



Quarterly Report

For the Three and Six Months Ended
June 30, 2012



Management's Discussion & Analysis

For the Three and Six Months Ended
June 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

DIVESTCO'S BUSINESS

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

- **Software and Data:** Offers the market a complete software suite designed with a thorough understanding of the workflows and requirements of oil and gas professionals; as well as a full suite of data, including well data, well logs, land, rig activity and drilling data. Software and data together provide complete solutions and have become an indispensable resource for geologists, geophysicists, engineers and land agents.
- **Services:** Offers geomatics services, which include data integrity validation, mapping, database hosting, and advisory support and consultation; seismic processing services which, include data quality assurance, processing and data management services for geophysical and geological information; and land management services through Cavalier Land and Canadian Landmasters, including surface acquisition, public consultation, telecom acquisition and consultation, regulatory guidance, freehold mineral acquisition, and crown land sale representation.
- **Seismic Data:** Focused on providing the oil and natural gas industry with quick, reliable access to cost-effective, high-resolution seismic data. This includes brokering and licensing existing seismic data between data owners and licensees, managing existing seismic data for the purpose of brokering sales, and creating new seismic data inventories through recording multi-client services. The seismic brokerage division is the largest of its kind in Canada, with 11 independent brokers.
- **Corporate and Other:** Responsible for setting Divestco's overall strategic objectives and providing finance and accounting, sales and marketing, human resources (HR) and information technology (IT) services to the Company's operating segments. The segment is discussed under the "Results for the Periods by Segment" section of the MD&A.

BUSINESS STRATEGY

Divestco's vision is to be the leading geo-services company in Canada, providing a focused offering of data, software and services through innovation and technical expertise to the oil and gas industry worldwide.

Divestco is an exploration services company dedicated to providing a focused offering of products and services to the oil and gas industry worldwide. Through continued commitment to innovative products and services, technical expertise and exceptional customer service, Divestco offers customers the ability to conveniently access and analyze comprehensive, accurate and reliable information required to make informed critical decisions and to optimize their success in the upstream oil and gas industry. Divestco is headquartered in Calgary, Alberta, Canada and trades on the TSX Venture Exchange ("TSX-V") under the symbol "DVT".

FUTURE OPERATIONS

These condensed consolidated interim financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

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

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Therefore, the Company may be required to realize its assets and discharge its liabilities in other than the normal course of business at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

FORWARD-LOOKING INFORMATION

Divestco's MD&A and consolidated financial statements contain forward-looking information related to the Company's capital expenditures, projected growth, view and outlook towards future oil and gas prices and market conditions, and demand for its products and services. Statements that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions and statements relating to matters that are not historical facts, constitute "forward-looking information" within the meaning applicable by Canadian securities legislation. Although management of the Company believes that the expectations reflected in such forward-looking information are reasonable, there can be no assurance that such expectations will prove to have been correct because, should one or more of the risks materialize, or should the assumptions underlying forward-looking statements or forward-looking information prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Readers should not place undue reliance on forward-looking statements or forward-looking information. All of the forward-looking statements and forward-looking information of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements pertaining to the following*:

- Company's ability to keep debt and liquidity at acceptable levels, improve/maintain its working capital position and maintain profitability in the current economy
- Availability of external and internal funding for future operations
- Relative future competitive position of the Company
- Nature and timing of growth
- Oil and natural gas production levels
- Planned capital expenditure programs
- Supply and demand for oil and natural gas
- Future demand for products/services
- Commodity prices
- Impact of Canadian federal and provincial governmental regulation on the Company
- Expected levels of operating costs, finance costs and other costs and expenses
- Future ability to execute acquisitions and dispositions of assets or businesses
- Expectations regarding the Company's ability to raise capital and to add to seismic data through new seismic shoots and acquisition of existing seismic data
- Treatment under tax laws

- New accounting pronouncements

**These statements are included under the following headings of this MD&A: "Overview of Financial and Operational Results", "Results for the Periods by Segment", "Liquidity and Capital Resources", and "New IFRS Pronouncements".*

These forward-looking statements are based upon assumptions including:

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

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including:

- General economic, market and business conditions
- Volatility in market prices for crude oil and natural gas
- Ability of Divestco's clients to explore for, develop and produce oil and gas
- Availability of financing and capital
- Fluctuations in interest rates
- Demand for the Company's product and services
- Weather and climate conditions
- Competitive actions by other companies
- Availability of skilled labour
- Ability to obtain regulatory approvals in a timely manner
- Adverse conditions in the debt and equity markets
- Government actions, including changes in environment and other regulations

These risks and uncertainties are discussed in greater detail in the "Business Risks and Environment" section of this MD&A.

