



Divestco

2008 SECOND QUARTER REPORT



# The Evolution of Exploration

An Integrated Solution

08

Integrated, innovative solutions  
to enable our customers to drive  
the evolution of exploration and  
to deliver shareholder value.



08

# Divestco is a growth-oriented company that provides a comprehensive and integrated portfolio of software, services, data and consulting to the oil and gas industry.

Our offerings consist of a diverse range of innovative and complementary products and services, with unique value-added bundling and integration options. Divestco has developed its business model based on a plan of strategic acquisition and organic growth.

Based in Calgary, Alberta, Divestco has more than 500 employees worldwide, with additional offices in Denver, Colorado and Houston, Texas.

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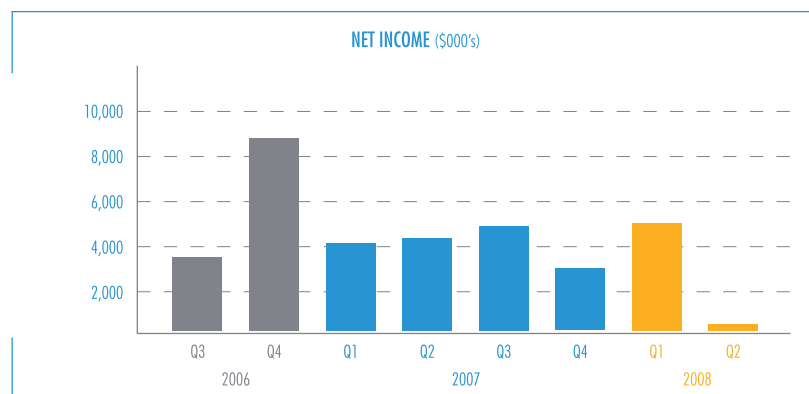
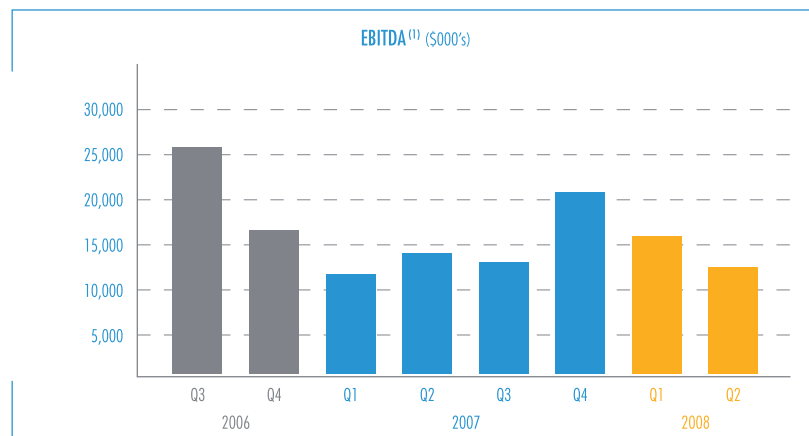
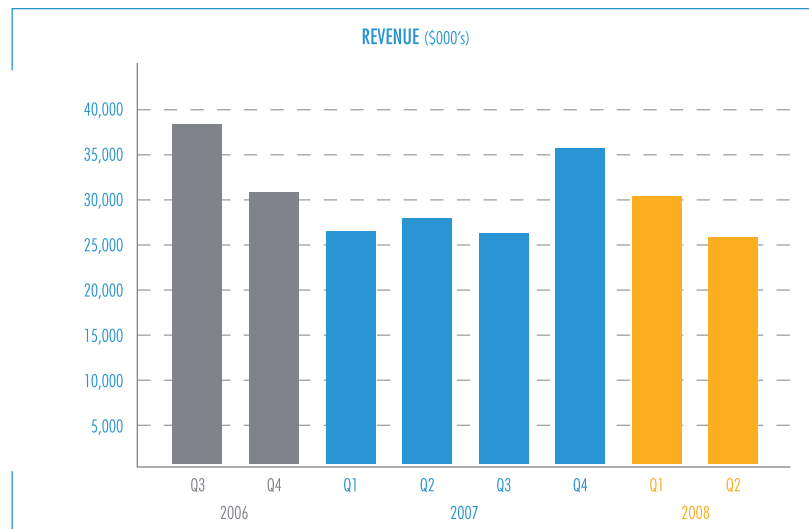


# FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS (Thousands, Except Per Share Amounts)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2008	2007	% Change	2008	2007	% Change
Revenue	\$26,175	\$27,529	-5%	\$56,229	\$54,322	4%
EBITDA <sup>(1)</sup>	12,879	14,053	-8%	29,227	26,803	9%
Operating Income <sup>(1)</sup>	316	6,283	-95%	5,123	12,427	-59%
Net Income	281	4,166	-93%	3,395	8,237	-59%
Per Share - Basic	0.01	0.11	-91%	0.08	0.22	-64%
Per Share - Diluted	0.01	0.10	-90%	0.08	0.21	-62%
Funds from Operations <sup>(1)</sup>	13,505	13,776	-2%	27,571	19,436	42%
Per Share - Basic <sup>(1)</sup>	0.32	0.35	-9%	0.66	0.52	27%
Per Share - Diluted <sup>(1)</sup>	0.31	0.33	-6%	0.63	0.49	29%
Shares Outstanding	41,846	40,959	2%	41,846	40,959	2%
Weighted Average Shares Outstanding						
Basic	41,808	38,906	7%	41,700	37,082	12%
Diluted	43,979	41,646	6%	43,883	39,875	10%

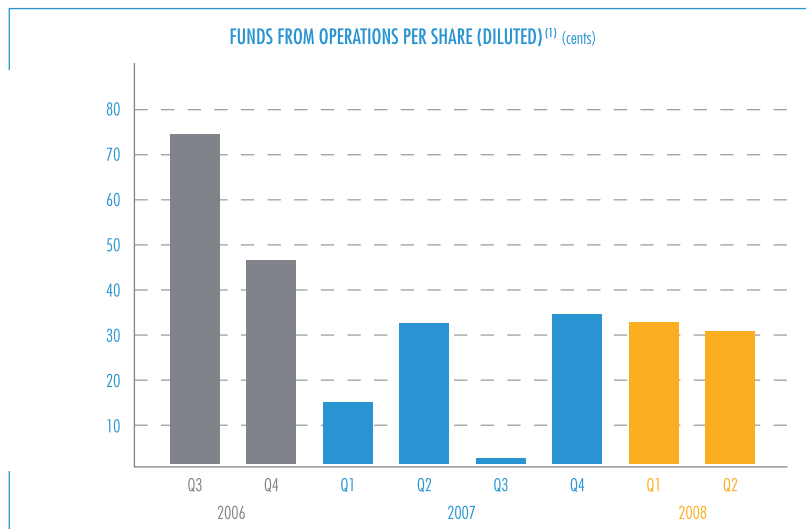
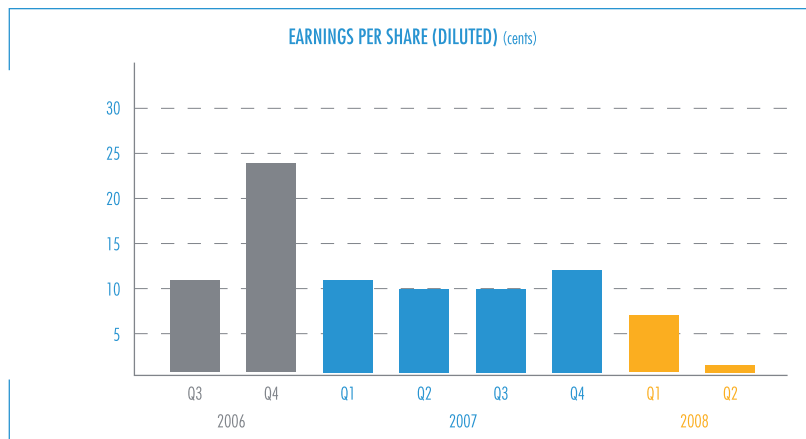
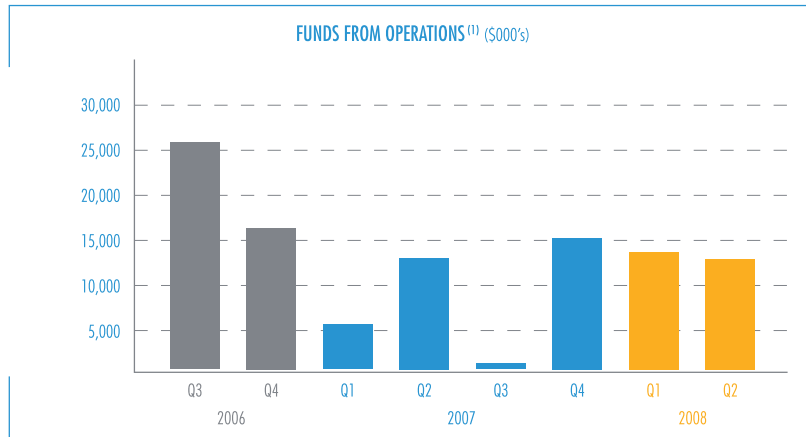
<sup>(1)</sup> See the Non-GAAP Measures Section.

# FINANCIAL HIGHLIGHTS: QUARTERLY COMPARISON



<sup>(1)</sup> See the Non-GAAP Measures Section.

# FINANCIAL HIGHLIGHTS: QUARTERLY COMPARISON



<sup>(1)</sup> See the Non-GAAP Measures Section.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

Management's Discussion and Analysis (MD&A) for Divestco Inc. (Divestco or the Company) focuses on key statistics from our financial statements and pertains to known risks and uncertainties relating to the oil and gas exploration and production industry. This discussion is not considered all-inclusive, as it excludes changes that may occur in general economic, political, and environmental conditions. This MD&A should be read in conjunction with the Company's audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2007 and 2006 and the Interim Consolidated Financial Statements for the period ended June 30, 2008. Unless otherwise disclosed, all financial information in this section has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and is reported in Canadian dollars.

This MD&A is dated August 6, 2008.

## FORWARD LOOKING STATEMENTS

This interim MD&A contains forward-looking statements based upon current expectations that involve a number of business risks and uncertainties. The use of forward-looking words such as, "may," "will," "expect," or similar variations generally identify such statements. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements. Although management believes that the expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties that could affect the Company's operations and financial results including the factors discussed in the Business Risks and Environment section of this MD&A.

## NON-GAAP MEASURES

This MD&A uses the terms EBITDA (earnings before interest, income taxes, depreciation, and amortization), operating income, funds from operations, and funds from operations per share (basic and diluted); however, these terms are not measures that have any standardized meaning prescribed by Canadian GAAP 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 potential investors with additional information regarding the Company's results, liquidity, and its ability to generate funds to finance its operations.

### EBITDA and Operating Income

Divestco uses EBITDA and operating income as key measures to evaluate the performance of segments, divisions and the Company, with the closest GAAP measure being net income. EBITDA and operating income are measures commonly reported and widely used by investors as indicators of the Company's operating performance and ability to incur and service debt, and as a valuation metric. The Company believes EBITDA and operating income assists investors in comparing the Company's performance on a consistent basis without regard to financing decisions and depreciation and amortization, which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost.

