Management's Discussion & Analysis

For the Three Months and Year Ended
December 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated April 28, 2015, and should be read in conjunction with the audited consolidated financial statements and notes of Divestco Inc. ("Divestco" or the "Company") as at and for the years ended December 31, 2014 and December 13, 2013. All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB'') 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 and engineers. On March the 25, 2015, the Company announced the sale of its land software assets (LandRite, iLand and MapQ). The disposed assets, revenues and expenses were reported under the Software & Data segment. All accounts receivable, liabilities and other working capital associated with the assets prior to the disposition were retained by the Company. The segment continues to operate post-closing under the following product lines: Geophysical Software, Geological Software and Log Data.

- 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

These consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at December 31, 2014, the Company had a working capital deficiency of $10.7 million

(2013: $2.3 million deficiency), excluding deferred revenue of $3.2 million (2013: $2.8 million). In addition, the Company has contractual obligations (see “Off Balance Sheet Arrangements” section to this MD&A). On September 30, 2014, the Company entered into a short-term bridge loan to fully repay all bank indebtedness. On March 25, 2015, the Company repaid the loan in full with the proceeds from the sale of its land software assets (see “Bridge Loan” under the “Capital Resources” section to this MD&A).

The Company's ability to continue as a going concern is dependent upon the Company's ability to obtain other financing or completing other asset dispositions to settle its liabilities, fund its operations, and meet its commitments 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 at least the next 12 months, however, the outcome of the actions and events described above 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 consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated 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 in 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 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 consolidated financial statements have been prepared in accordance with IFRS. Certain measures in this document do not have any standardized meaning as prescribed by IFRS and are considered non-GAAP measures. 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 income:

	Three months ended Dec 31		Year ended Dec 31	
(Thousands)	**2014**	2013	**2014**	2013
Net Income	**$ 10,252**	$ 3,458	**$ 2,507**	$ 1,327
Income Tax Reduction	**-**	-	**(31)**	-
Finance Costs	**479**	215	**1,663**	1,007
Depreciation and Amortization	**2,529**	1,454	**9,134**	6,889
EBITDA	**$ 13,260**	$ 5,127	**$ 13,273**	$ 9,223

Funded debt and funded debt to equity

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

Working capital

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

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 consolidated 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 Dec 31		Year ended Dec 31	
(Thousands)	**2014**	2013	**2014**	2013
Net Cash from Operating Activities	**$ 7,556**	$ 3,684	**$ 10,174**	$ 8,498
Changes in non-cash Working Capital Balances Related to Operating Activities	**5,336**	1,337	**1,902**	1,938
Interest Paid	**384**	168	**1,358**	846
Income Taxes Refunded	**(2)**	-	**(253)**	-
Funds from Operations	**$ 13,274**	$ 5,189	**$ 13,181**	$ 11,282

