satisfy all interest costs for the term of loan and a default reserve of $202,500 payable to the lender should the loan not be repaid in full by March 31, 2015. These amounts have been recorded in prepaid expenses in the statement of financial position and the interest reserve is being amortized over the term of loan. If the bridge loan is repaid prior to March 31, 2015, the unapplied balance of the interest reserve and the entire balance of the default reserve will be applied against the loan repayment.

Shareholder Loans

On September 29, 2014, the Company consolidated all prior loans with three directors of the Company. As at September 30, 2014, the Company owes $5.7 million to the directors. The shareholder loans bear interest at varying rates of 10% and 12% per annum and are secured by way of registered security pursuant to the Personal Property Security Act (Alberta). The shareholder loans are subordinated to the Company's senior bridge lender, are payable on demand and have no maturity date. However, should $1.6 million of the shareholder loans extend beyond December 31, 2014, the Directors will have the right to convert this portion of the Shareholder Loans into an ownership interest in the Company's seismic data library, subject to the regulatory approval and provided the Company's bridge loan has been fully repaid.

Debentures

The Company has $1.21 million in subordinated debentures with a royalty interest. Four directors, who are also shareholders of the Company, subscribed for $1 million of the debentures. The debentures bear interest of 8% per annum. Principal payments are calculated at 50% of "net revenues" generated by certain of the Company's seismic data (the "Seismic Data"), multiplied by $1.21 million (debenture proceeds raised) 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. The "Seismic Data" is comprised of the seismic surveys acquired by the Corporation prior to July 1, 2012. Principal payments are postponed for 12 months if the Company breaches its senior debt covenants. As at September 30, 2014, there was $0.5 million in principal payments owing to the debenture holders based on revenues generated by the Seismic Data for the year ended December 31, 2013. There was no debenture qualifying revenue generated in 2014.

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 to be calculated at 25% of the "net revenues" generated by the "Seismic Data" multiplied by $1.21 million divided by $5 million. The balance of the revenue is retained by the Company. Royalty payments will 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 senior debt. This security interest ranks pari passu with the Shareholder Loans.

OFF-BALANCE SHEET ARRANGEMENTS

The Company's main office lease has a term of 15 years expiring in 2025. Excluding subleases, the commitment is approximately $171,000 per month (including operating costs and property taxes) for 2014. The annual square foot rate increases in 2016, 2018, 2020 and 2023. The lease includes a monthly commitment of $30,000 until November 2016 related to a portion of the lease the Company surrendered in 2011. 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 $63,000 including operating costs and property taxes for 2014.

Since 2011, the Company has surrendered six floors of space in its current office premises. This will save $7 million in 2014 and annually going forward until the lease expires in 2025.

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

	Balance as at	
	30-Sep-14	**31-Dec-13**
Less than one year	**$ 2,904**	$ 2,724
Between one and five years	**11,639**	14,026
More than five years	**18,676**	17,414
	$ 33,219	$ 34,164

CONTINGENCIES

The computation of income tax is subject to review and audit by regulatory authorities. The Company has determined its provision for such items in accordance with applicable legislation and regulation and in accordance with IFRS. No amounts have been recorded for potential adjustments resulting from audit or re-assessment by regulatory authorities.

RELATED PARTY TRANSACTIONS

Loans from directors and shareholders

As at September 30, 2014, the Company had $5.7 million in secured loans from three directors and $1 million of the debentures was subscribed for by three directors and $0.2 million was subscribed for by shareholders (see the “Financial Instruments” section of the MD&A).

Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers. Executive officers also participate in the Company’s stock option plan and ESOP.

All executive officers have employment contracts. Upon resignation at the Company’s request, they are entitled to termination benefits of up to 24 months’ gross salary.

Key management personnel and director transactions

Directors and officers of the Company control 39% 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 Sep 30		**Balance due from (to) as at Sep 30**	**Balance due from (to) as at Dec 31**
Entity	**Transaction**	**2014**	**2013**	**2014**	**2013**
Director	Consulting fees and commissions[(1)]	**$ 137**	$ 137	**$ (319)**	$ (182)
Affiliate (owned 1/3 by the Company)	Software and data license fees net of expense reimbursements [(2)]	**36**	338	**(146)**	(106)

(1) The Company pays seismic consulting fees to a company controlled by a director 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 pays the affiliate for access to well data and charges the affiliate for certain corporate support services.