EBITDA and operating income are not calculations based on Canadian GAAP and should not be considered alternatives to net income in measuring the Company's performance; As well, EBITDA and operating income should not be used as exclusive measures of cash flow, because they do not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the Consolidated Statements of Cash Flows. While EBITDA and operating income have been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, investors should be cautioned that EBITDA and operating income as reported by Divestco may not be comparable in all instances to EBITDA and operating income as reported by other companies. Investors should also carefully consider the specific items included in Divestco's computation of EBITDA and operating income.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a reconciliation of EBITDA and operating income with net income:

(Thousands)	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	2007	2008	2007
Net Income	\$281	\$4,166	\$3,395	\$8,237
Income Tax Expense	32	2,088	1,740	4,142
Other Income (Loss) <sup>(1)</sup>	(3)	(29)	12	(48)
Operating Income	\$316	\$6,283	\$5,123	\$12,427
Interest	1,249	1,139	2,533	1,428
Depreciation and Amortization	11,314	6,631	21,571	12,948
EBITDA	\$12,879	\$14,053	\$29,227	\$26,803

<sup>(1)</sup> Other income (loss) includes foreign exchange gains or losses, gains or losses on sales of property, plant and equipment/investments, and equity investment income or loss.

## 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 activities and capital expenditures. Funds from operations excludes certain working capital changes and other sources and uses of cash, which are disclosed in the Consolidated Statements of Cash Flows. Funds from operations is not a calculation based on Canadian GAAP and should not be considered an alternative to the Consolidated Statements of Cash Flows. Funds from operations is a measure that can be used to gauge Divestco's capacity to generate discretionary cash flow. Investors should be cautioned that funds from operations as reported by Divestco may not be comparable in all instances to funds from operations as reported by other companies. While the closest GAAP measure is cash flows from operating activities, funds from operations is considered relevant because it provides an indication of how much cash generated by operations is available before proceeds from divested assets and changes in certain working capital items.

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

(Thousands)	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	2007	2008	2007
Cash Flows from Operating Activities	\$18,110	\$7,423	\$25,402	\$14,993
Changes in Non-Cash Working Capital Balances	(4,688)	6,454	1,729	4,628
Decrease Non-Current Deferred Revenue	83	39	440	95
Decrease in Long-Term Accounts Receivable	-	(140)	-	(280)
Funds from Operations	\$13,505	\$13,776	\$27,571	\$19,436



## BUSINESS RISKS AND ENVIRONMENT

### Demand for Products and Services

Divestco's business is tied primarily to the oil and gas exploration and production industry. As a result, the Company is exposed to all of the uncertainties that are associated with that 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, and to a lesser extent, government regulation (including regulation of environmental matters and material changes in taxation policies).

Divestco receives a significant portion of its revenue from the licensing of seismic data. To mitigate its demand risk, the Company spends a significant amount of time determining the optimal location to conduct a seismic survey, which includes using its contacts in the oil and gas exploration and production industry and pre-selling licenses to the data. For larger seismic programs, the Company may rely on third parties to share in the cost, which means these parties are also susceptible to the risks and uncertainties associated with the oil and gas industry.

Although Divestco does what it considers to be a thorough analysis of the factors that may affect the probability of future sales of its seismic surveys and obtains pre-sale commitments for a majority of the estimated costs of its participation seismic surveys, there is no certainty of future demand for these surveys by the oil and gas industry.

### Seasonality

Acquisition of seismic data is usually completed in the winter season when the ground is frozen. These conditions are imperative especially in the northern areas of Alberta and British Columbia where seismic acquisition requires the use of heavy equipment. The Company depends on qualified contractors to complete the surveys on time and within budget. To help ensure this, Divestco obtains written cost estimates before a survey begins, and then regularly follows up with the contractor on the progress and costs incurred during the survey.

The Company's Services segment normally exhibits 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 entering into certain long-term archiving contracts with customers, as well as by performing specific types of contract work appropriate for lower-activity months. The Software segment typically experiences a slow-down during July and August, which is generally a slower period for the oil and gas industry in western Canada.

### Competition

The Company operates in a highly competitive, price-sensitive industry. In addition, Divestco competes with some senior companies that generally have access to a larger pool of capital resources and may have a significant international presence. Divestco attempts to distinguish itself from its competitors by selling a wide range of oil and gas exploration products and services on either a stand-alone basis or as customized and bundled solutions.

### Skilled Labour

Divestco's success also depends on attracting and retaining highly skilled management, geophysical, geological, software development, sales, consulting, and other staff. The Company achieves this by offering an attractive compensation package and training. To protect its competitive advantage and intellectual property, Divestco obtains confidentiality agreements and non-compete agreements from some of these individuals.

### Government Regulations and Safety

The Company's seismic operations are subject to a variety of Canadian federal and provincial laws and regulations, including laws and regulations relating to safety and the protection of the environment. In its operations, Divestco and its contractors are required to invest financial and managerial resources to comply with such laws and related permit requirements. However, because such laws and regulations are subject to change, it is not feasible for the Company to predict the cost or impact of such laws and regulations on its future operations. As well, the adoption or modification of laws and regulations, which may lead oil and gas companies to curtail exploration and development, could also adversely affect Divestco's seismic operations by reducing the demand for seismic surveys.

You can view copies of the Company's other continuous disclosure documents at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.divestco.com](http://www.divestco.com).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERALL PERFORMANCE

FINANCIAL RESULTS (Thousands, Except Per Share Amounts)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2008	2007	% Change	2008	2007	% Change
Revenue	\$26,175	\$27,529	-5%	\$56,229	\$54,322	4%
Operating Expenses	13,296	13,476	-1%	27,002	27,519	-2%
EBITDA <sup>(1)</sup>	12,879	14,053	-8%	29,227	26,803	9%
Interest	1,249	1,139	10%	2,533	1,428	77%
Depreciation and Amortization	11,314	6,631	71%	21,571	12,948	67%
Operating Income <sup>(1)</sup>	316	6,283	-95%	5,123	12,427	-59%
Other Income (Loss)	(3)	(29)	n/a	12	(48)	n/a
Income Tax Expense	32	2,088	-98%	1,740	4,142	-58%
Net Income	\$281	\$4,166	-93%	\$3,395	\$8,237	-59%
Per Share - Basic	0.01	0.11	-91%	0.08	0.22	-64%
Per Share - Diluted	0.01	0.10	-90%	0.08	0.21	-62%
Funds from Operations <sup>(1)</sup>	\$13,505	\$13,776	-2%	\$27,571	\$19,436	42%
Per Share - Basic <sup>(1)</sup>	0.32	0.35	-9%	0.66	0.52	27%
Per Share - Diluted <sup>(1)</sup>	0.31	0.33	-6%	0.63	0.49	29%
Shares Outstanding	41,846	40,959	2%	41,846	40,959	2%
Weighted Average Shares Outstanding						
Basic	41,808	38,906	7%	41,700	37,082	12%
Diluted	43,979	41,646	6%	43,883	39,875	10%

FINANCIAL POSITION (Thousands)	BALANCE AS AT		
	Jun 30, 2008	Jun 30, 2007	Dec 31, 2007
Total Assets	\$236,085	\$209,763	\$235,509
Working Capital <sup>(2)</sup>	(29,961)	(12,495)	(32,429)
Long-Term Debt Obligations (Including Current Portion)	45,639	44,535	44,289

<sup>(1)</sup> See the Non-GAAP Measures Section.

<sup>(2)</sup> Excluding the current portion of deferred revenue of \$5.3 million, the Company's working capital deficiency was \$24.6 million at June 30, 2008, compared to a \$28.1 million deficiency at the end of 2007. This related primarily to five 3D surveys completed in the first six months of 2008 at a cost of approximately \$20.5 million. The Company's main focus in 2008 is to strengthen its Balance Sheet and return to a positive working capital position.

## CONSOLIDATED SECOND QUARTER FINANCIAL RESULTS – 2008

Divestco generated 1 cent per share in earnings (diluted) for the second quarter of 2008 compared to 10 cents (diluted) in 2007. Net income was \$0.3 million compared to \$4.2 million in 2007, a decrease of \$3.9 million (93%). Revenues were \$26.2 million, a decrease of \$1.3 million (5%) from \$27.5 million in 2007. Funds from operations decreased by \$0.3 million (2%) from \$13.8 million in 2007 (\$0.33 per share – diluted) to \$13.5 million (\$0.31 per share – diluted) in 2008. While revenues increased, net income was lower due to a rise in depreciation and amortization. This was related to seismic data we added to our library (especially participation surveys which are amortized at a rate of 40% in period of delivery) and corporate acquisitions we completed in 2007.

### Highlights for the Second Quarter of 2008:

- An increase of \$3.3 million (115%) in our seismic participation revenue to \$6.2 million from \$2.9 million for the same period in 2007.
- We acquired approximately 337 net square kilometres of 3D seismic valued at approximately \$12.7 million, complementing our existing seismic datasets.

## CONSOLIDATED YEAR TO DATE FINANCIAL RESULTS – 2008

Divestco generated 8 cents per share in earnings (diluted) for the first six months of 2008 compared to 21 cents (diluted) for the same period in 2007. Net income was \$3.4 million compared to \$8.2 million in 2007, a decrease of \$4.8 million (59%). Revenues were \$56.2 million, an increase of \$1.9 million (4%) from \$54.3 million in 2007. Funds from operations increased by \$8.2 million (42%) from \$19.4 million in 2007 (\$0.49 per share – diluted) to \$27.6 million (\$0.63 per share – diluted) in 2008. While revenues increased, net income was lower due to higher interest as well as depreciation and amortization. The increase in interest expense was related to a rise in long-term debt used to fund our capital program. Whereas depreciation and amortization increased due to seismic data we added to our library (especially participation surveys which are amortized at a rate of 40% in period of delivery) and corporate acquisitions we completed in 2007.

### Highlights for the First Six Months of 2008:

- Our Data segment had an increase in revenue of \$2.4 million to \$34.2 million (7%) from \$31.8 million in 2007. Seismic participation revenue was up \$2.1 million (19%), while aggregate library sales accounted for the remaining \$0.3 million (1%) increase.
- We acquired approximately 3,461 kilometres of 2D and 867 net square kilometres of 3D seismic valued at approximately \$23.6 million, complementing our existing seismic datasets.
- Software increased its revenue by \$365,000 (10%), related to a large software consulting project that commenced in the second quarter of 2007, and to the acquisition of i Land Data Ltd. (iLand) in June 2007.

## OUTLOOK

With a return to higher and more stable natural gas prices, Divestco is forecasting a strong finish to the end of its 2008 fiscal year and year-over-year growth. Although the industry is still sorting out the effects of the royalty changes announced by the Alberta government in the fall of 2007, Divestco has witnessed a recent, moderate turnaround in most of its service-related divisions. As a result of reduced oil patch activity in the past 18-24 months, we are seeing a pent-up demand for data and an unprecedented number of opportunities. Divestco has positioned many of its assets in areas where oil and gas investments must be made, thus providing a hedge to potential slowing in general oil and gas business levels, as well as an increased upside when business levels return.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

SELECTED QUARTERLY INFORMATION (Thousands, Except Per Share Amounts)		2008				2007		2006	
		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue		\$26,175	\$30,054	\$35,528	\$26,220	\$27,529	\$26,793	\$30,546	\$38,257
EBITDA <sup>(1)</sup>		12,879	16,348	21,755	13,120	14,053	12,752	16,853	26,572
Operating Income <sup>(1)</sup>		316	4,807	4,937	6,206	6,283	6,145	12,748	5,796
Net Income		281	3,114	5,116	4,188	4,166	4,071	8,690	3,873
	Per Share - Basic	0.01	0.08	0.12	0.10	0.11	0.11	0.25	0.11
	Per Share - Diluted	0.01	0.07	0.12	0.10	0.10	0.11	0.24	0.11
Funds from Operations <sup>(1)</sup>		13,505	14,065	15,092	1,083	13,776	5,662	16,866	26,440
	Per Share - Basic <sup>(1)</sup>	0.32	0.34	0.36	0.03	0.35	0.16	0.48	0.78
	Per Share - Diluted <sup>(1)</sup>	0.31	0.32	0.34	0.02	0.33	0.15	0.47	0.74

<sup>(1)</sup> See the Non-GAAP Measures Section.