OVERALL PERFORMANCE AND OPERATIONAL RESULTS

Summary Financial Results (Thousands, Except Per Share Amounts)								
	Three months ended Dec 31				Year ended December 31			
	2014	2013	*$ Change*	*% Change*	**2014**	2013	*$ Change*	*% Change*
Revenue	**$19,012**	$10,395	*$ 8,617*	*83%*	**$ 36,120**	$ 33,979	*$ 2,141*	*6%*
Operating Expenses (1)	**5,773**	5,251	*522*	*10%*	**23,054**	23,073	*(19)*	*0%*
Other Loss (Income)	**(21)**	17	*(38)*	*N/A*	**(207)**	1,683	*(1,890)*	*N/A*
EBITDA (2)	**13,260**	5,127	*8,133*	*159%*	**13,273**	9,223	*4,050*	*44%*
Finance Costs	**479**	215	*264*	*123%*	**1,663**	1,007	*656*	*65%*
Depreciation and Amortization	**2,529**	1,454	*1,075*	*74%*	**9,134**	6,889	*2,245*	*33%*
Income before Income Taxes	**10,252**	3,458	6,794	*196%*	**2,476**	1,327	1,149	*87%*
Income Tax Recovery	**-**	-	-	*N/A*	**(31)**	-	*(31)*	*N/A*
Net Income	**$10,252**	$ 3,458	*$ 6,794*	*196%*	**$ 2,507**	$ 1,327	*$ 1,180*	*89%*
Per Share - Basic and Diluted	**0.15**	0.05	*0.10*	*200%*	**0.04**	0.02	*0.02*	*100%*
Funds from Operations (2)	**$13,274**	$ 5,189	*$ 8,085*	*156%*	**$ 13,181**	$ 11,282	*$ 1,899*	*17%*
Per Share - Basic and Diluted	**0.20**	0.08	*0.12*	*150%*	**0.20**	0.17	*0.03*	*18%*
Class A Shares Outstanding	**67,096**	67,050	*N/A*	*N/A*	**67,096**	67,050	*N/A*	*N/A*
Weighted Average Shares Outstanding								
Basic	**67,096**	67,004	*N/A*	*N/A*	**67,081**	66,894	*N/A*	*N/A*
Diluted	**67,096**	67,004	*N/A*	*N/A*	**67,081**	66,905	*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.*

Q4 2014 vs. Q4 2013

Divestco generated revenue of $19.0 million in Q4 2014 compared to $10.4 million in Q4 2013, an increase of $8.6 million (83%) mainly related to new seismic data surveys and international work. A majority of these contracts were in place prior to the downturn in commodity prices. Revenue in the Software & Data segment ($2.0 million) increased by $18,000 (1%) due to higher land software subscriptions offset by lower geological and geophysical software subscriptions. Log data revenue was down slightly. Revenue in the Seismic Data segment ($13.7 million) increased by $7.8 million (133%) due to the completion of a new seismic survey and three additional surveys that commenced during the quarter totalling approximately $16.0 million. In addition the Company completed a large seismic data library sale and had higher seismic brokerage activity than in Q4 2013. Revenue in the Services segment ($2.5 million) increased by $0.8 million (31%) as processing and geomatics results improved due to higher volumes of international work. Land management services experienced stronger demand for telecom services compared to Q4 2013 while the demand for oil and gas services was weaker due to falling commodity prices.

Operating expenses increased by $0.5 million (10%) to $5.8 million in Q4 2014 from $5.3 million in Q4 2013. This was due to higher demand for third party contractors to carry out a majority of the field work and international work in the processing and land management services divisions.

Finance costs increased by $264,000 (123%) to $479,000 in Q4 2014 mainly due to a higher cost of debt related to a $4.5 million bridge loan secured by the Company at the end of September 2014.

Depreciation and amortization ($2.5 million) increased by $1 million (74%) 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).

Year Ended December 31, 2014 vs. Year Ended December 31, 2013

The Company generated revenue of $36.1 million compared to $34.0 million in 2013, an increase of $2.1 million (6%) mainly due to stronger commodity prices for the majority of 2014, an increase in international work and the acquisition of new seismic data. Revenue in the Software & Data segment ($7.7 million) decreased by $1.7 million (18%) 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 ($17.4 million) increased by $3.8 million (28%) due to the completion of a new seismic survey and three additional surveys that commenced during the Q4 2014 and were completed in Q1 2015 totalling approximately $16.0 million. Revenue in the Services segment ($10.9 million) was flat with geomatics and processing experiencing weaker domestic but stronger international demand compared to the same period in 2013 while land management services experienced stronger demand in telecom.

Operating expenses decreased by $19,000 (less than 1%) to $23.1 million for 2014 due to lower salaries and benefits ($0.9 million or 6% decrease) and occupancy costs offset by increased reliance on third-party contractors. The increase in these third-party costs was related to higher demand for services 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 $0.7 million (65%) to $1.7 million in 2014 mainly due to a higher cost of debt due to the amortization of the remaining deferred finance charges related to debt the Company repaid in Q3 2014 with the proceeds of a new bridge loan.