NON-GAAP AND ADDITIONAL GAAP MEASURES

The Company's condensed consolidated interim financial statements have been prepared in accordance with IFRS. Certain measures in this document do not have any standardized meaning as prescribed by IFRS and are considered 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. These measures include:

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

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

EBITDA is not a calculation based on IFRS and should not be considered an alternative to net income or net loss in measuring the Company's performance. As well, EBITDA should not be used as an exclusive measure of cash flow because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the condensed consolidated interim statements of cash flows. While EBITDA has been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, investors should be cautioned that EBITDA as reported by Divestco may not be comparable in all instances to EBITDA as reported by other companies. Investors should also carefully consider the specific items included in Divestco's computation of EBITDA.

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

(Thousands)	Three months ended Jun 30		Six months ended Jun 30	
	2012	2011	2012	2011
Net Income (Loss)	\$ 940	\$ 235	\$ 3,585	\$ (4,097)
Income Tax Expense	-	16	-	65
Finance Costs (Income)	331	167	(29)	204
Depreciation and Amortization	3,011	1,525	8,176	4,914
EBITDA	\$ 4,282	\$ 1,943	\$ 11,732	\$ 1,086

Funds from operations

Divestco reports funds from operations because it is a key measure used by management to evaluate its performance and to assess the ability of the Company to finance operating and investing activities. Funds from operations excludes certain working capital changes and other sources and uses of cash, which are disclosed in the condensed consolidated interim statements of cash flows.

Funds from operations is a measure that can be used to gauge Divestco's capacity to generate discretionary cash flow. Investors should be cautioned that funds from operations as reported by Divestco may not be comparable in all instances to funds from operations as reported by other companies. While the closest IFRS measure is cash from operating activities, funds from operations is considered relevant because it provides an indication of how much cash generated by operations is available before proceeds from divested assets and changes in certain working capital items.

The following reconciles funds from operations with cash from (used in) operating activities:

(Thousands)	Six months ended Jun 30	
	2012	2011
Cash from Operating Activities	\$ 12,885	\$ 2,852
Changes in non-cash Working Capital Balances Related to Operating Activities	(1,316)	(1,744)
Interest Paid (Received)	(118)	141
Income Taxes Refunded	22	(51)
Funds from (used in) Operations	\$ 11,473	\$ 1,198

Funded debt and funded debt to equity

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

Working capital

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

BUSINESS RISKS AND ENVIRONMENT**Demand for products and services and dependence on major customers**

Divestco's business is tied primarily to the oil and gas exploration and production industry. The demand and price for services and products offered by Divestco depends on the activity levels for oil and gas producers, which are determined by commodity prices, supply and demand for oil and natural gas, access to credit and capital markets, and to a lesser extent, government regulation (including regulation of environmental matters and material changes in taxation policies).

The Company has a wide customer base in the energy sector ranging from large multinational public entities to small private companies. Notwithstanding the Company's wide customer base, the most significant customers accounted for 31% of the Company's accounts receivable as at June 30, 2012, and five customers accounted for 38% of the Company's revenue for the six months ended June 30, 2012. The Company has historically had a stable relationship with these customers and has no reason to believe there will be any change to this relationship in the future. The Company continuously makes efforts to expand its customer base.

The Company spends a considerable amount of time determining the optimal location to conduct a seismic survey, which includes using its contacts in the oil and gas exploration and production industry. In order to minimize capital risk, the Company routinely pre-sells data licenses in advance of committing to a capital outlay. For larger seismic programs, the Company may rely on third parties to share in the cost and these parties are also susceptible to the risks and uncertainties associated with the oil and gas industry.

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

Seasonality

Acquisition of seismic data is usually completed in the winter season when the ground is frozen. These conditions are imperative, especially in the northern areas of Alberta and British Columbia where seismic acquisition requires the use of heavy equipment. Unfavourable weather conditions may cause potential cost overruns and delays in the field data acquisition portion of the seismic data survey, delaying revenue recognition.

Other segments of the Company, such as Services, normally exhibit a noticeable reduction in sales from mid-April through to the end of September and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. Divestco tries to minimize these fluctuations by performing specific types of contract work appropriate for lower-activity

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

Competition

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

Skilled labour

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

Financing

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

Proprietary Protection

Divestco relies on a combination of patent, copyright, trademark and trade secret laws, confidentiality agreements, contractual provisions and other measures to protect its own proprietary information. Management believes that Divestco's proprietary rights are sufficient to carry on its activities as currently contemplated.