The trend illustrated in the table above is a result of Divestco's organic and acquisition growth over the past two years and unanticipated negative market conditions, including low natural gas prices, a high Canadian dollar and the Alberta Royalty Review. Generally, our busiest quarters are the first and fourth, when significant drilling and exploration activities are underway in North America.

## SEGMENT REVIEW

### SUMMARY

THREE MONTHS ENDED JUNE 30, 2008 (Thousands)						
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	\$1,916	\$5,895	\$15,424	\$2,940	\$-	\$26,175
EBITDA <sup>(1)</sup>	677	1,046	13,494	(229)	(2,109)	12,879
Interest (Net of Interest Revenue)	-	-	(11)	(7)	1,267	1,249
Depreciation and Amortization	437	616	9,771	325	165	11,314
Operating Income (Loss) <sup>(1)</sup>	240	430	3,734	(547)	(3,541)	316

THREE MONTHS ENDED JUNE 30, 2007 (Thousands)						
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	\$1,952	\$5,851	\$16,696	\$3,030	\$-	\$27,529
EBITDA <sup>(1)</sup>	866	467	14,574	248	(2,102)	14,053
Interest (Net of Interest Revenue)	3	-	210	(12)	938	1,139
Depreciation and Amortization	344	744	5,170	325	48	6,631
Operating Income (Loss) <sup>(1)</sup>	519	(277)	9,194	(65)	(3,088)	6,283

SIX MONTHS ENDED JUNE 30, 2008 (Thousands)						
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	\$4,145	\$11,520	\$34,172	\$6,392	\$-	\$56,229
EBITDA <sup>(1)</sup>	1,485	1,773	30,069	(44)	(4,056)	29,227
Interest (Net of Interest Revenue)	-	-	(11)	(14)	2,558	2,533
Depreciation and Amortization	857	1,210	18,607	681	216	21,571
Operating Income (Loss) <sup>(1)</sup>	628	563	11,473	(711)	(6,830)	5,123

SIX MONTHS ENDED JUNE 30, 2007 (Thousands)						
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	\$3,780	\$11,998	\$31,826	\$6,718	\$-	\$54,322
EBITDA <sup>(1)</sup>	1,459	1,650	27,827	756	(4,889)	26,803
Interest (Net of Interest Revenue)	3	-	255	(20)	1,190	1,428
Depreciation and Amortization	728	1,136	10,355	640	89	12,948
Operating Income (Loss) <sup>(1)</sup>	728	514	17,217	136	(6,168)	12,427

<sup>(1)</sup> See the Non-GAAP Measures Section.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## SEGMENT REVIEW SOFTWARE

Our Software segment sells and licences our proprietary software and is responsible for development, maintenance and support of its products.

### Second Quarter Financial Results – 2008

In the second quarter of 2008, revenue in Software amounted to \$1.9 million compared to \$2.0 million for the same quarter in 2007, generating 7% (Q2 2007 - 7%) of the Company's total revenue for the three-month period. Revenue remained flat compared to the second quarter of 2007. While consulting revenue was up, our application revenue was down. From a sales perspective, the market for some of Divestco's applications (such as GeoCarta Tools) is targeted more at the enterprise level. We are seeing that clients with an established GIS environment find more value in this product than those smaller/mid-sized companies who are not yet in GIS environments. Due to the nature of this product, the sales cycles are longer. We are currently in discussions with a number of enterprise environments who are awaiting the new version of GeoCarta Tools due out in the fall.

EBITDA for the second quarter was \$677,000 compared to \$865,000 in 2007, a decrease of \$188,000 (22%). Salaries and benefits increased due to additional staff from the acquisition of iLand and the hiring of product managers. General and administrative expenses (G&A) increased by 49% from 2007 due to additional consultants required to complete a large software development project for a client. Amortization was \$437,000 compared to \$343,000 in 2007, an increase of \$94,000 (27%) related to acquiring iLand and the purchase of computer equipment. Operating income for Software was \$240,000 compared to operating income of \$519,000 in 2007, a decrease of \$279,000 (54%).

### Year to Date Financial Results – 2008

Year to date for 2008, revenue in the Software segment amounted to \$4.1 million compared to \$3.8 million for the same year to date in 2007, generating 7% (2007 - 7%) of the Company's total revenue for the six month period. The increase of \$0.3 million (8%) was due to a large custom development project for a major oil and gas producer that commenced in 2007, organic growth in existing product lines (including LandRite and WinPICS sales) and the acquisition of iLand in June 2007.

EBITDA for the year to date was \$1.5 million, the same as in 2007. Salaries and benefits increased due to the iLand acquisition and the addition of product managers. G&A increased by 30% from 2007 due to additional consulting costs as well as the purchase of iLand. Deferred development costs were \$137,000 higher compared to 2007 due to increased development activity associated with a soon to be released product offering. Amortization was \$857,000 compared to \$728,000 in 2007, an increase of \$129,000 (18%) related to the acquisition of iLand and the purchase of computer equipment. Operating income for Software was \$628,000 compared to operating income of \$728,000 in 2007, a decrease of \$100,000 (14%).

### Outlook

The new generation of GeoCarta Tools is now in Beta and will be fully released to key Divestco customers later this fall. We will continue commercialization activity against this product through to the end of the year to bring this offering to the larger audience in 2009. Because of this product's common technology platform, we are ramping up other new product efforts, and we will begin re-assigning resources after the completion of the GeoCarta Tools release.

EnvisonVSX 5.6 is slated for a late summer release. The key focus of this version is its 64-bit system support and several key workflow improvements.

In general, the Software segment has seen a slowdown in sales activity over the last five months, resulting from the housekeeping activities we've seen throughout the industry due to current economic uncertainty. We continue to work on devising new sales programs and processes, while proceeding with our on-going commitment to continually improve our product offerings. Summer typically represents a slower sales period for Software, so we look forward to September when our customers begin assessing their requirements for the upcoming exploration season.

## SERVICES

Our Services segment offers data quality assurance, processing, and data management services for geophysical and geological related information. More specifically, we provide geomatics (survey integrity and spatial data services), archive, seismic brokerage and seismic processing services.

### Second Quarter Financial Results – 2008

In the second quarter of 2008 and 2007, revenue in Services amounted to \$5.9 million, generating 23% (Q2 2007 – 21%) of the Company's total revenue for the three-month period. While there were revenue increases in the Geomatics and Brokerage divisions (primarily due to the addition of the Geomatics business unit of Veritas Energy Services Partnership (Veritas) in May of 2007 and increased seismic brokerage activity levels), we experienced lower activity levels in the Seismic Processing division due to the Alberta market's down-turn late in 2007.

EBITDA for the second quarter was \$1.0 million compared to \$0.5 million in 2007, an increase of \$0.5 million (124%). Salaries and benefits decreased \$0.5 million due to staff reductions that were done in response to the economic slow-down in Alberta. G&A expenses increased slightly due to higher occupancy and licensing costs. Amortization was \$616,000, a decrease of \$128,000 (17%) from \$744,000 in 2007. Operating income for Services was \$430,000 as compared to negative \$277,000 in 2007, an increase of \$707,000.

### Year to Date Financial Results – 2008

Year to date for 2008, revenue in Services amounted to \$11.5 million compared to \$12.0 million for the same quarter in 2007, generating 20% (Q2 2007 – 22%) of the Company's total revenue for the three-month period. The decrease of \$0.5 million (4%) was primarily due to lower activity levels in Seismic Processing with slight decreases in Archive activity levels in the first quarter. This was offset by an increase in Geomatics and Brokerage revenue (primarily due to the addition of the Veritas Geomatics business unit in 2007) and increased seismic brokerage activity levels (related to increases in capital spending in British Columbia).

EBITDA for the year to date was \$1.8 million compared to \$1.7 million in 2007, an increase of \$0.1 million (7%). Salaries and benefits decreased \$0.5 million due to staff reductions, while G&A expenses increased by \$0.1 million due to higher occupancy and licensing costs. Amortization was \$1.2 million, an increase of \$0.1 million (9%) from \$1.1 million in 2007, related to the Geomatics business unit purchase and the replacement of old equipment subsequent to the acquisition. Operating income for Services was \$0.6 million as compared to \$0.5 million in 2007, an increase of \$0.1 million (20%).

### Outlook

Activity levels in the Services segment over the second quarter remained relatively strong despite a general industry slowdown. Expectations for the remainder of the year lean towards more activity in the fall as customers confirm their own activity levels.

Geomatics continues to operate at high-efficiency due to one of the most successful post-acquisition integration of processes, people and systems in Divestco's history. Combined efforts from the former Veritas Geomatics business unit and our existing Geomatics areas are yielding several improvements to products and services from this area. Significant momentum in the move to the Canadian Association of Petroleum Producers' recommended authoritative land grid and NAD83 datum are leading to success on several industry contracts securing work for this year and making budget provisions for next year.

Our Archive division continues to focus on driving revenues while increasing profitability. Second quarter performance over last year is strong in two key areas: archiving and data management/storage. The first of these is due to increased activity among some of Divestco's new and existing clients. The second is due to the reoccurring revenue generated from the annuity model of storage which contributes to the long-term financial health of the division. Internally, further development is occurring in terms of inventory and ordering control systems, faster turnaround times for jobs, and cross-training personnel to handle multiple functions within the area. (continued page 14)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Seismic Brokerage division, despite generally slow market conditions, is significantly ahead of its year-to-date numbers for last year and on track to exceed forecasted annual targets. This is based mostly on increased activity levels for sales of 3D seismic surveys and the addition of new data management customers who prefer to outsource the handling of their seismic transactional activity to the Company.

Processing has seen steady increases in revenue since the beginning of the year, leading to improved financial results month over month. Reductions in staffing and overhead have contributed to this division's ability to contribute improved earnings in the second quarter as compared to the first quarter of 2008. Significant recognition of structural capabilities is being realized as more customers become aware of capabilities in this area. Several key customers expect the third and fourth quarters to be busy, supporting an overall optimistic forecast for the remainder of the year in this area. The Company continues on its commitment to research and development.

## DATA

Our Data segment acquires, licenses, and maintains Divestco's proprietary seismic data and a full suite of support data layers (log, well and drilling data, as well as ancillary services).

BALANCE AS AT	JUNE 30, 2008	JUNE 30, 2007	DECEMBER 31, 2007
Seismic Library			
2D in Gross Kilometres	103,790	99,173	99,463
2D in Net Kilometres	82,744	78,993	79,283
3D in Gross Kilometres	16,639	14,789	15,772
3D in Net Kilometres	14,617	12,157	13,750

### Second Quarter Financial Results – 2008

In the second quarter of 2008, revenue in the Data segment amounted to \$15.4 million compared to \$16.7 million for the same quarter in 2007, generating 59% (Q2 2007 – 61%) of the Company's total revenue for the three-month period. Seismic participation revenue was up by \$3.3 million (115%) while data library revenue was down by \$4.6 million (33%) for a net decrease of \$1.3 million (8%). Our U.S. division remained constant with \$0.5 million in revenue.

EBITDA for the second quarter was \$13.5 million compared to \$14.6 million in 2007, a decrease of \$1.1 million (7%). Salaries and benefits increased slightly as the addition of the former BlueGrouse Seismic Solutions Ltd. (BlueGrouse) employees was offset by staff reductions in the U.S. division in 2007. G&A expenses have decreased by \$0.2 million (27%) for the same period in 2007 due mainly to synergies that have realized since the acquisition of BlueGrouse. Amortization increased by \$4.6 million (89%) to \$9.8 million in 2008 from \$5.2 million in 2007 as a result of the completion of three 3D participation programs which are amortized at a rate of 40% upon delivery to the client. Operating income was \$3.7 million compared to \$9.2 million in 2007.