Depreciation and amortization ($9.1 million) increased by $2.2 million (33%) mainly due to higher amortization of new seismic data acquired in 2014.

A refund of income tax was recorded in 2014 of $31,000. No current tax provision was recorded in 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

As at December 31, 2014, Divestco had a working capital deficiency of $10.7 million (December 31, 2013: $2.3 million deficiency), excluding deferred revenue of $3.2 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 $3.9 million increase in cash and $6.6 million increase in accounts payable were due to a large seismic data library transaction realized in Q4 2014 and the completion/commencement of new seismic surveys (invoices for new seismic programs are issued based on meeting certain milestones).

Divestco 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.

On September 30, 2014, the Company entered into a short-term bridge loan to fully repay all prior bank indebtedness (see “Bridge Loan” under the “Capital Resources” section to this MD&A) and augment working capital. On March 25, 2015, the loan was repaid in full with the proceeds from the sale of the Company’s land software assets. Management remains committed to selling other non-strategic assets and putting a new long-term conventional banking facility in place.

Financial Position (Thousands)	**Balance at**		
	Dec 31	**Dec 31**	**Dec 31**
	2014	2013	2012
Total Assets	**$ 50,868**	$ 40,721	$ 41,945
Working Capital (Deficit) [(1)(2)]	**(10,723)**	(2,295)	(7,483)
Long-Term Financial Liabilities [(3)]	**12,941**	9,357	7,622

[(1)] *See the “Non GAAP and Additional GAAP Measures” sections.*
[(2)] *Excludes the current portion of deferred revenue of $3.2 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 ANNUAL INFORMATION

Divestco generated $2.1 million (6%) more revenue in 2014 as compared to 2013. Oil prices remained strong for the majority of 2014 which improved demand for international and telecom work as well as seismic data. The Company acquired a greater amount of seismic data year over year. Operating costs were slightly lower as a decline in salaries and occupancy costs were partially offset by an increase in third party contractors required to carry out a portion of the field work and international work.

Furthermore, net income in 2013 was partially offset by the recognition of a $1 million accounting loss from the disposal of certain data library assets and a $0.7 million impairment of leasehold improvements (net of tenant inducements) associated with the surrender of office space in the period. Excluding the loss and impairment, the Company would have had a total net income of $3.0 million for the year ended December 31, 2013.

	Year ended December 31		
	2014	2013	2012
Revenue	**$ 36,120**	$ 33,979	$ 39,628
EBITDA [(1)]	**13,273**	9,223	12,399
Net Income (Loss)	**2,507**	1,327	1,273
Net Income (Loss) Per Share - Basic and Diluted	**0.04**	0.02	0.02
Funds from (used in) Operations [(1)]	**13,181**	11,282	11,674
Funds from (used in) Operations Per Share - Basic and Diluted [(1)]	**0.20**	0.17	0.18
Class A Shares Outstanding	**67,096**	67,050	66,758
Weighted Average Shares Outstanding - Basic and Diluted	**67,081**	66,905	66,676

Financial Position (Thousands)	Balance at		
	Dec 31	**Dec 31**	**Dec 31**
	2014	2013	2012
Total Assets	**$ 50,868**	$ 40,721	$ 41,945
Working Capital (Deficit) [(1)(2)]	**(10,723)**	(2,295)	(7,483)
Long-Term Financial Liabilities [(3)]	**12,941**	9,357	7,622