NEW IFRS STANDARDS AND AMENDMENTS

As of January 1, 2014, the Company adopted new IFRS accounting standards in accordance with their transitional provisions. A brief description of each new accounting policy and its impact on the Company's financial statements follows:

IFRIC 21 "Levies" was developed by the IFRS Interpretations Committee ("IFRIC") and is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 "Income Taxes") and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. Lastly, the interpretation clarifies that a liability should not be recognized before the specified minimum threshold to trigger that levy is reached. The adoption of this interpretation does not have any impact on the Company's financial statements.

IAS 36 "Impairment of Assets" has been amended to reduce the circumstances in which the recoverable amount of cash generating units "CGUs" is required to be disclosed and to clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The adoption of these amendments will only impact the Company's disclosures in the notes to the financial statements in periods when an impairment loss or impairment reversal is recognized.

Future Accounting Policy Changes

The requirements of *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets* are being amended effective January 1, 2016 to clarify certain aspects of the way depreciation and amortization is to be calculated. The Company has yet to assess the implications of these new standards.

IFRS 15, "Revenue from Contracts with Customers" was issued in May 2014 and provides guidance on revenue recognition and relevant disclosures. This new standard will be effective for annual reporting periods beginning on or after January 1, 2017. The Company has not yet assessed the impact of this new standard.

In July 2014, the IASB issued *IFRS 9 "Financial Instruments"* to replace *IAS 39 – "Financial Instruments: Recognition and Measurement"*. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company has yet to evaluate the impact of adopting this new standard.

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. Actual results may differ from these estimates. This note should be read in conjunction with the annual MD&A and financial statements for the year ended December 31, 2013.

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.

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Edward L. Molnar [1,2,3,4]
Stephen Popadynetz
Brent Gough [2,3,4]
Wade Brillon
Bill Tobman [2,3,4]

[1] Chairman of the Board
[2] Member of the Audit Committee
[3] Member of the Compensation Committee
[4] Member of the Corporate Governance Committee

OFFICERS
Stephen Popadynetz – Chief Executive Officer and President
Steve Sinclair-Smith – Chief Operating Officer
Richard Kines – (Interim) Chief Financial Officer
Lonn Hornsby – Senior VP Operations – Divestco Seismic
Danny Chiarastella – VP Finance

CORPORATE SECRETARY
Faralee A. Chanin

STOCK EXCHANGE LISTING
TSX-V: DVT

REGISTRAR AND TRANSFER AGENT
CST Company

AUDITORS
KPMG LLP

LEGAL COUNSEL
Field LLP

HEAD OFFICE
300, 520 – 3rd Avenue SW
Calgary, Alberta, Canada T2P 0R3
Phone: (587) 952-8000
Toll free: 1-888-294-0081
Fax: (587) 952-8374

Website: www.divestco.com
Investor Relations: investor.relations@divestco.com
For more information: info@divestco.com
Sales: sales@divestco.com

CAVALIER LAND AND LANDMASTERS
400, 440 – 2 Avenue SW
Calgary, Alberta, Canada T2P 5E9
Phone: (587) 952-8282
Fax: (587) 952-8371

Divestco

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2014

Contents

Divestco Inc.
Condensed Consolidated Interim Statements of Financial Position

		At Sep 30	At Dec 31
(Thousands - Unaudited)	**Note**	**2014**	**2013**
Assets			
Current Assets			
Cash		**$ 860**	$ 417
Accounts receivable		**12,852**	9,136
Prepaid expenses, supplies and deposits	7	**886**	300
Income taxes receivable		**453**	502
Total current assets		**15,051**	10,355
Equity-accounted investees		**258**	133
Participation surveys in progress		**-**	4,733
Property and equipment		**2,610**	2,869
Intangible assets	6	**24,044**	22,631
Total assets		**$ 41,963**	$ 40,721
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank indebtedness	7	**$ -**	$ 2,996
Accounts payable and accrued liabilities		**10,293**	6,935
Deferred revenue		**7,824**	2,756
Current portion of debt obligations	7	**10,786**	2,311
Current portion of other long-term liabilities	8	**408**	408
Total current liabilities		**29,311**	15,406
Long-term debt obligations	7	**855**	5,591
Other long-term liabilities	8	**1,617**	1,869
Total liabilities		**31,783**	22,866
Shareholders' Equity			
Share capital		**7,270**	7,266
Contributed surplus		**8,055**	7,989
Retained earnings (deficit)		**(5,145)**	2,600
Total shareholders' equity		**10,180**	17,855
Going concern	2		
Contractual obligations	12		
Total liabilities and shareholders' equity		**$ 41,963**	$ 40,721