### Year to Date Financial Results – 2008

Year to date for 2008, revenue in Data amounted to \$34.2 million compared to \$31.8 million for the same period in 2007, generating 61% (2007 – 59%) of the Company's total revenue for the same period. The growth was due to a \$2.1 million (19%) increase in seismic participation survey revenue and a slight increase in aggregate data library sales. Our U.S. division experienced a decline of \$178,000 (16%) in revenue from 2007, related primarily to decreased sales in drilling subscription and transactional production data.

EBITDA for the year to date was \$30.1 million compared to \$27.8 million in 2007, an increase of \$2.3 million (8%). Salaries and benefits increased by 218% from 2007, mainly due the acquisition of BlueGrouse in May 2007 and related retention bonuses that were paid out



in May 2008. G&A expenses decreased by \$0.3 million for the same period in 2007 mainly due to the synergies that have realized since the acquisition of BlueGrouse Seismic Solutions Ltd. (BlueGrouse). Amortization increased by \$8.3 million (80%) to \$18.6 million in 2008 from \$10.4 million in 2007 as a result of the completion of three 3D participation programs which are amortized at a rate of 40% upon delivery to the client(s). Operating income was \$11.5 million compared to \$17.2 million in 2007.

### Outlook

We are expecting to return to the field for the 2008-2009 winter season. The seismic acquisition pipeline, and more importantly the inventory pipeline, is very strong. Divestco is contemplating a number of seismic participation surveys that may commence in the third and fourth quarters of 2008, with delivery occurring this year and into early 2009. Despite these surveys, Divestco is currently perusing a more conservative acquisition strategy in regards to seismic field acquisition activities as it continues to focus on aggregate data library sales and strengthening its balance sheet.

The Support Data division has completed a re-structuring period and is now focusing resources on improving data quality, content, coverage, and integrity. The division continues to work with industry partners to augment its data products, most notably in the areas of directional surveys, core analysis, and geological edges. Internal operational processes are being enhanced as we continue migrating to a new high-end database server, which will result in more timely delivery of our data and provide better redundancy and fail-over protection for optimal availability. Work continues on automating quality assurance processes to streamline and enhance the information provided to our customers through improved data quality checks and the inclusion of metadata with our spatial data products. The completion of our new online notification tool, the AOI Tracker, adds value to our traditional data product offerings through daily notification of activity in a user-specified area of interest.

As the primary provider of information to our software products, the Support Data division has been working to reduce development costs through streamlining the integration of existing and new databases as they become available. Work continues on new data models that will align with industry-standard models to support extensive plug-and-play capabilities for our data products.

The Logs Division continues to experience one of its best years on record with year-to-date sales exceeding last year by approximately 23%, and Q2 2008 versus Q2 2007 experiencing a 21% growth. This increase is largely due to recognition in the market of our superior turnaround times, our pricing, and the quality of our logs. On top of this, expenses year-to-date are down 13% from last year, realizing the efficiency gains focused on for the past two years. This is resulting in a substantial increase in EBITDA for the division. The third quarter is expected to maintain these trends as sales efforts and market recognition continue.

## CONSULTING

Our Consulting segment offers end-to-end technology solutions, including business consulting services, Enterprise Resource Planning (ERP) and Customer Relations Management (CRM) system implementations, custom software development, hardware devices, and network infrastructure. We also offer land management services for the oil and gas industry through Cavalier Land and Landmasters.

### Second Quarter Financial Results — 2008

In the second quarter of 2008, revenue in Consulting amounted to \$2.9 million compared to \$3.0 million for the same quarter in 2007, generating 11% (Q2 2007 — 11%) of the Company's total revenue for the three-month period. Revenue in Business Consulting increased by \$263,000 (19%) due to Technical Records being reallocated from the Services segment effective January 1, 2008. Revenues in this department have grown steadily since January due to an increased effort by Divestco's sales department, streamlined market offerings, attractive pricing, and enhanced marketing material. This was offset by a \$355,000 (23%) decrease in Land Management Services due to diminished drilling activity in Alberta.

EBITDA for the second quarter was a negative \$229,000 compared to \$248,000 in 2007, a decrease of \$477,000. Salaries and benefits increased by 10% and G&A expenses increased 11% due to the acquisition of Landmasters and from Technical Records becoming part of Consulting. Amortization was \$325,000, which remained the same as in 2007. Operating income was a negative \$547,000 compared to a negative \$65,000 in the same quarter of 2007.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Year to Date Financial Results – 2008

Year to date for 2008, revenue in Consulting amounted to \$6.4 million compared to \$6.7 million for the same quarter in 2007, generating 11% (Q2 2007 – 12%) of the Company's total revenue for the three-month period. Revenue in Business Consulting increased by \$615,000 as the Technical Records department was moved from the Services segment. Offsetting this was a \$941,000 (14%) decrease in Land Management Services due to the industry slowdown in Alberta, which started in the second half of 2007.

EBITDA for the year to date was a negative \$44,000 compared to \$756,000 in 2007, a decrease of \$800,000. Salaries and benefits increased 8% and G&A expenses increased 4% due to the acquisition of Landmasters and the reallocation of Technical Records to Consulting. Amortization was \$681,000, an increase of \$41,000 (6%) from \$640,000 in 2007 due to the purchase of computer equipment and the Landmasters acquisition. Operating income was a negative \$711,000 compared to a positive \$136,000 in the same quarter of 2007.

## Outlook

The Land Management Services division has continued expanding geographically and is continuing to work on projects in Saskatchewan, as we are seeking to expand our client base in light of current trends in that province. The division has focused resources on Mineral Acquisition in that province, which in turn may result in additional opportunities on the Surface Acquisition side.

The Company is currently in the process of bidding on a large linear project on the utility side, which in turn would generate approximately three-plus years of work. We are in the final stage of the selection process and, by all accounts, this project bid should be successful for at least a portion of the work. We should have an idea as to the volume of the work and the success of the bid in the fall of 2008. In anticipation of winning the bid for the linear project, and an additional volume of work from existing clients, we are currently looking to grow our staffing resources to handle the workload.

Divestco's Business Consulting continues to focus its sales efforts on specific high-potential services and streamlining operations while focusing on core offerings.

## CORPORATE AND OTHER

Our Corporate segment includes corporate general and administrative function costs associated primarily with setting Divestco's overall strategic plan, including finance, accounting, marketing, human resources (HR), and information technology (IT) costs. As well, this segment includes audit, legal, travel, investor relation and stock compensation expenses in addition to interest on long-term debt.

## Second Quarter Financial Results – 2008

In the second quarter of 2008, salaries and benefits increased by 23%, primarily due to salary increases and severance payments. G&A expenses decreased by 17% to \$1.4 million in 2008 from \$1.6 million in 2007 due to a decrease in stock compensation costs, accounting fees (due to higher fees in 2007 relating to fees for internal control compliance) and bad debt recoveries. Interest expense was \$1.3 million in 2008 compared to \$0.9 million in the same quarter in 2007. The increase of \$0.3 million was primarily due to the assumption of convertible debentures from BlueGrouse and an increase in our long-term debt facilities of which \$43.6 million was outstanding as at June 30, 2008. Amortization was \$165,000 in 2008, compared to \$48,000 in 2007, an increase of \$117,000 (244%).

## Year to Date Financial Results – 2008

Year to date for 2008, salaries and benefits decreased by 11%, primarily due to no discretionary management bonuses accrued to date, as was done in the first quarter of 2007. G&A expenses decreased by 23% to \$2.5 million in 2008 from \$3.2 million in 2007 due to a decrease in stock compensation costs, accounting fees (higher fees in 2007 because of fees for internal control compliance), and promotional costs. Bad debts were also down due to improved collection efforts. Interest expense was \$2.6 million in 2008 compared to \$1.2 million in 2007. The increase of \$1.4 million (115%) was primarily due to the assumption of convertible debentures from BlueGrouse and an increase in our long-term debt facilities of which \$43.6 million was outstanding as at June 30, 2008. Amortization was \$216,000 in 2008 compared to \$89,000 in 2007, an increase of \$127,000 (143%).

## Outlook

We have moved into the next phase of our ERP implementation project, which is expected to last until the end of 2008. Aside from growth related to acquisitions, the segment does not expect a material increase in expenses in 2008.

## DEPRECIATION AND AMORTIZATION

Depreciation and amortization for the second quarter of 2008 was \$11.3 million compared to \$6.6 million for the same period in 2007. The increase of \$4.7 million (71%) was due to two participation seismic surveys completed in the quarter at a cost of \$10.8 million, five corporate acquisitions completed in 2007, and \$182,000 in computer hardware and software purchases, including \$125,000 under capital lease.

Depreciation and amortization for the six months ended June 30, 2008 was \$21.6 million compared to \$12.9 million for the same period in 2007. The increase of \$8.7 million (67%) was due to five participation seismic surveys completed in the first half of the year at a cost of \$20.5 million, five corporate acquisitions completed in 2007, and \$598,000 in computer hardware and software purchases, including \$418,000 under capital lease.

## INCOME TAXES

For the six months ended June 30, 2008, Divestco recorded a current tax expense of \$0.5 million and a future tax expense of \$1.2 million, for a net of \$1.7 million on \$5.1 million (33.9%) of income before taxes (2007 — 33.5%).

As at June 30, 2008, Divestco's Canadian subsidiaries had nominal amounts of non capital loss carry-forwards in Canada. The Company had \$2.9 million in non capital loss carry-forwards as at December 31, 2007 which will be used to reduce taxable income in 2008. The Company's U.S. subsidiary had approximately \$175,000 in net operating losses, which begin to expire in 2025. In addition, the Company and its subsidiaries had \$4.6 million in undepreciated capital cost pools in Canada.

## MAJOR TRANSACTIONS

### Seismic Related

During the second quarter of 2008, Divestco completed two 3D seismic surveys covering an approximate area of 191 square kilometres at a cost of \$10.8 million (excluding \$0.3 million in costs related to services provided by Divestco's survey audit, seismic processing and archive departments which are eliminated on consolidation). The Company also acquired one existing dataset totalling 146 net square kilometres of 3D seismic for approximately \$1.6 million.

During the six months ended June 30, 2008, Divestco completed five 3D seismic surveys covering an approximate area of 474 square kilometres at a cost of \$20.8 million (excluding \$0.5 million in costs related to services provided by Divestco's survey audit, seismic processing and archive departments which are eliminated on consolidation). The Company also acquired three existing datasets totalling approximately 3,461 net kilometres of 2D and 393 net square kilometres of 3D seismic for approximately \$3.1 million.

## LIQUIDITY AND CAPITAL RESOURCES

### Working Capital

Excluding the current portion of deferred revenue of \$5.3 million (December 31, 2007 — \$4.4 million), Divestco exited the second quarter of 2008 with a \$24.6 million working capital deficiency compared to a deficiency of \$28.1 million at the end of 2007. The deficiency is mainly related to the five 3D surveys completed for \$20.8 million and \$3.1 million in existing seismic data purchases during the first half of the year, in addition to corporate income taxes payable of \$1.6 million. The improvement from 2007 was due to ramped up collection efforts and a reduction in capital spending while the Company continues to focus on strengthening its balance sheet and returning (continued page 18)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

to a positive working capital balance. In July the Company structured a temporary \$5 million increase to its committed revolver facility for working capital purposes of which \$4 million was advanced on July 31, 2008. In addition, the Company has not committed to any significant capital expenditure until the working capital position is improved. There is a healthy pipeline of business opportunities we are attempting to close in on which is expected to generate the cash flow required to rectify Divestco's working capital shortfall.