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

However, the policing of unauthorized use of any intellectual property and determining the extent of any such piracy, is difficult. The laws of some foreign countries do not protect proprietary rights as comprehensively as do the laws of Canada and the Company has not sought protection for its proprietary rights outside Canada except for one U.S. patent. There is no assurance that Divestco's efforts to protect its proprietary rights in Canada will be adequate or that competition will not independently develop similar technology. Divestco may be subject to additional risks if it enters into transactions in countries where intellectual property laws are poorly written, poorly enforced, or completely ineffective.

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

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

Technological Change

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

Market Acceptance

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

Control of Shares by Insiders

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

Government Regulations and Safety

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

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

OVERALL PERFORMANCE

Summary Financial Results (Thousands, Except Per Share Amounts)								
	Three months ended Jun 30				Six months ended Jun 30			
	2012	2011	\$ Change	% Change	2012	2011	\$ Change	% Change
Revenue	\$ 11,483	\$ 10,637	\$ 846	8%	\$ 25,949	\$ 19,452	\$ 6,497	33%
Operating Expenses	7,201	8,692	(1,491)	-17%	14,216	18,364	(4,148)	-23%
Other Loss	-	2	(2)	-100%	1	2	(1)	-50%
EBITDA ⁽¹⁾	4,282	1,943	2,339	120%	11,732	1,086	10,646	980%
Finance Costs (Income)	331	167	164	98%	(29)	204	(233)	N/A
Depreciation and Amortization	3,011	1,525	1,486	97%	8,176	4,914	3,262	66%
Income (Loss) before Income Taxes	940	251	689	275%	3,585	(4,032)	7,617	N/A
Income Tax Expense	-	16	(16)	-100%	-	65	(65)	-100%
Net Income (Loss)	\$ 940	\$ 235	\$ 705	300%	\$ 3,585	\$ (4,097)	\$ 7,682	N/A
Per Share - Basic and Diluted	0.01	-	0.01	N/A	0.05	(0.07)	0.12	N/A
Funds from Operations ⁽¹⁾	\$ 4,266	\$ 2,067	\$ 2,199	106%	\$ 11,473	\$ 1,198	\$ 10,275	858%
Per Share - Basic and Diluted	0.06	0.03	0.03	100%	0.17	0.02	0.15	750%
Class A Shares Outstanding	66,713	59,393	N/A	N/A	66,713	59,393	N/A	N/A
Weighted Average Shares Outstanding								
Basic	66,641	59,471	N/A	N/A	66,627	59,408	N/A	N/A
Diluted	66,694	59,471	N/A	N/A	66,627	59,408	N/A	N/A

⁽¹⁾ See the "Non-GAAP Measures" section.

OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS**Q2 2012 vs. Q2 2011**

During Q2 2012, Divestco generated revenue of \$11.5 million compared to \$10.6 million in Q2 2011, an increase of \$0.9 million (8%). Revenue in the Seismic Data segment increased by \$1.4 million (36%) as the Company completed a large data library sale and entered into a settlement agreement concerning one of its legal actions for an undisclosed amount. Revenue in the Software and Data segment decreased by \$271,000 (11%) due to a reduction in geophysical software sales in the quarter, while support data experienced cancellations and lower land and spatial data revenue offset by log data continuing to see higher scanning and digitizing revenue. Revenue in the Services segment decreased by \$261,000 (6%) as demand for land management services was weaker while demand for geomatics was stronger.

Operating expenses decreased by \$1.5 million (17%) to \$7.2 million in Q2 2012 from \$8.7 million in Q2 2011. Salaries and wages were down \$655,000 (13%) due to reduced staffing levels. G&A expenses were down \$836,000 (23%) as occupancy costs decreased by \$816,000 (42%) due to double rent costs in Q2 2011. Professional fees decreased by \$67,000 (208%) and direct selling costs decreased by

\$338,000 (85%), partially offset by an increase in bad debt expense by \$363,000. Depreciation and amortization increased by \$1.5 million (97%) mainly due to the completion of a seismic participation survey in Q2 2012.

Divestco had net income of \$940,000 for the second quarter of 2012 (\$0.01 per share – basic and diluted) compared to \$235,000 (\$nil per share – basic and diluted) for the same period in 2011. Revenues increased and operating costs decreased. However, depreciation and amortization increased as a new seismic survey was completed in Q2 2012.

EBITDA was \$4.3 million in Q2 2012, a \$2.4 million (120%) increase from \$1.9 million for the same period in 2011. The Company generated funds from operations of \$4.3 million (\$0.06 per share – basic and diluted) for the second quarter of 2012, compared to \$2.1 million (\$0.03 per share – basic and diluted) for the same period in 2011, an increase of \$2.2 million (106%) primarily due to the two significant transactions closed in Q2 2012.