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

Divestco Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

		Three months ended Sep 30		Nine months ended Sep 30	
(Thousands, Except Per Share Amounts - Unaudited)	**Note**	**2014**	**2013**	**2014**	**2013**
Revenue		**$ 5,207**	$ 4,883	**$ 17,108**	$ 23,584
Operating expenses					
Salaries and benefits		**3,521**	3,376	**10,612**	11,614
General and administrative		**2,604**	1,803	**6,603**	6,069
Depreciation and amortization		**1,449**	1,372	**6,605**	5,435
Other loss (income)		**(31)**	(24)	**(186)**	1,666
Share-based payments		**15**	40	**66**	139
Total operating expenses		**7,558**	6,567	**23,700**	24,923
Finance costs	9	**682**	301	**1,184**	792
Loss before income taxes		**(3,033)**	(1,985)	**(7,776)**	(2,131)
Income taxes					
Current (recovery)		**-**	-	**(31)**	-
Net loss and comprehensive loss for the period		**$ (3,033)**	$ (1,985)	**$ (7,745)**	$ (2,131)
Net loss per share					
Basic and Diluted	10	**$ (0.05)**	$ (0.03)	**$ (0.12)**	$ (0.03)

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		Contributed Surplus		Retained Earnings (Deficit)		Total Equity
Balance as at January 1, 2013		66,758	$	7,216	$	7,829	$	1,273	$	16,318
Net loss and comprehensive loss for the period								(2,131)		(2,131)
Transactions with owners, recorded in equity contributions by and distributions to owners:										
Issuance of Class A common shares as service awards		163		28						28
Share-based payments						139				139
Balance as at September 30, 2013		66,921	$	7,244	$	7,968	$	(858)	$	14,354
Balance as at January 1, 2014		67,050	$	7,266	$	7,989	$	2,600	$	17,855
Net loss and comprehensive loss for the period								**(7,745)**		**(7,745)**
Transactions with owners, recorded in equity contributions by and distributions to owners:										
Issuance of Class A common shares as service awards		**46**		**4**						**4**
Share-based payments						**66**				**66**
Balance as at September 30, 2014		**67,096**	**$**	**7,270**	**$**	**8,055**	**$**	**(5,145)**	**$**	**10,180**

Divestco Inc.
Condensed Consolidated Interim Statements of Cash Flows

		Nine months ended Sep 30	
(Thousands - Unaudited)	**Note**	**2014**	**2013**
Cash from (used in) operating activities			
Net loss for the period		**$ (7,745)**	$ (2,131)
Items not affecting cash:			
Equity investment income		**(177)**	(21)
Depreciation and amortization	6	**6,605**	5,435
Amortization of tenant inducements		**(54)**	(75)
Deferred rent obligations		**54**	245
Income taxes recoverable		**(31)**	-
Loss on disposal of intangibles		**-**	1,005
Impairment of property and equipment		**-**	678
Unrealized foreign exchange loss		**1**	(2)
Non-cash employment benefits		**4**	28
Share-based payments		**66**	139
Finance costs	9	**1,184**	792
Funds from (used in) operations	15	**(93)**	6,093
Changes in non-cash working capital balances	11	**3,434**	(601)
Interest and finance costs paid		**(974)**	(678)
Income taxes received		**251**	-
Net cash from operating activities		**2,618**	4,814
Cash from (used in) financing activities			
Bank indebtedness	7	**(2,996)**	(1,844)
Repayment of debt obligations		**(3,054)**	(2,339)
Deferred financing costs		**(181)**	(298)
Proceeds received from debt obligations		**6,600**	4,325
Net cash from (used in) financing activities		**369**	(156)
Cash from (used in) investing activities			
Additions to intangible assets	6	**(6,522)**	(3,600)
Decrease in participation surveys in progress		**4,732**	3,508
Purchase of property and equipment		**(41)**	(128)
Lease incentive		**-**	144
Payments towards sublease loss provision		**(267)**	(267)
Investment in equity-accounted investees		**-**	(200)
Advances to equity-accounted investees		**52**	470
Deferred development costs		**(1,189)**	(1,683)
Changes in non-cash working capital balances	11	**691**	(3,930)
Net cash used in investing activities		**(2,544)**	(5,686)
Increase (decrease) in cash		**443**	(1,028)
Cash, beginning of period		**417**	1,320
Cash, end of period		**$ 860**	$ 292

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, 2014 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. Going Concern

The Company incurred a net loss of $7.7 million for the nine months ended September 30, 2014 and as at September 30, 2014 had a working capital deficiency of $6.4 million, excluding deferred revenue of $7.8 million. In addition, the Company has contractual obligations as per Note 12.