## Operating Activities

Funds from operations for the second quarter of 2008 were \$13.5 million (31 cents per share — diluted) compared to \$13.8 million (33 cents per share — diluted) in 2007, a decrease of \$0.3 million (2%). Revenue decreased by \$1.3 million (5%) due to the drop in seismic data revenue.

Funds from operations for the six months ended 2008 were \$27.6 million (63 cents per share — diluted) compared to \$19.4 million (49 cents per share — diluted) in 2007, an increase of \$8.2 million (29%). Revenue increased by \$1.9 million (4%) related to the growth in seismic data revenue and the five corporate acquisitions we completed in 2007. This was offset by a \$1.1 million increase in interest expense related to the increase in long-term debt.

## Financing Activities

The Company's financing activities for the three months and six months ended June 30, 2008 are highlighted as follows:

- \$3 million increase in long-term debt obligations related to net draws on Divestco's committed revolving facility, offset by repayments on the term loans (second quarter 2008 - \$1.9 million).
- \$0.3 million in proceeds received from the exercise of stock options (second quarter 2008 - \$0.1 million).
- \$0.5 million in repayments of capital lease obligations (second quarter 2008 - \$0.3 million).
- \$0.6 million payment of a promissory note (second quarter 2008 - \$0.6 million).

## Investing Activities

The Company's investing activities for the three months and six months ended June 30, 2008 are highlighted as follows:

- \$23.8 million to purchase existing seismic data and acquire new data libraries through multi-client surveys (including surveys in progress at the end of the quarter) (second quarter 2008 - \$6.5 million).
- \$286,000 in purchases of computer hardware, software and leasehold improvements excluding \$418,000 in computer equipment acquired under lease (second quarter 2008 - \$163,000 and \$125,000, respectively).

## Debt Instruments

Divestco has a \$60 million credit facility in place with Wells Fargo Financial Corporation Canada (WFFCC), an affiliate of U.S.-based Wells Fargo & Company (Wells Fargo). The WFFCC bank facilities are committed with a 5-year maturity. The facility is available in three tranches: a \$30 million committed revolver, a \$20 million term loan facility and a \$10 million term loan facility.

Subsequent to June 30, 2008, the Company negotiated a temporary amendment to its credit facility to allow an additional \$5 million on its committed revolver to \$30 million of availability until October 31, 2008 (\$4 million advance was made on July 30, 2008). In addition, the Company's fixed charge coverage covenant was amended going forward, whereby it must maintain (on a trailing 12-month basis) a ratio of at least 1.15:1 as at September 30, 2008 and 1.25:1 for each quarter ending thereafter. The remaining terms remain substantially unchanged from those reported in the December 31, 2007 consolidated financial statements.

The committed revolver draws are not required to be repaid until maturity; however, if advances are paid down in advance they can be redrawn at a later date. Each draw on the term loan facilities is amortized over six years from the date of draw down and repaid on a monthly basis. The Company has two pricing options on all the credit facilities: floating Canadian Base Rate plus 2.00%, or Canadian LIBOR (London

InterBank Offer Rate) plus 3.25%. The Canadian LIBOR options are available with locked-in interest rate periods of one, two or three months. As at June 30, 2008, \$43.7 million was drawn on this facility including \$23.1 million on the committed revolver, \$16.4 million on the first term loan and \$4.2 million on the second term loan. The facilities are subject to the Company meeting certain debt covenants, including a minimum trailing 12-month EBITDA of \$50 million and a fixed charge coverage ratio of at least 1.50:1 (as discussed, the covenant has been amended). As at June 30, 2008, the Company was not in violation of any of its covenants. In addition, Divestco does not expect to violate any of its debt covenants over the next 12 months ending June 30, 2009.

The WFFCC bank facilities are secured by a first floating charge on all the Company's assets. Expectations are that the recently acquired WFFCC credit facilities and funds from operations will be sufficient in the short-term and long-term to meet planned growth and to fund future capital expenditures.

## OUTSTANDING SHARE DATA

Divestco's common shares trade on the Toronto Stock Exchange (TSX) under the symbol DVT. The Company is authorized to issue an unlimited number of voting common shares.

The following table summarizes the Company's equity instruments:

BALANCE AS AT	AUGUST 6, 2008	JUNE 30, 2008	DECEMBER 31, 2007
Common Shares			
Outstanding	41,847,517	41,847,251	41,579,904
Weighted Average Outstanding			
Basic		41,700,041	39,200,314
Diluted		43,882,744	41,673,015
Stock Options			
Outstanding	2,141,372	2,156,043	2,743,248
Exercise Price Range	\$1.00 to \$6.10	\$1.00 to \$6.10	\$1.00 to \$6.10

### Common Shares

On January 24, 2008, the TSX accepted the Company's Notice of Intention to make a Normal Course Issuer Bid (NCIB) to purchase up to 2,092,853 (a maximum of 5%) of its issued and outstanding common shares (41,857,070 common shares as at January 14, 2008) in a twelve-month period. The NCIB commenced January 28, 2008, and will terminate on the earlier of January 27, 2009 or the date on which the maximum number of common shares are purchased pursuant to this NCIB. There were no shares repurchased under the NCIB for the period ended June 30, 2008.

### Stock Options

As at June 30, 2008, there were 4,041,369 common shares reserved for grants of stock options.

During the six months ended June 30, 2008:

- 20,600 stock options were granted with an exercise price of \$2.39.
- 268,413 stock options were exercised at exercise prices ranging from \$1.20 to \$1.69, including 114,089 exercised by officers.
- 339,392 stock options were forfeited with exercise prices ranging from \$1.00 to \$6.10, including 150,000 options held by a former officer that was also a director.

Subsequent to June 30, 2008:

- 14,671 options were forfeited with exercise prices ranging from \$2.51 to \$6.10.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Convertible Debentures

As at June 30, 2008, there was \$8,142,000 in convertible debentures outstanding which assumed through the acquisition of BlueGrouse. Each debenture bears interest at a rate of 10% per annum and is convertible, in whole or in part, into common shares at a conversion price of \$4.48 per Common Share (Conversion Price) at any time on or before November 21, 2008 (Maturity Date). On or before the Maturity Date, the holders of the debentures shall have the option of either converting their debentures into common shares at the Conversion Price or receiving the cash value of the principal amount of the debentures, plus any accrued and unpaid interest. As at June 30, 2008, \$609,000 (December 31, 2007 — \$609,000) represented the equity component of the debentures and is classified in the shareholders' equity section of the Divestco's consolidated balance sheet.

## RELATED PARTY TRANSACTIONS

Divestco had the following related party transactions:

- During the six months ended June 30, 2008, the Company paid \$97,000 (2007 — \$104,000) in brokerage commissions to a company controlled by a director. Included in accounts payable as at June 30, 2008 was \$3,000 (December 31, 2007 — \$17,000) related to these commissions.
- During the six months ended June 30, 2008, the Company paid \$103,000 (2007 — \$263,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at June 30, 2008 was \$45,000 (December 31, 2007 — \$66,000) related to these legal fees.

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

## CRITICAL ACCOUNTING ESTIMATES

The costs associated with purchasing or creating the seismic data library are capitalized. Purchases of existing seismic data are capitalized and amortized on a straight-line basis over 10 years. The Company also creates seismic data and capitalizes the costs paid to third parties for the acquisition of data, permitting, surveying, and other related costs. Created seismic may be acquired without pre-sale commitments or with pre-sale commitments that include an exclusive data use period. Created seismic, without pre-sale commitments, is amortized on a straight-line basis over a seven-year period. Created seismic with pre-sale commitments is initially amortized at 40% on delivery of the data to the customer, with the remaining balance on a straight-line basis over the next six-year period. Some of the created seismic is acquired jointly with others. The Company's financial statements reflect only its proportionate share of the costs of the jointly-created seismic data library.

The fair value of share options were estimated using the Black-Scholes option pricing model, with the following assumptions: an average expected volatility of 67% (2007 — 69%), an average risk-free interest rate of 2.9% (2007 — 3.9%), and an expected life of five years. The value of the stock options is recognized as a compensation expense over the three-year vesting period. In October 2005, the Company changed the vesting period of stock options granted, going forward, to three years from two years. The value for the broker compensation options is recorded in contributed surplus and is reduced as the broker options are exercised. The value of the warrants has been recorded as a separate line item under equity instruments and is reduced as the warrants are exercised.

## NEW ACCOUNTING PRONOUNCEMENTS

### Financial Instruments

On January 1, 2008, the Company adopted new accounting standards for financial instruments disclosures and presentation, which require the Company to increase disclosure on the nature, extent and risk arising from the financial instruments and how the entity manages those risks.

### Capital Disclosures

On January 1, 2008, the Company adopted the new Canadian standard for capital management, which specifies the disclosure of an entity's objectives, policies and procedures for managing capital, quantitative data about what it manages as capital, any externally imposed capital requirements, and the consequences of non-compliance.

### Future Accounting Pronouncements

Canadian accounting standards for goodwill and intangible assets will be effective on January 1, 2009. These new standards apply to goodwill subsequent to initial recognition and establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new standard is not expected to have a material impact on the Company's Consolidated Financial Statements.

In January 2006, the Canadian Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards (IFRS) will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly-accountable enterprises.

The Company has not completed development of its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions. The Company plans to complete its project scoping, which will include a timetable for assessing the impact on data systems, internal controls over financial reporting, and business activities such as financing and compensation arrangements, by December 31, 2008.

## SECURITIES REGULATIONS UPDATE

### Disclosure Controls and Procedures

Disclosure Controls and Procedures are controls and procedures designed and implemented by, or under, the supervision of Divestco's Chief Executive Officer (CEO) and Chief Financial Officer (CFO). These controls and procedures ensure that material information relating to the Company is communicated to them by others in the organization as it becomes known, and that the information is appropriately disclosed as required under the continuous disclosure requirements of securities legislation. In essence, these types of controls are related to the quality and timeliness of financial and non-financial information in securities filings.

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as at December 31, 2007, by and under the supervision of Divestco's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined in the Canadian Securities Administrators' Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", are effective to ensure that information required to be disclosed in reports that the Company files or submits under Canadian securities legislation is recorded, processed, summarized, and reported within the time periods specified in those rules and forms.

There were no changes in Divestco's disclosure controls and procedures that occurred during the period ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.

### Internal Control Over Financial Reporting

Divestco maintains a set of internal controls and procedures over financial reporting which have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Divestco evaluated the design of its controls and procedures over financial reporting (as defined under Multilateral Instrument 52-109) for the year ended December 31, 2007. This evaluation was performed under the supervision of the CEO and the CFO, with the assistance of other Divestco employees and independent consultants to the extent necessary and appropriate. Based on this evaluation, the CEO and the CFO concluded that the design of these internal controls and procedures provided reasonable assurance regarding the reliability of financial reporting for the year ended December 31, 2007.

There were no changes in Divestco's internal control over financial reporting that occurred during the period ended June 30, 2008, that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.