[(1)] *See the "Non GAAP and Additional GAAP Measures" sections.*
[(2)] *Excludes the current portion of deferred revenue of $3.2 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			
(Thousands, Except Per Share Amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 19,012**	**$ 5,207**	**$ 5,189**	**$ 6,712**	$ 10,395	$ 4,883	$ 7,083	$ 11,618
EBITDA [(1)]	**13,260**	**(902)**	**(355)**	**1,270**	5,127	(312)	(559)	4,967
Income (loss) before income taxes	**10,252**	**(3,033)**	**(3,997)**	**(746)**	3,458	(1,985)	(2,230)	2,084
Net Income (Loss)	**10,252**	**(3,033)**	**(3,997)**	**(715)**	3,458	(1,985)	(2,230)	2,084
Per Share - Basic and Diluted	**0.15**	**(0.05)**	**(0.06)**	**(0.01)**	0.05	(0.03)	(0.03)	0.03
Funds from Operations [(1)]	**13,274**	**(901)**	**(316)**	**1,124**	5,189	(291)	1,173	5,211
Per Share - Basic and Diluted	**0.20**	**(0.01)**	**0.00**	**0.02**	0.08	0.00	0.02	0.08

[(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

The significant decline in West Texas Intermediate and Western Canadian Select benchmark oil prices has forced the majority of North American oil and gas producers to reduce their capital budgets considerably. This has also led to pressure being put on North American oil and gas service companies to discount their prices. Due to the uncertainty the industry is currently facing, Divestco has taken measures to reduce operating expenses and debt. Effective March 1, 2015, a salary austerity program was implemented and a restriction placed on all discretionary expenses. In addition, on March 25, 2015, the Company sold its Land Software assets for proceeds of $6.4 million and will recognize an accounting gain of approximately $5.6 million for the three months ended March 31, 2015. The disposed assets, revenues and expenses were reported under its Software and Data segment and the segment continues to operate post-closing. All accounts receivable, liabilities and other working capital associated with the assets prior to the disposition were retained by the Company. A portion of the total proceeds from the disposition were used to fully repay the bridge loan in the amount of $4.5 million (see the “Bridge Loan” under the “Capital Resources” section of the MD&A). The loan was due on March 31, 2015. The Company will use the remaining proceeds for working capital purposes. Management continues to have discussions with various parties on the sale of other non-strategic assets and putting a new banking facility in place.

LIQUIDITY

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. Fair value was equal to carrying value as at December 31, 2014.

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 and on the cash received. The Company controls its credit risk by assessing each customer’s creditworthiness prior to transacting, subsequently monitoring and making efforts to collect its outstanding accounts receivable and investing cash balances in chartered Canadian banks.

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.

<u>Liquidity Risk</u>

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 had net income of $2.5 million for the year ended December 31, 2014 and as at December 31, 2014 had a working capital deficiency of $10.7 million, excluding deferred revenue of $3.2 million. In addition, it has future operating lease commitments of $2.8 million for 2015.

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 other non-strategic assets and putting a new long-term conventional banking facility in place. On March 25, 2015, the Company repaid the loan in full with the proceeds from the sale of its land software assets.

While management believes that the Company's funds from operations will provide the capital to continue to operate in the short-term, it is dependent upon future financial performance that is subject to financial, business, and other risk factors, including elements beyond the Company's control. To mitigate these risks, management is currently in discussions with a number of interested parties with the intention of selling additional non-strategic assets and securing banking facility. All discussions are preliminary and there is no assurance that any transaction will proceed (see the “Going Concern” section of the MD&A).

Working Capital

As at December 31, 2014, Divestco had a working capital deficiency of $10.7 million (December 31, 2013: $2.3 million deficiency), excluding deferred revenue of $3.2 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 $3.9 million increase in cash and $6.6 million increase in accounts payable were due to a large seismic data library transaction realized in Q4 2014 and the completion/commencement of new seismic surveys (invoices for new seismic programs are issued based on meeting certain milestones).