On September 30, 2014, the Company entered into a short-term bridge loan to fully repay all bank indebtedness (Note 7) and augment working capital while management continues to move forward with the sale of non-strategic assets and putting a new long-term conventional banking facility in place.

Management is currently in discussions with a number of interested parties with the intention of selling non-strategic assets. All discussions are preliminary and there is no assurance that any transaction will proceed.

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

As a result of the uncertainty of completing the above transactions, there is material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company's ability to obtain other financing to fund its operations until it is in a position to generate positive net future cash flows and profitability. The Company believes that it will be able to meet its cash flow requirements over the next 12 months, however, the outcome of the actions and events described above cannot be predicted at this time.

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 and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed 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, 2014 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2013, except as disclosed below. 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 25, 2014, and should be read in conjunction with the annual financial statements for the year ended December 31, 2013.

(i) Adoption of new or amended IFRS

IFRIC 21 (new) "Levies"

In 2013, the IASB issued IFRIC 21, "Levies", which was developed by the IFRS Interpretations Committee ("IFRIC"). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014; accordingly, the Company has adopted this standard for the year ended December 31, 2014. The adoption of this standard had no material impact on the interim financial statements.

IAS 36 (amendment) "Recoverable Amount Disclosures for Non-Financial Assets"

The IASB issued Recoverable Amount Disclosures for Non-Financial Assets in 2013. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014; accordingly, the Company has adopted this standard for the year ended December 31, 2014.The adoption of this standard had no material impact on the interim financial statements.

(ii) Future Accounting Policy Changes

The requirements of *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets* are being amended effective January 1, 2016 to clarify certain aspects of the way depreciation and amortization is to be calculated. The Company has yet to assess the implications of these new standards.

IFRS 15, "Revenue from Contracts with Customers" was issued in May 2014 and provides guidance on revenue recognition and relevant disclosures. This new standard will be effective for annual reporting periods beginning on or after January 1, 2017. The Company has not yet assessed the impact of this new standard.

In July 2014, the IASB issued *IFRS 9 "Financial Instruments"* to replace *IAS 39 – "Financial Instruments: Recognition and Measurement"*. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company has yet to evaluate the impact of adopting this new standard.

(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. Actual results may differ from these estimates. This note should be read in conjunction with the annual financial statements for the year ended December 31, 2013.

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 throughout 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 providing a full suite of support data layers.
- Services: includes providing geomatics, processing and land management services.
- Seismic Data: includes providing seismic brokerage and data management 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.

September 30, 2014 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

The accounting policies of the segments are the same as those described in the consolidated financial statements of the Company for the year ended December 31, 2013. 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 loss and comprehensive 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, term and shareholder loans and debentures. 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, 2014					
	Software & Data	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue from external customers	**$ 1,872**	**$ 2,327**	**$ 1,008**	**$ -**	**$ 5,207**
Inter-segment revenue	**6**	**196**	**(202)**	**-**	**-**
Reportable segment income (loss) before tax	**(57)**	**(687)**	**(1,004)**	**(1,285)**	**(3,033)**
Reportable segment assets	**10,125**	**4,620**	**25,649**	**1,569**	**41,963**

As at and for the three months ended September 30, 2013					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 2,099	$ 2,384	$ 400	$ -	$ 4,883
Inter-segment revenue	-	-	-	-	-
Reportable segment income (loss) before tax	214	(307)	(935)	(957)	(1,985)
Reportable segment assets	10,428	5,198	16,814	1,727	34,167

September 30, 2014 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

As at and for the nine months ended September 30, 2014	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue from external customers	**$ 5,719**	**$ 7,666**	**$ 3,723**	**$ -**	**$ 17,108**
Inter-segment revenue	**6**	**263**	**(269)**	**-**	**-**
Reportable segment income (loss) before tax	**31**	**(904)**	**(3,542)**	**(3,361)**	**(7,776)**
Reportable segment assets	**10,125**	**4,620**	**25,649**	**1,569**	**41,963**