# CONSOLIDATED BALANCE SHEETS

AS AT (Thousands)	JUNE 30, 2008 (Unaudited)	DECEMBER 31, 2007
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$4,129	\$2,466
Funds Held in Trust	-	678
Accounts Receivable	22,100	27,083
Prepaid Expenses, Supplies and Deposits	1,905	1,794
Investment Tax Credit Recoverable	315	-
	28,449	32,021
Investment in Affiliated Company	71	72
Data Libraries (Note 3)	166,770	161,354
Participation Surveys in Progress	1,381	1,047
Property and Equipment (Note 4)	5,764	5,981
Deferred Development Costs (Note 5)	5,440	4,736
Intangible Assets (Note 6)	18,120	20,208
Goodwill	10,090	10,090
	\$236,085	\$235,509
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$37,605	\$39,391
Income Taxes Payable	1,591	7,286
Current Portion of Deferred Revenue	5,339	4,351
Current Portion of Long-Term Debt Obligations (Note 7)	6,010	5,889
Convertible Debentures (Note 8)	7,865	7,533
	58,410	64,450
Deferred Revenue	90	530
Long-Term Debt Obligations (Note 7)	39,629	38,400
Future Income Taxes	14,619	13,406
	112,748	116,786
<b>Shareholders' Equity</b>		
Equity Instruments (Note 9(b))	69,624	68,690
Contributed Surplus (Note 9(f))	3,946	3,661
Equity Portion of Convertible Debentures (Note 8)	609	609
Retained Earnings	49,158	45,763
	123,337	118,723
	\$236,085	\$235,509

See Notes to Consolidated Financial Statements.



# CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME & RETAINED EARNINGS

(Thousands, Except Per Share Amounts - Unaudited)	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	2007	2008	2007
Revenue				
Operating Expenses	\$26,175	\$27,529	\$56,229	\$54,322
Salaries and Benefits	8,873	8,732	18,192	18,304
General and Administrative	4,114	4,363	8,242	8,456
Stock Compensation Expense (Note 9(f))	309	381	568	759
	13,296	13,476	27,002	27,519
Interest Expense	1,249	1,139	2,533	1,428
Depreciation and Amortization	11,314	6,631	21,571	12,948
Other Income (Loss)	(3)	(29)	12	(48)
Income Before Income Taxes	313	6,254	5,135	12,379
Income Taxes				
Current (Recovery)	(1,023)	284	527	7,479
Future (Reduction)	1,055	1,804	1,213	(3,337)
	32	2,088	1,740	4,142
Net Income and Comprehensive Income for the Period	281	4,166	3,395	8,237
Retained Earnings, Beginning of Period	48,877	32,446	45,763	28,375
Retained Earnings, End of Period	49,158	36,612	49,158	36,612
Earnings Per Share				
Basic	\$0.01	\$0.11	\$0.08	\$0.22
Diluted	\$0.01	\$0.10	\$0.08	\$0.21
Weighted Average Number of Shares				
Basic	41,808	38,906	41,700	37,082
Diluted	43,979	41,646	43,883	39,875

See Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands - Unaudited)	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	2007	2008	2007
Cash Flows from Operating Activities				
Net Income for the Period	\$281	\$4,166	\$3,395	\$8,237
Items Not Affecting Cash:				
Equity Investment Loss	3	4	1	7
Depreciation and Amortization of Data Libraries, Property and Equipment and Intangible Assets	11,063	6,480	21,075	12,573
Amortization of Deferred Development Costs	251	151	496	375
Amortization of Deferred Finance Costs	92	375	189	397
Accretion of Liability Portion of Convertible Debentures	166	-	332	-
Future Income Taxes (Reduction)	1,055	1,804	1,213	(3,337)
Unrealized Foreign Exchange Loss	-	80	-	90
Non-Cash Retention Bonus	285	335	302	335
Stock Compensation Expense (Note 9(f))	309	381	568	759
	13,505	13,776	27,571	19,436
Changes in Non-Cash Working Capital Balances (Note 11)	4,688	(6,454)	(1,729)	(4,628)
Decrease in Non-Current Deferred Revenue	(83)	(39)	(440)	(95)
Decrease in Long-Term Accounts Receivable	-	140	-	280
	18,110	7,423	25,402	14,993
Cash Flows from (used in) Financing Activities				
Bank Indebtedness	-	(9,395)	-	(6,451)
Advances to Affiliated Company	-	-	-	(8)
Issue of Common Shares, Net of Related Expenses (Note 9(b))	116	595	349	1,213
Repayment of Long-Term Debt Obligations	(1,940)	(10,809)	(3,138)	(11,494)
Deferred Financing Costs	-	(1,340)	-	(1,340)
Proceeds Received from Long-Term Debt Obligations	1,810	42,235	3,881	42,235
	(14)	21,286	1,092	24,155
Cash Flows from (used in) Investing Activities				
Purchase of Data Libraries	(12,521)	(23,177)	(23,487)	(33,334)
Decrease (Increase) in Participation Surveys in Progress	6,013	7,080	(334)	2,248
Purchase of Property and Equipment	(163)	(647)	(286)	(1,003)
Acquisitions	-	(3,852)	-	(3,852)
Proceeds on Sale of Property and Equipment	-	-	5	-
Deferred Development Costs	(780)	(652)	(1,200)	(1,276)
Changes in Non-Cash Working Capital Balances (Note 11)	(9,205)	(6,813)	471	(1,677)
	(16,656)	(28,061)	(24,831)	(38,894)
Foreign Exchange Loss on Cash Held in a Foreign Currency	-	(78)	-	(89)
Increase in Cash and Cash Equivalents	1,440	570	1,663	165
Cash and Cash Equivalents, Beginning of Period	2,689	1,032	2,466	1,437
Cash and Cash Equivalents, End of Period	\$4,129	\$1,602	\$4,129	\$1,602

See Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 (Tabular Amounts in Thousands, Unless Otherwise Stated)

Divestco Inc. (the Company), is incorporated under the Business Corporations Act of Alberta and is a publicly traded company on the TSX under the symbol DVT.

## 01. BASIS OF PRESENTATION

These Interim Consolidated Financial Statements of the Company have been prepared by management in accordance with generally accepted accounting principles (GAAP) in Canada. The preparation of financial statements in conformity with GAAP in Canada requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. These Interim Consolidated Financial Statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality.

These Interim Consolidated Financial Statements do not include the entire note disclosures required for the Annual Consolidated Financial Statements, and therefore, should be read in conjunction with Audited Consolidated Financial Statements as at and for the year ended December 31, 2007. These Interim Consolidated Financial Statements have been prepared following the same significant accounting policies as the most recently issued Interim Consolidated Financial Statements except as disclosed in Note 2.

The results of operations for the three and six months ended June 30, 2008 are not necessarily indicative of results to be expected for the entire year ending December 31, 2008. The Company records seismic data revenue related to its shot seismic programs, which are carried out primarily during the winter months. Revenue is recognized upon completion of a program after the related data has been delivered. Therefore, a significant portion of the Company's revenue for its shot seismic data is recognized in the winter and spring seasons.

## 02. CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

On January 1, 2008, the Company adopted the new Canadian standard for capital management which specifies the disclosure of an entity's objectives, policies and procedures for managing capital, quantitative data about what it manages as capital, any externally imposed capital requirements and the consequences of non-compliance (Note 10).

On January 1, 2008, the Company adopted new accounting standards for financial instruments disclosures and presentation which require the Company to increase disclosure on the nature, extent and risk arising from the financial instruments and how the entity manages those risks (Note 13).

Canadian accounting standards for goodwill and intangible assets will be effective on January 1, 2009. These new standards apply to goodwill subsequent to initial recognition and establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new standard is not expected to have a material impact on the Company's consolidated financial statements.

In January 2006, the Canadian Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards (IFRS) will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly-accountable enterprises.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## 03. DATA LIBRARIES

BALANCE AS AT	JUNE 30, 2008		DECEMBER 31, 2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Seismic Data Library	\$238,629	\$82,265	\$215,145	\$64,546
Datasets	632	432	632	401
Log and Drilling Library	12,124	2,226	12,122	1,929
Reference Library	445	312	445	297
Map Library	239	64	239	56
	\$252,069	\$85,299	\$228,583	\$67,229
Net Book Value		\$166,770		\$161,354

## 04. PROPERTY AND EQUIPMENT

BALANCE AS AT	JUNE 30, 2008		DECEMBER 31, 2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer Hardware and Software	\$7,029	\$4,625	\$7,757	\$4,199
Office Furniture and Equipment	1,271	703	1,260	629
Leasehold Improvements	1,272	556	1,179	454
Assets Under Capital Lease	3,713	1,667	2,383	1,346
Land	30	-	30	-
	\$13,315	\$7,551	\$12,609	\$6,628
Net Book Value		\$5,764		\$5,981

## 05. DEFERRED DEVELOPMENT COSTS

BALANCE AS AT	JUNE 30, 2008	DECEMBER 31, 2007
Balance, Beginning of Period	\$4,736	\$2,877
Salaries and Benefits (Net of Investment Tax Credits)	942	2,160
General and Administrative	258	437
Total Additions	1,200	2,597
Amortization <sup>(1)</sup>	(496)	(738)
Balance, End of Period	\$5,440	\$4,736

<sup>(1)</sup> Included in depreciation and amortization on the Consolidated Statements of Income.

## 06. INTANGIBLE ASSETS

BALANCE AS AT	JUNE 30, 2008		DECEMBER 31, 2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Non-Competition Agreements	\$3,938	\$1,350	\$3,938	\$943
Customer Related Intangibles	12,070	4,238	12,070	3,233
Proprietary Software and Code	8,263	2,618	8,263	2,206
Office Leases Below Market Value	2,700	900	2,700	675
Well Logs Licence Agreement	750	495	750	456
	\$27,721	\$9,601	\$27,721	\$7,513
Net Book Value		\$18,120		\$20,208

## 07. LONG-TERM DEBT OBLIGATIONS

BALANCE AS AT	JUNE 30, 2008		DECEMBER 31, 2007	
Term Loan and Committed Revolver (a)		\$43,690		\$42,848
Promissory Notes (b)		1,250		1,800
Capital Lease Obligations (c)		1,569		700
		46,509		45,348
Current Portion		(6,010)		(5,889)
Deferred Finance Charges (d)		(870)		(1,059)
Long-Term Portion		\$39,629		\$38,400

- (a) **Term Loan and Committed Revolver:** Subsequent to June 30, 2008, the Company negotiated a temporary amendment to its credit facility to allow an additional \$5 million on its committed revolver to \$30 million of availability until October 31, 2008 (\$4 million advance was made on July 30, 2008). In addition, the Company's fixed charge coverage covenant was amended going forward, whereby it must maintain a (on a trailing 12-month basis) a ratio of at least 1.15:1 as at September 30, 2008 and 1.25:1 for each quarter ending thereafter. The remaining terms remain substantially unchanged from those reported in the December 31, 2007 consolidated financial statements.

As at June 30, 2008, \$23.1 million was drawn on the committed revolver, \$16.4 million was drawn on the first committed term loan, and \$4.2 million was drawn on the second committed term loan.

Principal payments are as follows:

2009	\$4,253
2010	4,253
2011	4,253
2012	4,253
2013	3,544
2014	23,134
	\$43,690

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 (Tabular Amounts in Thousands, Unless Otherwise Stated)

**(b) Promissory Notes:**

BALANCE AS AT	JUNE 30, 2008	DECEMBER 31, 2007
Unsecured Promissory Notes issued on the acquisition of Cavalier Land Ltd., non-interest bearing, repayable in two installments of \$625,000 on July 18, 2007 and July 18, 2008.	\$625	\$625
Unsecured Promissory Notes issued on the acquisition of i Land Data Ltd., bearing interest of 7%, repayable on June 19, 2008. The payment has been postponed and is expected to be paid out before the end the year.	75	75
Unsecured Promissory Notes issued on the acquisition of Spectrum Seismic Processing, bearing interest of 6%, repayable on June 19, 2009.	350	900
Unsecured Promissory Notes issued on the acquisition of Canadian Landmasters Resource Services Ltd., bearing interest at 2% above the Company's prime lending rate, repayable in three equal installments of \$66,667 on each of December 31, 2008, 2009, and 2010.	200	200
Current Portion	1,250 (1,117)	1,800 (1,316)
Long-Term Portion	\$133	\$484

Principal payments are as follows:

2009	\$1,117
2010	67
2011	66
	\$1,250

**(c) Capital Lease Obligations:** The Company has capital lease obligations, which have terms of two to four years and bear interest at 2% to 5.8% per annum. Minimum annual lease payments are as follows:

2009	\$640
2010	556
2011	300
2012	73
	\$1,569

(d) **Deferred Finance Charges:**

BALANCE AS AT	JUNE 30, 2008	DECEMBER 31, 2007
Balance, Beginning of Period	\$1,059	\$323
Additions	-	1,340
Amortization <sup>(1)</sup>	(189)	(604)
Balance, End of Period	\$870	\$1,059

<sup>(1)</sup> Included in interest expense on the Consolidated Statements of Income.