Operating highlights for Q2 2012 included:

- Improved working capital by \$4.8 million from Q1 2012
- Entered into data agreements totaling over \$6 million with \$4 million included in revenue in Q2 2012. Remaining \$2 million is expected to be recorded as revenue in Q3 2012.
- Generated net income of \$940,000, an improvement of \$705,000 (300%) from Q2 2011
- Reduced operating expenses by \$1.5 million (17%) from Q2 2011
- Completed a 3D seismic participation survey covering an area of approximately 124 km²

SIX MONTHS ENDED JUNE 30, 2012 VERSUS SIX MONTHS ENDED JUNE 30, 2011

During the six months ended June 30, 2012, Divestco generated revenue of \$25.9 million compared to \$19.5 million for the same period in 2011, an increase of \$6.4 million (33%). Revenue in the Seismic Data segment increased by \$6.6 million (125%) as the Company completed three seismic participation surveys and a large data library sale, as well as entered into a settlement agreement concerning one of its legal actions for an undisclosed amount. Revenue in the Software and Data segment decreased by \$319,000 (7%) due to a reduction in geophysical software sales in the quarter, while support data experienced cancellations and lower land and spatial data revenue offset by log data continuing to see higher scanning and digitizing revenue. Revenue in the Services segment increased by \$198,000 (2%) as demand for geomatics and seismic processing was stronger, while demand for land management services was weaker.

Operating expenses decreased by \$4.2 million (23%) to \$14.2 million in the first six months of 2012 from \$18.4 million during the same period in 2011. Salaries and wages were down \$1 million (10%) due to reduced staffing levels. G&A expenses were down \$3.1 million (39%) as occupancy costs decreased by \$2.7 million (55%) due to the Company surrendering a portion of its office space lease in 2011. Professional fees decreased by \$229,000 (20%) and direct selling costs decreased by \$417,000 (62%), partially offset by an increase in bad debt expense by \$218,000. Depreciation and amortization increased by \$3.3 million (66%) mainly due to the completion of three seismic participation surveys in during the six months ended June 30, 2012.

Divestco had net income of \$3.6 million for the first six months of 2012 (\$0.05 per share – basic and diluted) compared to a loss of \$4.1 million (\$0.07 per share – basic and diluted) for the same period in 2011. Revenues increased and operating costs decreased. However, depreciation and amortization increased as three new seismic surveys were completed.

EBITDA was \$11.7 million for the first six months of 2012, a \$10.6 million (980%) increase from \$1.1 million for the same period in 2011. The Company generated funds from operations of \$11.5 million (\$0.17 per share – basic and diluted) for the first half of 2012, compared to \$1.2 million (\$0.02 per share – basic and diluted) for the same period in 2011, an increase of \$10.3 million (858%) primarily due to the

completion of three seismic surveys and two significant transactions closed during the six months ended June 30, 2012.

Operating highlights for the six months ended June 30, 2012:

- Improved working capital by \$4.8 million from Q1 2012
- Entered into data agreements totaling over \$6 million with \$4 million included in revenue in Q2 2012. Remaining \$2 million is expected to be recorded as revenue in Q3 2012
- Generated net income of \$3.6 million, an improvement of \$7.7 million from a loss of \$4.1 for the same period in 2011
- Reduced operating expenses by \$4.2 million (23%) from for the same period in 2011
- Completed three 3D seismic participation surveys covering an area of approximately 389 km²

Outlook and Future Operations

Divestco's operations up until the end of the second quarter remain on pace with projections suggesting an increasingly robust industry. These activity levels coupled with lowered overhead expenses have the company increasing cash flow and positively impacting the balance sheet.

Contribution from new seismic data projects and data sales are in line with expectations and opportunities for the second half of the year are actively being pursued. The company is benefiting from financial contributions from all of Divestco's data libraries with several significant transactions completed in the first and second quarters. All segments and divisions of the company continue to pursue strategic and financial objectives aligned with the company's overall goal to decrease overhead, strengthen cash flow and increase shareholder value.