As at and for the nine months ended September 30, 2013	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 7,431	$ 8,445	$ 7,708	$ -	$ 23,584
Inter-segment revenue	-	79	(79)	-	-
Reportable segment income (loss) before tax	(31)	(292)	2,482	(4,290)	(2,131)
Reportable segment assets	10,428	5,198	16,814	1,727	34,167

(Tabular amounts in thousands, unless otherwise stated - Unaudited)

6. Intangible Assets

	Data Libraries								
	Seismic Data Library	Datasets	Log Library	Reference Library	Map Library	Sub-Total	Proprietary Software and Code	Deferred Development Costs[1]	Total
Cost									
At January 1, 2013	$ 22,469	$ 632	$ 7,209	$ 445	$ 239	$ 30,994	$ 9,057	$ 15,428	$ 55,479
Additions	3,546	-	-	-	-	3,546	58	1,825	5,429
Disposals	-	(193)	(1,936)	-	(239)	(2,368)	-	-	(2,368)
At December 31, 2013	26,015	439	5,273	445	-	32,172	9,115	17,253	58,540
Additions	6,502	-	-	-	-	6,502	20	1,018	7,540
At September 30, 2014	**$ 32,517**	**$ 439**	**$ 5,273**	**$ 445**	**$ -**	**$ 38,674**	**$ 9,135**	**$ 18,271**	**$ 66,080**
Accumulated depreciation									
At January 1, 2013	$ 9,207	$ 574	$ 3,180	$ 445	$ 135	$ 13,541	$ 6,607	$ 10,663	$ 30,811
Amortization	3,251	10	313	-	8	3,582	565	2,013	6,160
Disposals	-	(145)	(774)	-	(143)	(1,062)	-	-	(1,062)
At December 31, 2013	12,458	439	2,719	445	-	16,061	7,172	12,676	35,909
Amortization	4,307	-	198	-	-	4,505	432	1,190	6,127
At September 30, 2014	**$ 16,765**	**$ 439**	**$ 2,917**	**$ 445**	**$ -**	**$ 20,566**	**$ 7,604**	**$ 13,866**	**$ 42,036**
Carrying amount									
At December 31, 2013	$ 13,557	$ -	$ 2,554	$ -	$ -	$ 16,111	$ 1,943	$ 4,577	$ 22,631
At September 30, 2014	**15,752**	**-**	**2,356**	**-**	**-**	**18,108**	**1,531**	**4,405**	**24,044**

(1) During the nine months ended September 30, 2014, the Company expensed $1.3 million (September 30, 2013: $1.3 million) in research costs.

The Company's senior bridge 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 7). The Company's shareholders' loans are secured by way of a registered security interest pursuant to the Personal Property Security Act (Alberta) but are subordinated to the Company's senior debt (Note 7).

September 30, 2014 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

7. Current and 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 Notes 2 and 14.

	Balance as at	
	30-Sep-14	**31-Dec-13**
Current debt obligations		
Bridge Loan	**$ 4,500**	$ -
Term Loan	**-**	1,000
Debentures	**541**	541
Shareholder loans	**5,725**	750
Finance lease liabilities	**201**	146
Deferred finance charges	**(181)**	(126)
	$ 10,786	$ 2,311
Long-term debt obligations		
Term Loan	**$ -**	$ 1,417
Debentures	**669**	669
Shareholder loans	**-**	3,375
Finance lease liabilities	**186**	199
Deferred finance charges	**-**	(69)
	$ 855	$ 5,591

Bridge Loan

On September 30, 2014, the Company entered into a short-term secured bridge loan for $4.5 million, repayable on March 31, 2015. The loan bears interest at 18% per annum and is secured by a general security agreement over all present and after acquired personal property of the Company. The loan proceeds were used to fully repay bank loans (revolving and term) totalling $3 million and augment working capital while management completes the sale of non-strategic assets and put a new long-term conventional banking facility in place.

The bridge lender maintains a $405,000 interest reserve sufficient to satisfy all interest costs for the term of loan and a default reserve of $202,500 payable to the lender should the loan not be repaid in full by March 31, 2015. These amounts have been recorded in prepaid expenses in the statement of financial position and the interest reserve is being amortized over the term of loan. If the bridge loan is repaid prior to March 31, 2015, the unapplied balance of the interest reserve and the entire balance of the default reserve will be applied against the loan repayment.