**08. CONVERTIBLE DEBENTURES**

BALANCE AS AT	JUNE 30, 2008	DECEMBER 31, 2007
Balance, Beginning of Period	\$7,533	\$-
Additions	-	8,142
Equity Component	-	(609)
Accretion of Liability Portion to Face Value	332	-
Balance, End of Period	\$7,865	\$7,533

The Company assumed convertible debentures through the acquisition of BlueGrouse Seismic Solutions Ltd. Each debenture bears interest at a rate of 10% per annum and is convertible, in whole or in part, into common shares at a conversion price of \$4.48 per common share (Conversion Price) at any time on or before November 21, 2008 (Maturity Date). On or before the Maturity Date, the holders of the debentures shall have the option of either converting their debentures into common shares at the Conversion Price or receiving the cash value of the principal amount of the debentures, plus any accrued and unpaid interest. The debentures were classified as a current liability as the holders can require the Company to settle the instrument for cash or shares within the next 12 months.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## 09. EQUITY INSTRUMENTS

(a) **Authorized:** An unlimited number of voting common shares.

(b) **Issued:**

BALANCE AS AT	JUNE 30, 2008		DECEMBER 31, 2007	
Common Shares	Number of Shares	Amount	Number of Shares	Amount
Balance, Beginning of Period	41,579	\$69,180	35,399	\$47,752
Issued on Public Offering	-	-	-	-
Issued on Acquisitions	-	-	5,160	18,477
Cancellation of Shares Issued as Retention Bonuses	(1)	(5)	(27)	(125)
Reclassification to Common Shares on Share Purchase Loan Forgiveness and Bonus Shares Release from Escrow	-	147	-	201
Exercise of Share Purchase Warrants – Cash Consideration	-	-	538	1,346
Exercise of Share Purchase Warrants – Reclassification from Fair Value	-	-	-	337
Exercise of Broker Compensation Options – Cash Consideration	-	-	220	441
Exercise of Broker Compensation Options – Reclassification from Contributed Surplus	-	-	-	173
Exercise of Stock Options – Cash Consideration	268	349	566	819
Exercise of Stock Options – Reclassification of Contributed Surplus	-	136	-	215
Repurchase for Cancellation	-	-	(277)	(456)
	41,846	69,807	41,579	69,180
Less Share Purchase Loans	-	(183)	-	(490)
Balance, End of Period	41,846	\$69,624	41,579	\$68,690
Share Purchase Warrants	Number of Warrants	Amount	Number of Warrants	Amount
Balance, Beginning of Period	-	\$-	538	\$337
Exercised	-	-	(538)	(337)
Balance, End of Period	-	\$-	-	\$-
Total Equity Instruments		\$69,624		\$68,690

(c) **Share Purchase Loans:** As at June 30, 2008, outstanding share purchase loans were as follows:

BALANCE AS AT	JUNE 30, 2008	DECEMBER 31, 2007
Balance, Beginning of Period	\$490	\$1,235
Forfeited	(22)	(200)
Forgiven	(285)	(545)
Balance, End of Period	\$183	\$490



- (d) **Broker Compensation Options:** As at June 30, 2008, outstanding broker compensation options to purchase common shares were as follows:

BALANCE AS AT	JUNE 30, 2008		DECEMBER 31, 2007	
	Number of Shares	Amount	Number of Shares	Amount
Balance, Beginning of Period	-	\$-	220	\$173
Exercised	-	-	(220)	(173)
Balance, End of Period	-	\$-	-	\$-

- (e) **Normal Course Issuer Bid:** On January 24, 2008 the Toronto Stock Exchange accepted the Company's Notice of Intention to make a Normal Course Issuer Bid (NCIB) to purchase up to 2,092,853 (a maximum of 5%) of its issued and outstanding common shares (41,857,070 common shares as at January 14, 2008) in a twelve-month period. The NCIB commenced January 28, 2008 and will terminate on the earlier of January 27, 2009 or the date on which the maximum number of common shares are purchased pursuant to this NCIB. There were no shares purchased under the NCIB for period ended June 30, 2008.

- (f) **Contributed Surplus:**

BALANCE AS AT	JUNE 30, 2008	DECEMBER 31, 2007
Balance, Beginning of Period	\$3,661	\$2,008
Stock Compensation Expense	568	1,531
Fair Value of Stock Options Exchanged on Acquisition of BlueGrouse	-	711
Reclassification to Common Shares on Exercise of Options	(136)	(215)
Reclassification to Common Shares on Exercise of Broker Compensation Options	-	(173)
Reclassification to Common Shares on Share Purchase Loan Forgiveness and Bonus Shares Release from Escrow	(147)	(201)
Balance, End of Period	\$3,946	\$3,661

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 (Tabular Amounts in Thousands, Unless Otherwise Stated)

- (g) **Stock Options:** The Company has established a stock option plan (the Plan) whereby the Company may grant options to purchase common shares to directors, officers, employees and consultants. The options have a five-year term and are exercisable pursuant to a vesting schedule of one-third following the first anniversary of the grant date, one-third following the second anniversary of the grant date, and the remaining one-third following the third anniversary of the grant date. 4,041,369 common shares of the Company have been reserved under the Plan.

The following is a continuity of stock options outstanding for which shares have been reserved:

STOCK OPTIONS OUTSTANDING			
	Number of Options	Option Price	Weighted Average Price
Options Outstanding, December 31, 2006	2,766	\$0.83 - 6.10	\$2.87
Granted	959	\$2.40 - 8.58	\$4.04
Exercised	(566)	\$1.00 - 3.00	\$1.45
Forfeited	(416)	\$1.00 - 8.58	\$5.39
Options Outstanding, December 31, 2007	2,743	\$1.00 - 6.10	\$3.19
Granted	21	\$2.39	\$2.39
Exercised <sup>(1)</sup>	(268)	\$1.20 - 1.69	\$1.30
Forfeited <sup>(2)</sup>	(340)	\$1.00 - 6.10	\$3.97
Options Outstanding, June 30, 2008	2,156	\$1.00 - 6.10	\$3.29

<sup>(1)</sup> Includes 114,089 options held by officers and 20,000 held by a former officer.

<sup>(2)</sup> Includes 187,991 options held by former officers and a former director.

Stock options which were outstanding and vested as at June 30, 2008, are summarized as follows:

STOCK OPTIONS OUTSTANDING AND VESTED					
Options Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
711	\$1.00 - 2.39	\$1.33	1.55	694	\$1.30
795	\$2.40 - 4.29	\$3.27	3.22	359	\$3.24
650	\$4.30 - 6.10	\$5.47	2.96	345	\$5.67
2,156	\$1.00 - 6.10	\$3.29	2.59	1,398	\$2.88

The per share weighted average fair value of the stock options granted for the six months ended June 30, 2008, was \$1.38 (2007 — \$1.36). This was estimated using the Black-Scholes option pricing model with the following assumptions: an average expected volatility of 70% (2007 — 71%), an average risk free interest rate of 4% (2007 — 3.9%), no dividend rate and an expected life of five years. The compensation expense is recognized evenly over the three-year vesting period of the stock options.

(h) **Earnings Per Share:** The following table summarizes the computation of earnings per share:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	2007	2008	2007
<b>Numerator</b>				
Net Income	\$281	\$4,166	\$3,395	\$8,237
Interest on Convertible Debentures (After-Tax)	138	-	276	-
Net Income for Diluted Earnings Per Share	\$419	\$4,166	\$3,671	\$8,237
<b>Denominator</b>				
Weighted Average Number of Shares Outstanding for Basic Earnings Per Share	41,808	38,906	41,700	37,082
Dilutive Instruments <sup>(1)</sup>				
Stock Options	354	777	366	828
Share Purchase Warrants	-	75	-	77
Retention Bonus Shares	-	71	-	71
Convertible Debentures	1,817	1,817	1,817	1,817
Weighted Average Number of Shares Outstanding for Diluted Earnings Per Share	43,979	41,646	43,883	39,875
Basic Earnings Per Share	\$0.01	\$0.11	\$0.08	\$0.22
Diluted Earnings Per Share	\$0.01	\$0.10	\$0.08	\$0.21

<sup>(1)</sup> For diluted earnings per share, conversion or exercise is assumed only if the effect is dilutive. For the period ending June 30, 2008, options to purchase 1,405,577 (2007 – 882,011) common shares have been excluded from the calculations of diluted earnings per share due to their anti-dilutive effect.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## 10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk and manage capital in a manner which balances the interests of equity and debt holders.

In the management of capital, the Company includes the following in the definition of capital:

- shareholders' equity
- long-term debt obligations, including the current portion
- convertible debentures

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and/or issue new debt to replace existing debt with different characteristics.

Managing its capital, the Company monitors its funded debt to equity ratio. Funded debt to equity is a non-GAAP measure and therefore is unlikely to be comparable to similar measures of other companies. The ratio is calculated by taking the sum of interest-bearing long-term debt obligations and long-term debt obligations maturing within one year divided by Shareholders' Equity as presented on the Company's Consolidated Balance Sheet.

During the period ended June 30, 2008, the Company's strategy, which was unchanged from 2007, was to maintain the targets set out in the following table. The Company believes that these ratios are currently in the optimal range and provide access to capital at a reasonable cost.

BALANCE AS AT	JUNE 30, 2008	DECEMBER 31, 2007
Components of Funded Debt to Equity Ratios		
Current Portion of Long-Term Funded Debt Obligations	\$5,660	\$5,889
Convertible Debentures	7,865	7,533
Long-Term Funded Debt Obligations	39,979	38,400
Total Funded Debt	53,504	51,822
Shareholders' Equity	123,337	118,723
Total Funded Debt to Equity	43%	44%
Company Target		
35% to 55%		

Total funded debt to equity ratio for the period ended June 30, 2008 is within the Company's target. The Company is not subject to externally imposed capital requirements.

## 11. STATEMENT OF CASH FLOWS

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2008	2007	2008	2007
Interest and Income Taxes Paid				
Income Taxes Paid (Net of Refunds)	\$3,829	\$315	\$5,329	\$315
Interest Paid (Net of Interest Revenue)	\$1,124	\$1,025	\$2,280	\$1,285
Changes in Non-Cash Working Capital Balances				
Funds Held in Trust	489	-	678	-
Accounts Receivable	12,724	(1,436)	4,983	(2,815)
Investment Tax Credits Recoverable	(315)	-	(315)	651
Prepaid Expenses, Supplies and Deposits	16	459	(111)	206
Accounts Payable and Accrued Liabilities	(7,947)	(12,434)	(1,786)	(6,096)
Income Taxes Payable	(5,190)	(155)	(5,695)	5,862
Deferred Revenue	(4,294)	299	988	(4,113)
	\$ (4,517)	\$ (13,267)	\$ (1,258)	\$ (6,305)
Changes in Non-Cash Working Capital Balances Related to Operating Activities	\$4,688	\$ (6,454)	\$ (1,729)	\$ (4,628)
Changes in Non-Cash Working Capital Balances Related to Investing Activities	(9,205)	(6,813)	471	(1,677)
	\$ (4,517)	\$ (13,267)	\$ (1,258)	\$ (6,305)

At June 30, 2008, the Company held \$363,000 (2007 – \$185,000) of cash and cash equivalents which were denominated in a foreign currency.