Depreciation and Amortization

(Thousands)	Three months ended June 30				Six months ended June 30			
	2012	2011	\$ Change	% Change	2012	2011	\$ Change	% Change
Depreciation and Amortization	\$ 3,011	\$ 1,525	\$ 1,486	97%	\$ 8,176	\$ 4,914	\$ 3,262	66%

In the second quarter of 2012, depreciation and amortization was \$3 million, compared with \$1.5 million in the second quarter of 2011, an increase of \$1.5 million (97%). Amortization of deferred development costs decreased by \$51,000 (6%), due to certain projects being fully amortized prior to 2012. Amortization of data libraries increased by \$1.8 million (1734%), due to the completion of a seismic survey in Q2 2012. Amortization of property and equipment and intangibles decreased by \$290,000 (48%) due to a reduction in capital expenditures and certain assets being fully depreciated prior to 2012.

In the first six months of 2012, depreciation and amortization was \$8.2 million, compared with \$4.9 million during the same period of 2011, an increase of \$3.3 million (66%). Amortization of deferred development costs decreased by \$388,000 (21%), due to certain projects being fully amortized. Amortization of data libraries increased by \$4.8 million (434%), due to the completion of three seismic surveys. Amortization of property and equipment and intangibles decreased by \$1.2 million (60%), due to a reduction in capital expenditures and certain assets being fully depreciated prior to 2012.

Finance Costs (Income)

(Thousands)	Three months ended June 30				Six months ended June 30			
	2012	2011	\$ Change	% Change	2012	2011	\$ Change	% Change
Interest on bank indebtedness and long-term debt obligations	\$ 289	\$ 125	\$ 164	131%	\$ (118)	\$ 141	\$ (259)	N/A
Amortization of deferred finance charges	33	25	8	32%	69	26	43	165%
Accretion of sublease loss	9	17	(8)	-47%	20	37	(17)	-46%
Finance costs (income)	\$ 331	\$ 167	\$ 164	98%	\$ (29)	\$ 204	\$ (233)	N/A

In the second quarter of 2012, finance costs were \$331,000, compared with finance costs of \$167,000 in the second quarter of 2011, an increase of \$164,000 (98%). The increase was mainly related to higher debt loads.

In the first six months of 2012, finance income was \$29,000, compared with finance costs of \$204,000 for the same period in 2011, a decrease of \$233,000. In 2012, the Company reversed accrued interest of \$620,000 on an overdue payable as an agreement was reached with the vendor. Partially offsetting this was an increase in interest due to higher debt loads.

Income Taxes

(Thousands)	Three months ended June 30				Six months ended June 30			
	2012	2011	\$ Change	% Change	2012	2011	\$ Change	% Change
Current	-	16	(16)	-100%	-	65	(65)	-100%

In the second quarter and first six months of 2012, Divestco did not record a current tax expense due to the availability of tax pools to offset taxable income. No deferred tax provision was recorded as the Company has not recognized any benefit associated with its tax pools as it is not probable that the asset will be realized.

As at June 30, 2012 there were \$33 million in Federal and \$19 million in Alberta non-capital loss carry-forwards (\$2.7 million was assumed through various acquisitions in 2007) which begin to expire in 2027. In addition, the Company has \$1.7 million in federal scientific research and experimental development investment tax credits to reduce taxes payable in the future, which begin to expire in 2029.

Financial Position

	Balance at Jun 30	Balance at Dec 31	Balance at Dec 31
	2012	2011	2010
Total Assets	\$ 44,345	\$ 43,761	\$ 34,984
Working Capital ⁽¹⁾⁽²⁾	403	297	3,599
Long-Term Financial Liabilities ⁽³⁾	8,303	8,610	3,907

⁽¹⁾ See the "Non-GAAP Measures" section.

⁽²⁾ Excludes the current portion of deferred revenue of \$5.2 million (December 31, 2011: \$4.6 million; December 31, 2010: \$3.9 million)

⁽³⁾ Includes long-term debt obligations, deferred rent obligations, sublease loss provision and other long-term liabilities. The long-term debt obligations are comprised of the Company's subordinated debt, shareholder loans and finance leases.

Divestco ended Q2 2012 with working capital of \$403,000, excluding deferred revenue \$5.2 million (December 31, 2011 - \$4.6 million). The increase from 2011 was primarily due to a number of large data agreements that were entered into during Q2 2012 which offset certain payables related to seismic expenditures. In addition, \$1.4 million of the subordinated loan was reclassified from long-term to current liabilities as compared to December 31, 2011 as the loan matures in May 2013. The Company's funded

debt to equity ratio at June 30, 2012 was 0.56:1 (December 31, 2011 - 0.64:1), with the improvement due to improved operating results offset by slightly higher debt.