Shareholder Loans

On September 29, 2014, the Company consolidated all prior loans with three directors of the Company. As at September 30, 2014, the Company owes $5.7 million to the directors. The shareholder loans bear interest at varying rates of 10% and 12% per annum and are secured by way of registered security pursuant to the Personal Property Security Act (Alberta). The shareholder loans are subordinated to the Company's senior bridge lender, are payable on demand and have no maturity date. However, should a specific portion of the shareholder loans extend beyond December 31, 2014, the Directors will have the right to convert this portion of the Shareholder Loans into an ownership interest in the Company's seismic data library, subject to regulatory approval and provided the Company's bridge loan has been fully repaid.

September 30, 2014 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

Debentures

The Company has $1.21 million in subordinated debentures with a royalty interest. Four directors, who are also shareholders of the Company, subscribed for $1 million of the debentures. The debentures bear interest of 8% per annum. Principal payments are calculated at 50% of “net revenues” generated by certain of the Company’s seismic data (the “Seismic Data”), multiplied by $1.21 million (debenture proceeds raised) 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. The “Seismic Data” is comprised of the seismic surveys acquired by the Corporation prior to July 1, 2012. Principal payments are postponed for 12 months if the Company breaches its senior debt covenants. As at September 30, 2014, there was $0.5 million in principal payments owing to the debenture holders based on revenues generated by the Seismic Data for the year ended December 31, 2013. There was no debenture qualifying revenue generated in 2014.

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 to be calculated at 25% of the “net revenues” generated by the “Seismic Data” multiplied by $1.21 million divided by $5 million. The balance of the revenue is retained by the Company. Royalty payments will 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 senior debt. This security interest ranks pari passu with the Shareholder Loans.

8. Other liabilities

	Balance as at	
	30-Sep-14	31-Dec-13
Current portion		
Sublease loss provision	**$ 336**	$ 336
Tenant inducements	**72**	72
	$ 408	$ 408
Long-term portion		
Sublease loss provision	**$ 416**	$ 668
Tenant inducements	**696**	750
Deferred rent obligations	**505**	451
	$ 1,617	$ 1,869
Total	**$ 2,025**	$ 2,277

September 30, 2014 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

9. Finance Costs

	Three months ended Sep 30		Nine months ended Sep 30	
	2014	2013	**2014**	2013
Interest expense on debt	**$ 554**	$ 248	**$ 974**	$ 678
Amortization of deferred finance charges	**124**	46	**195**	92
Accretion of sublease loss	**4**	7	**15**	22
	$ 682	$ 301	**$ 1,184**	$ 792

10. Equity Instruments and Net Loss per Share

Authorized share capital

Unlimited number of voting Class A shares.

Net loss per share

Basic net loss per share is computed using the weighted-average number of Class A Shares outstanding during the three months ended September 30, 2014, being 67,085,000 (September 30, 2013 – 66,909,000). In computing diluted net loss per share, no shares were added to the weighted average number of Class A Shares outstanding for the three months ended September 30, 2014 and for the three months ended September 30, 2013 as there were antidilutive.

Basic net loss per share is computed using the weighted-average number of Class A Shares outstanding during the nine months ended September 30, 2014, being 67,075,000 September 30, 2013 – 66,896,000). In computing diluted net loss per share, no shares were added to the weighted average number of Class A Shares outstanding for the nine months ended September 30, 2014 and for the nine months ended September 30, 2013 as there were antidilutive.

Performance Share Unit Plan

The Performance Share Unit (PSU) Plan was not used in fiscal year 2013 and was canceled by the Board of Directors in April 2014. No PSUs were granted for during the three and nine months ended September 30, 2014 and no PSUs were outstanding as at September 30, 2014.