## 12. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere, the Company had the following related party transactions:

- (a) During the six months ended June 30, 2008, the Company paid \$97,000 (2007 – \$104,000) in brokerage commissions to a company controlled by a director. Included in accounts payable as at June 30, 2008 was \$3,000 (December 31, 2007 – \$17,000) related to these commissions.
- (b) During the six months ended June 30, 2008, the Company paid \$103,000 (2007 – \$263,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at June 30, 2008 was \$45,000 (December 31, 2007 – \$66,000) related to these legal fees.

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## 13. FINANCIAL INSTRUMENTS

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to industry credit, interest rate, and foreign currency risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The carrying amounts of the Company's monetary assets and liabilities approximate their fair values. The Company's risk exposures and the impact on the financial instruments are as follows:

- (a) **Credit Risk Management:** Credit risk is the risk that the counterparty to a financial asset will default resulting in the Company incurring a financial loss. To mitigate this risk, the Company routinely follows up on overdue accounts. A significant portion of the Company's trade accounts receivable are from companies in the oil and gas industry and are exposed to normal industry credit risks.

During the period ended June 30, 2008, 19% of the Company's revenue was derived from five customers with a majority related to sales contacts for seismic data. As at June 30, 2008, these same customers accounted for 12% of the Company's total accounts receivable.

The Company establishes an allowance for doubtful accounts therefore the carrying amount of accounts receivables generally represents the maximum credit exposure. There were no receivables written off during the period ended June 30, 2008.

The aging of trade receivables is illustrated below:

BALANCE AS AT	JUNE 30, 2008		DECEMBER 31, 2007	
	Gross	Allowance	Gross	Allowance
Not Past Due	\$10,537	\$-	\$14,830	\$-
Past Due 0 - 30 Days	3,573	-	3,660	-
Past Due 31 - 120 Days	2,330	-	4,835	-
More Than 121 Days	4,090	256	2,338	439
<b>Total Trade Receivables</b>	<b>\$20,530</b>	<b>\$256</b>	<b>\$25,663</b>	<b>\$439</b>
Accrued Receivables	1,826	-	1,859	-
Allowance for Doubtful Accounts	(256)	-	(439)	-
<b>Total Accounts Receivable</b>	<b>\$22,100</b>	<b>\$256</b>	<b>\$27,083</b>	<b>\$439</b>

- (b) **Interest Rate Risk:** The Company's short-term borrowings are based on floating rates and subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. Interest on fixed rate debt ranges from 4.9% to 6.8%. If these transactions were entered into today, the interest expense would not be materially different.

The sensitivity analysis includes items bearing interest at variable rates and indicates that a 100 basis points fluctuation in interest rates would have an approximately \$212,000 impact on net earnings for the six months ended June 30, 2008 (on a pre-tax basis). The Company does not use derivative financial instruments to reduce its interest risk exposure. The carrying amounts of the Company's term debt approximate their fair values.

- (c) **Foreign Currency Rate Risk:** The Company's functional currency is the Canadian dollar and major transactions are done in Canadian funds. A portion of the Company's sales are made to customers in the United States. Accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates and can have an effect on the Company's reported results. The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts and trade accounts receivable to offset foreign currency payables. Management believes that the foreign exchange fluctuations risk is negligible and therefore does not hedge its foreign exchange risk.
- (d) **Liquidity Risk:** Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. As at June 30, 2008 the Company had a cash balance of \$4.1 million, \$22.1 million in accounts receivable and \$11.9 million in unused committed bank credit facilities (term facilities cannot be redrawn upon) to settle current liabilities of \$52.7 million. To manage liquidity risk, the Company utilizes budgets and cash forecasts to ensure it has necessary funds to fulfill its obligations. Management believes that the liquidity risk is acceptable given historic results, access to capital as well as the existing and future pipeline of business opportunities. In addition, the Company has not committed to any significant capital expenditure until the working capital position is improved.

The following table summarizes the maturities of financial liabilities and associated interest payments as at June 30, 2008.

	< 1 YEAR	1-2 YEARS	2-5 YEARS	TOTAL
Accounts Payable, Accrued Liabilities and Income Taxes	\$39,196	\$-	\$-	\$39,196
Convertible Debentures (Face Value)	8,142	-	-	8,142
Long-Term Debt Obligations	5,660	9,846	31,003	46,509
Total	\$52,998	\$9,846	\$31,003	\$93,847

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## 14. SEGMENTED INFORMATION

The Company is an oil and gas services company offering products and services to customers in the oil and gas exploration and production industry. The Company's products and services are offered through four segments: Software, Services, Data, and Consulting. In addition, the Company reports its overhead activities through its Corporate and Other segment. The Company operates in two geographic locations – Canada and the United States.

Software sells, maintains, and supports licensed software exploration products. Services provides seismic survey audit, processing and brokerage services as well as mapping, archiving and geophysical/geological services. Data provides a full suite of support data layers as well as develops and maintains the Company's seismic data libraries. Consulting offers business solutions ranging from business consulting services, ERP systems implementations and CRM systems implementations, to custom software development, hardware devices, network infrastructure and land management services. Corporate and Other includes finance, accounting, marketing, human resources, investor relations, and information technology.

The accounting policies of the segments are the same as those described in significant accounting policies in the Company's audited Consolidated Financial Statements as at and for the year ended December 31, 2007. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation. Operating income (loss) is measured as revenue less operating expenses, interest and depreciation and amortization. Other income (loss) items and income taxes reported on the Company's Consolidated Statements of Income are not allocated to the reportable segments.

AS AT AND FOR THE THREE MONTHS ENDED JUNE 30, 2008						
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue from External Customers	\$1,916	\$5,895	\$15,424	\$2,940	\$-	\$26,175
Inter-Segment Revenue	-	556	-	-	-	556
Operating Income (Loss) <sup>(1)</sup>	240	430	3,734	(547)	(3,541)	316
Interest Expense (Net of Interest Revenue)	-	-	(11)	(7)	1,267	1,249
Depreciation and Amortization	437	616	9,771	325	165	11,314
Total Assets	11,410	22,726	189,279	10,986	1,684	236,085
Goodwill	1,266	4,652	-	4,172	-	10,090
Capital Expenditures <sup>(2)</sup>	26	52	6,556	-	37	6,671
Deferred Development Costs	517	250	13	-	-	780

AS AT AND FOR THE THREE MONTHS ENDED JUNE 30, 2007						
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue from External Customers	\$1,952	\$5,851	\$16,696	\$3,030	\$-	\$27,529
Inter-Segment Revenue	-	495	-	-	-	495
Operating Income (Loss) <sup>(1)</sup>	519	(277)	9,194	(65)	(3,088)	6,283
Interest Expense (Net of Interest Revenue)	3	-	210	(12)	938	1,139
Depreciation and Amortization	343	744	5,171	325	48	6,631
Total Assets	10,840	26,659	158,361	12,274	1,629	209,763
Goodwill	1,266	4,652	405	4,172	-	10,495
Capital Expenditures <sup>(2)</sup>	102	203	16,298	-	141	16,744
Deferred Development Costs	393	259	-	-	-	652



### AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2008

	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue from External Customers	\$4,145	\$11,520	\$34,172	\$6,392	\$-	\$56,229
Inter-Segment Revenue	-	1,138	-	-	-	1,138
Operating Income (Loss) <sup>(1)</sup>	628	563	11,473	(711)	(6,830)	5,123
Interest Expense (Net of Interest Revenue)	-	-	(11)	(14)	2,558	2,533
Depreciation and Amortization	857	1,210	18,607	681	216	21,571
Total Assets	11,410	22,726	189,279	10,986	1,684	236,085
Goodwill	1,266	4,652	-	4,172	-	10,090
Capital Expenditures <sup>(2)</sup>	45	90	23,907	-	65	24,107
Deferred Development Costs	679	504	17	-	-	1,200

### AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2007

	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue from External Customers	\$3,780	\$11,998	\$31,826	\$6,718	\$-	\$54,322
Inter-Segment Revenue	-	1,822	-	-	-	1,822
Operating Income (Loss) <sup>(1)</sup>	728	514	17,217	136	(6,168)	12,427
Interest Expense (Net of Interest Revenue)	3	-	255	(20)	1,190	1,428
Depreciation and Amortization	728	1,136	10,355	640	89	12,948
Total Assets	10,840	26,659	158,361	12,274	1,629	209,763
Goodwill	1,266	4,652	405	4,172	-	10,495
Capital Expenditures <sup>(2)</sup>	157	314	31,396	-	222	32,089
Deferred Development Costs	775	501	-	-	-	1,276

<sup>(1)</sup> Operating income (loss) is revenue less operating expenses, interest expense, and depreciation and amortization.

<sup>(2)</sup> Excludes acquisitions.

### AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2008

	Canada	U.S.	Total
Revenue (Three Months Ended June 30, 2008)	\$25,723	\$452	\$26,175
Revenue	55,273	956	56,229
Data Libraries, Participation Surveys in Progress, Property and Equipment, Intangible Assets and Goodwill	197,418	4,707	202,125

### AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2007

	Canada	U.S.	Total
Revenue (Three Months Ended June 30, 2007)	\$26,899	\$630	\$27,529
Revenue	53,188	1,134	54,322
Data Libraries, Participation Surveys in Progress, Property and Equipment, Intangible Assets and Goodwill	168,215	5,444	173,659

# CORPORATE INFORMATION

## CANADA

### Head Office

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Investor Relations: [investor.relations@divestco.com](mailto:investor.relations@divestco.com)

For More Information: [info@divestco.com](mailto:info@divestco.com)

Sales: [sales@divestco.com](mailto:sales@divestco.com)

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### Cavalier Land & Landmasters

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Phone: 403.264.5188  
Fax: 403.264.5185

### Software Development, Consulting, Logs & Archive

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Fax: 403.250.1853

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Fax: 303.860.0066

### Houston Office

200, 3838 North Sam Houston Parkway E  
Houston, Texas, USA 77032  
Phone: 281.449.6533  
Fax: 281.449.6755

### Board of Directors

John A. Brussa <sup>1,3</sup>  
Stephen Popadynetz  
M. Scott Ratushny <sup>2,4</sup>  
Edward L. Molnar <sup>2,3</sup>  
Brent Gough <sup>2,3,4</sup>  
Wade Brillon

<sup>1</sup> Chairman of the Board

<sup>2</sup> Member of the Audit Committee

<sup>3</sup> Member of the Compensation Committee

<sup>4</sup> Member of the Corporate Governance Committee

### Officers

Stephen Popadynetz  
Chief Executive Officer

Roderick Chisholm  
Chief Financial Officer

Steve Sinclair-Smith  
Chief Operating Officer

Terry Barnhart  
President

Lonn Hornsby  
Senior VP Operations – Divestco Seismic LP

Danny Chiarastella  
VP Finance

Mathew Hepton  
VP Software Development

Oliver Kuhn  
VP Processing

Peter Zyla  
VP Consulting & Strategy

### Corporate Secretary

Faralee A. Chanin

### Stock Exchange Listing

TSX: DVT

### Lending Institution

Wells Fargo Financial Corporation Canada

### Registrar & Transfer Agent

CIBC Mellon Trust Company

### Auditors

KPMG LLP

### Legal Counsel

Field LLP





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