SELECTED QUARTERLY INFORMATION

(Thousands, Except Per Share Amounts)	2012		2011				2010	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$ 11,483	\$ 14,466	\$ 11,447	\$ 9,565	\$ 10,637	\$ 8,815	\$ 8,949	\$ 8,516
EBITDA ⁽¹⁾	4,282	7,450	3,332	1,721	1,943	(857)	(4,587)	(50,310)
Income (loss) before income taxes	940	2,645	(743)	251	251	(4,283)	(7,105)	(59,236)
Net Income (Loss)	940	2,645	(768)	255	235	(4,332)	(7,105)	(49,685)
Per Share - Basic and Diluted	0.01	0.04	(0.01)	0.00	0.00	(0.07)	(0.15)	(1.18)
Funds from Operations ⁽¹⁾	4,266	7,207	2,908	1,639	2,057	(869)	(3,382)	(6,294)
Per Share - Basic and Diluted	0.06	0.11	0.05	0.03	0.03	(0.01)	(0.03)	(0.15)

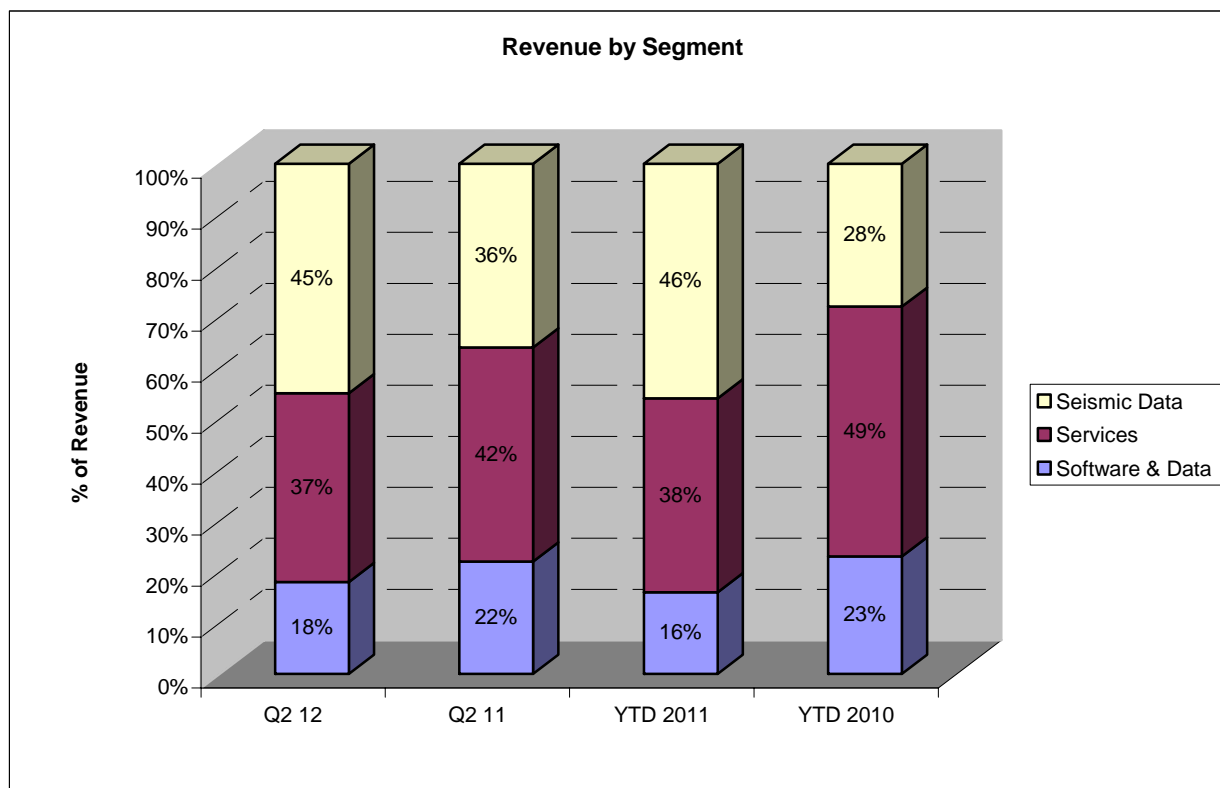
⁽¹⁾ See the "Non-GAAP Measures" section.

The variances in the quarterly results illustrated in the table above are a result of divestments made by Divestco and in particular the sale of its seismic data library in Q3 2010. The Company recognized an accounting loss on the sale of \$40.9 million (before taxes) and amortization of data libraries decreased significantly since the sale. In Q4 2010, the Company commenced rebuilding its seismic data library and added approximately 389 square kilometers of 3D data in 2011. For the first three quarters of 2011, the Company's remaining segments continued to feel the effects of the uncertainty in the Canadian oil and gas industry with clients remaining hesitant on certain spending. Activity levels started to improve in Q4 2011 and results were stronger in 2012. The Company added a further 389 square kilometers of 3D data in the current year with the completion of three seismic participation surveys.