Funded Debt to Equity

Divestco had a funded debt to equity ratio of 0.57:1 as at December 31, 2014 (December 31, 2013: 0.61:1). The Company's practice is to utilize an appropriate mix of debt and equity to finance its current capital expenditures and growth initiatives. Consistent with the year ended December 31, 2013, the strategy of the Board of Directors and management is to operate the Company with the lowest possible debt load in reaction to the volatility of the industry. This is to ensure adequate financial flexibility to meet the financial obligations, both current and long-term and as part of the Company's effort to maintain a healthy statement of financial position. The Company's strategy is to maintain a funded debt to equity ratio of less than 1:1.

Contractual Obligations

Below is a summary of Divestco's contractual obligations as at December 31, 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	407	448	228	140	80	-	**448**
Operating Leases [(2)]	N/A	32,054	2,828	2,891	8,354	17,981	**32,054**
Sublease loss liability [(3)]	667	682	356	326	-	-	**682**
Total	**$ 12,328**	**$ 44,619**	**$ 14,178**	**$ 4,026**	**$ 8,434**	**$ 17,981**	**$ 44,619**

(1) Includes secured bridge loan, shareholder loans and debentures. Carrying amount includes deferred finance charges of $91,000.
(2) See “Off Balance Sheet Arrangements” section
(3) Includes sublease loss liability

Selected Cash Flow Items

	Year ended Dec 31	
(Thousands)	**2014**	2013
Operating Activities		
Funds from Operations [(1)]	**$ 13,181**	$ 11,282
Changes in Non-Cash Working Capital Balances	**(1,902)**	(1,938)
Interest Paid	**(1,358)**	(846)
Income Taxes Refunded	**253**	-
Cash From Operating Activities	**10,174**	8,498
Financing Activities		
Bank Indebtedness	**(2,996)**	(1,454)
Repayment of Long-Term Debt Obligations	**(3,106)**	1,708
Proceeds from Long-Term Debt Obligations	**6,600**	-
Deferred Finance Costs	**(181)**	(298)
Cash From (Used in) Financing Activities	**317**	(44)
Investing Activities		
Additions to Intangible Assets	**(8,740)**	(3,604)
Participation Surveys in Progress	**(4,278)**	(1,225)
Additions to Property, Plant and Equipment	**(48)**	(408)
Lease Incentive	**-**	144
Payments Towards Sublease Loss Provision	**(356)**	(356)
Investment in Equity-Accounted Investees	**-**	(200)
Advances from Equity-Accounted Investees	**79**	458
Deferred Development Costs	**(1,550)**	(1,824)
Changes in Non-Cash Working Capital Balances	**8,329**	(2,342)
Cash From (Used in) Investing Activities	**(6,564)**	(9,357)
Change in Cash	**$ 3,927**	$ (903)

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

<u>Operating Activities</u>

For the year ended December 31, 2014, funds from operations were $13.2 million ($0.20/share – basic and diluted), compared with $11.3 million ($0.17/share (basic and diluted)) for 2013. The increase of $1.9 million (17%) was mainly due to higher revenues in 2014 in Seismic Data partially offset by lower revenues in Software and Data.

Financing Activities

During 2014, Divestco received $4.5 million in proceeds from a short-term secured bridge loan which were used to repay existing senior debt of $3.0 million (a term loan of $1.7 million and an operating line of $1.3 million). A portion of the proceeds ($0.6 million) 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 and repaid $0.5 million in shareholder loans. Repayment of finance leases totaled $0.2 million.

Investing Activities

During 2014, Divestco incurred $8.7 million in additions to intangible assets related to the completion of three seismic surveys and $1.5 million in deferred development costs. The $4.2 million change in surveys in progress was related to three new surveys that commenced in Q4 2014 and were completed in Q1 2015.