September 30, 2014 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

11. Supplement to Statements of Cash Flows

	Nine months ended Sep 30	
	2014	**2013**
Changes in non-cash working capital balances		
Funds held in trust	**$ -**	$ 18
Accounts receivable	**(3,716)**	543
Prepaid expenses, supplies and deposits	**(586)**	99
Accounts payable and accrued liabilities	**3,359**	(6,882)
Deferred revenue	**5,068**	1,691
	$ 4,125	$ (4,531)
Changes in non-cash working capital balances related to operating activities	**$ 3,434**	$ (601)
Changes in non-cash working capital balances related to investing activities	**691**	(3,930)
	$ 4,125	$ (4,531)

12. Contractual Obligations

Below is a summary of the Company's contractual obligations as at September 30, 2014, including principal and interest:

(Thousands)	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	Thereafter	Total
Debt Obligations [(1)]	11,254	11,435	10,766	669	-	-	**11,435**
Finance Leases	387	419	212	140	67	-	**419**
Operating Leases	N/A	33,219	2,904	2,998	8,641	18,676	**33,219**
Sublease loss liability	752	771	356	356	59	-	**771**
Total	**$ 12,393**	**$ 45,844**	**$ 14,238**	**$ 4,163**	**$ 8,767**	**$ 18,676**	**$ 45,844**

(1) Includes secured bridge loan, shareholder loans and debentures. Carrying amount includes deferred finance charges of $181,000.

Movement in the operating commitments for the nine months ended September 30, 2014:

	Balance as at	
	30-Sep-14	**31-Dec-13**
Less than one year	**$ 2,904**	$ 2,724
Between one and five years	**11,639**	14,026
More than five years	**18,676**	17,414
	$ 33,219	$ 34,164

The Company's main office lease has a term of 15 years expiring in 2025. Excluding subleases, the commitment is approximately $171,000 per month (including operating costs and property taxes) for 2014. The annual square foot rate increases in 2016, 2018, 2020 and 2023. The lease includes a monthly commitment of $30,000 until November 2016 related to a portion of the lease the Company surrendered in 2011. 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 $63,000 including operating costs and property taxes for 2014.

September 30, 2014 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

13. Related Parties

Transactions with key management personnel

Loans from directors and shareholders

As at September 30, 2014, the Company had $5.7 million in secured loans from three directors and $1 million of the debentures was subscribed for by three directors who are also shareholders and the remaining $0.2 million was subscribed for by non-director shareholders (see Note 7).

The above was transacted on terms equivalent to those that prevail in arm's length transactions.

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-based compensation plans.

All executive officers have employment contracts. Upon resignation at the Company's request, they are entitled to termination benefits of up to 24 months' gross salary.

Key management personnel and director transactions

Directors and officers of the Company control approximately 39% 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 including 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.

A number of these entities transacted with the Company during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

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 Sep 30		**Balance due from (to) as at Sep 30**	**Balance due from (to) as at Dec 31**
Entity	**Transaction**	**2014**	**2013**	**2014**	**2013**
Director	Consulting fees and commissions[1]	**$ 137**	$ 137	**$ (319)**	$ (182)
Affiliate (Company owns 1/3)	Software and data license fees net of expense reimbursements [2]	**36**	338	**(146)**	(106)

(1) The Company pays seismic consulting fees to a company controlled by a director 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 pays the affiliate for access to well data and charges the affiliate for certain corporate support services.

14. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized on the statement of financial position when the Company becomes a party to the instrument's contractual obligations. The Company's financial assets include cash and cash equivalents, trade and other receivables and its financial liabilities primarily comprise accounts payables and debt.

Fair Value

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amount largely due to the short-term maturities of these instruments. The fair value of the term debt instruments have been measured at amortized cost using the effective interest rate method.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in connection with the collection of its revenues. The Company controls its credit risk by assessing each customer's creditworthiness prior to transacting and subsequently monitoring and making efforts to collect its outstanding accounts receivable.

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. Currently there are no significant economic dependencies on any particular customers.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. The Company's interest rate risk exposure is mainly related to term debt and is not considered significant.

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 funds to meet its liabilities when due, under both normal and stressed conditions.

The Company incurred a net loss of $7.7 million for the nine months ended September 30, 2014 and as at September 30, 2014 had a working capital deficiency of $6.4 million, excluding deferred revenue of $7.8 million. In addition, it has future operating lease commitments (see Note 12).

On September 30, 2014, the Company entered into a short-term bridge loan to fully repay all bank indebtedness (see Note 7) and augment working capital while management continues to move forward with the sale of non-strategic assets and putting a new long-term conventional banking facility in place.

Management is currently in discussions with a number of interested parties with the intention of selling non-strategic assets. All discussions are preliminary and there is no assurance that any transaction will proceed.

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

15. 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.