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

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

RESULTS FOR THE PERIODS BY SEGMENT



For the Three months ended June 30 2012 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$ 2,090	\$ 4,219	\$ 5,174	\$ -	\$ 11,483
Operating Expenses	1,624	3,247	1,154	1,176	7,201
Other Loss (Income)	-	-	-	-	-
EBITDA ⁽¹⁾	466	972	4,020	(1,176)	4,282
Finance Costs (Income)	-	-	(2)	333	331
Depreciation and Amortization	791	219	1,881	120	3,011
Income (Loss) Before Income Taxes	(325)	753	2,141	(1,629)	940

For the Three months ended June 30 2011 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$ 2,361	\$ 4,480	\$ 3,796	\$ -	\$ 10,637
Operating Expenses	1,699	3,570	619	2,804	8,692
Other Loss (Income)	-	-	-	2	2
EBITDA ⁽¹⁾	662	910	3,177	(2,806)	1,943
Finance Costs (Income)	-	(1)	(1)	169	167
Depreciation and Amortization	788	164	4	569	1,525
Income (Loss) Before Income Taxes	(126)	747	3,174	(3,544)	251

For the Six months ended June 30 2012 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$ 4,220	\$ 9,804	\$ 11,925	\$ -	\$ 25,949
Operating Expenses	3,267	6,885	1,915	2,149	14,216
Other Loss (Income)	-	-	-	1	1
EBITDA ⁽¹⁾	953	2,919	10,010	(2,150)	11,732
Finance Costs (Income)	-	(1)	(6)	(22)	(29)
Depreciation and Amortization	1,591	450	5,816	319	8,176
Income (Loss) Before Income Taxes	(638)	2,470	4,200	(2,447)	3,585

For the Six months ended June 30 2011 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$ 4,539	\$ 9,606	\$ 5,307	\$ -	\$ 19,452
Operating Expenses	3,106	7,294	1,563	6,401	18,364
Other Loss (Income)	-	-	-	2	2
EBITDA ⁽¹⁾	1,433	2,312	3,744	(6,403)	1,086
Finance Costs (Income)	-	(1)	(3)	208	204
Depreciation and Amortization	2,037	563	972	1,342	4,914
Income (Loss) Before Income Taxes	(604)	1,750	2,775	(7,953)	(4,032)

⁽¹⁾ See the "Non-GAAP Measures" section.

SOFTWARE AND DATA

(Thousands)	Three months ended June 30				Six months ended June 30			
	2012	2011	\$ Change	% Change	2012	2011	\$ Change	% Change
Revenue	\$ 2,090	\$ 2,361	\$ (271)	-11%	\$ 4,220	\$ 4,539	\$ (319)	-7%
Operating Expenses	1,624	1,699	(75)	-4%	3,267	3,106	161	5%
EBITDA ⁽¹⁾	466	662	(196)	-30%	953	1,433	(480)	-33%
Depreciation and Amortization	791	788	3	0%	1,591	2,037	(446)	-22%
Income (Loss) Before Income Taxes	(325)	(126)	(199)	N/A	(638)	(604)	(34)	N/A

⁽¹⁾ See the "Non-GAAP Measures" section.

Q2 2012 vs. Q2 2011

Software and Data had revenues of \$2.1 million in Q2 2012, compared to \$2.4 million in Q2 2011. The decrease of \$271,000 (11%) was due to lower software and support data revenues offset by higher log data revenues. The reduction in software revenues was due to a decrease in geophysical software sales in the quarter. Support Data experienced cancellations and lower land and spatial data revenue. Log Data continued to see higher scanning and digitizing revenue.

In Q2 2012, Software and Data recorded a loss before taxes of \$325,000, compared with loss of \$126,000 in the second quarter of 2011, an increase in the loss of \$199,000. EBITDA decreased by \$196,000 (30%). Operating expenses were \$1.6 million in Q2 2012 compared to \$1.7 million in Q2 2011, a decrease of \$75,000 (4%). Salaries and benefits decreased by \$126,000 (12%) due to lower headcounts, while G&A costs increased by \$51,000 (8%) due to higher occupancy costs and IT allocations offset by lower bad debt write-offs. Depreciation and amortization decreased by \$3,000 as amortization of deferred development costs decreased by \$45,000 (7%) due to some large projects being fully amortized prior to 2012, while depreciation of property and equipment and intangibles increased by \$48,000 (46%).