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)	**Apr 28, 2015**	**Dec 31, 2014**	Dec 31, 2013
Class A shares			
Outstanding	67,096	**67,096**	67,050
Weighted Average Outstanding			
Basic – YTD	N/A	**67,081**	66,984
Diluted – YTD [1]	N/A	**67,081**	66,905
Stock Options			
Outstanding	2,927	**3,068**	3,381
Exercise Price Range	$0.17 to $0.25	**$0.17 to $0.68**	$0.17 to $0.68

(1) Basic net income per share is computed using the weighted-average number of Class A Shares outstanding during the year ended December 31, 2014 of 67,080,763. In computing diluted net income per share, no shares were added to the weighted average number of Class A Shares outstanding for stock options as they were out of the money. Basic net income per share is computed using the weighted-average number of Class A Shares outstanding during the year ended December 31, 2013 of 66,893,911. In computing diluted net income per share, 10,701 shares were added to the weighted average number of Class A Shares outstanding for stock options.

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 $3.0 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 were to be repaid prior to March 31, 2015, the unapplied balance of the interest reserve and the entire balance of the default reserve would be applied against the loan repayment.

On March 25, 2015, the Company repaid the loan in full with the proceeds from the sale of its land software assets. The entire balance of the default reserve was applied against the loan repayment.

Shareholder Loans

On September 29, 2014, the Company consolidated all prior loans with three directors of the Company who are also shareholders. As at December 31, 2014, the Company owes $5.7 million to the shareholders. 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. While the bridge loan was repaid on March 25, 2015, management has not sought regulatory approval for the conversion as management is in discussions with the shareholders to amend the loan agreement to remove the conversion feature.

Debentures

The Company has $1.2 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 $1.2 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. As at December 31, 2014, there was $0.8 million in principal payments owing to the debenture holders based on revenues generated by the Seismic Data for the years ended December 31, 2013 and 2014. There was no debenture qualifying revenue generated in 2012. Principal payments were postponed under the Company's previous banking facility. The Company intends to resume payments to the debenture holders in 2015.

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 $178,000 per month (including operating costs and property taxes) up to May 2015 and $183,000 per month for the remainder of 2015. The annual square foot rate increases in 2015, 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. A portion of the current space is subleased on a month-to-month basis. Sublease payments totalling $161,000 are expected to be received in 2015. 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 $65,000 including operating costs and property taxes for 2015.

Since 2011, the Company has surrendered six floors of space in its current office premises. This has saved $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 at December 31	
	2014	**2013**
Less than one year	**$ 2,828**	$ 2,724
Between one and five years	**11,245**	14,026
More than five years	**17,981**	17,414
	$ 32,054	$ 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 December 31, 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 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 year ended December 31		**Balance due from (to) related party as at December 31**	
Entity	**Transaction**	**2014**	**2013**	**2014**	**2013**
Director	Consulting fees and commissions[1]	**$ 184**	$ 184	**$ (365)**	$ (182)
Affiliate (owned 1/3 by the Company)	Software and data license fees net of expense reimbursements [2]	**70**	676	**(239)**	(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

Adoption of New IFRS Standards and Interpretations

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 is as follows:

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.

In 2013, IASB amended *IAS 36 Recoverable Amount Disclosures for Non-Financial Assets*. 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.

New IFRS Standards and Interpretations not yet Adopted

The following are new standards, interpretations, amendments and improvements to existing standards that were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements:

IFRS 15 Revenue from Contracts with Customers was released on May 28, 2014, replacing IAS 11 Construction Contracts, IAS 18 Revenue and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchasers. Disclosure requirements have also been expanded.

The new standard is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements

IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets, have been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The amendments to IAS 16 and IAS 38 are effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.

IFRS 9 Financial Instruments was issued by the IASB in July 2014 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 consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. This section should be read in conjunction consolidated financial statements for the year ended December 31, 2014.

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
Danny Chiarastella – Chief Financial Officer
Lonn Hornsby – Senior VP Operations – Divestco Seismic

CORPORATE SECRETARY
Faralee A. Chanin

STOCK EXCHANGE LISTING
TSX-V: DVT

REGISTRAR AND TRANSFER AGENT
CST Trust Company

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