SIX MONTHS ENDED JUNE 30, 2012 VERSUS SIX MONTHS ENDED JUNE 30, 2011

Software and Data had revenues of \$4.2 million in the first six months of 2012, compared to \$4.6 million in during the same period in 2011. The decrease of \$319,000 (7%) was due to lower software and support data revenues offset by higher log data revenues. The reduction in software revenues was due to a decrease in geophysical software sales. Support Data experienced cancellations and lower land and spatial data revenue. Log Data continued to see higher scanning and digitizing revenue.

In the first six months of 2012, Software and Data recorded a loss before taxes of \$638,000, compared with loss of \$604,000 during the same period in 2011, an increase in the loss of \$34,000. EBITDA decreased by \$480,000 (33%). Operating expenses were \$3.3 million in 2012 compared to \$3.1 million in 2011, an increase of \$161,000 (5%). Salaries and benefits decreased by \$140,000 (7%) due to lower headcounts while G&A costs increased by \$301,000 (28%) due to higher occupancy costs and IT allocations offset by lower bad debt write-offs. Depreciation and amortization decreased by \$446,000 (22%) as amortization of deferred development costs decreased by \$342,000 (21%) due to some large projects being fully amortized prior to 2012, while depreciation of property and equipment and intangibles decreased by \$104,000 (24%).

Outlook

Software and Data continue to progress towards a number of releases in late Q2/early Q3. Among these are the latest version of GeoCarta, which includes significant functional additions for digital log delivery and viewing. As well, MapQ and WinPICS are also nearing release, continuing Divestco's commitment to delivering new and improved products to our client base on a regular basis. The Company continues to see strong activity in its logs services side particularly in terms of log imaging and digitizing work. At this time, the Company expects activity to remain strong through Q3 2012.

Overall, Software and Data will continue to focus on increasing sales and marketing prospecting activities across all of its product lines during the remainder of the year.

SERVICES

(Thousands)	Three months ended June 30				Six months ended June 30			
	2012	2011	\$ Change	% Change	2012	2011	\$ Change	% Change
Revenue	\$ 4,219	\$ 4,480	\$ (261)	-6%	\$ 9,804	\$ 9,606	\$ 198	2%
Operating Expenses	3,247	3,570	(323)	-9%	6,885	7,294	(409)	-6%
EBITDA ⁽¹⁾	972	910	62	7%	2,919	2,312	607	26%
Finance Costs	-	(1)	1	N/A	(1)	(1)	-	N/A
Depreciation and Amortization	219	164	55	34%	450	563	(113)	-20%
Income (Loss) Before Income Taxes	753	747	6	1%	2,470	1,750	720	41%

⁽¹⁾ See the "Non-GAAP Measures" section.

Q2 2012 vs. Q2 2011

Services generated revenues of \$4.2 million in Q2 2012, compared to \$4.5 million in Q2 2011, a decrease of \$261,000 (6%). Increases in sales in the Geomatics and Processing Divisions due to the completion of several large projects were offset by decreases in the Land Services Division due to lower than expected surface land activity levels.

Services recorded income before taxes of \$753,000, compared to \$747,000 in the second quarter of 2011, an increase of \$6,000 (1%). EBITDA increased by \$62,000 (7%). Operating expenses were \$3.2 million in Q2 2012 compared to \$3.6 million in Q2 2011, a decrease of \$323,000 (9%). Salaries and benefits decreased by \$211,000 (9%) due to reduced headcounts and lower severance costs. G&A expenses decreased by \$112,000 (10%), mainly due to an increase in IT allocations offset by a decrease

in direct operating expenses for the land management division. Amortization and depreciation increased by \$55,000 (34%) due to implementation of new software.

SIX MONTHS ENDED JUNE 30, 2012 VERSUS SIX MONTHS ENDED JUNE 30, 2011

Services generated revenues of \$9.8 million in the first six months of 2012, compared to \$9.6 million for the same period in 2011, an increase of \$198,000 (2%). Increases in sales in the Geomatics and Processing divisions due to the completion of several large projects and was offset by decreases in the Land Services division due to lower than expected surface land activity levels.

Income before taxes increased \$720,000 (41%) to \$2.5 million compared to \$1.8 million in the first half of 2012. EBITDA increased by \$607,000 (26%). Operating expenses were \$6.9 million compared to \$7.3 million in 2011, a decrease of \$409,000 (6%). Salaries and benefits decreased by \$388,000 (7%) due to reduced headcounts and lower severance costs. G&A expenses decreased by \$21,000 (1%), mainly due to a decrease in direct operating expenses for the land management division, offset by an increase in IT allocations. Amortization and depreciation decreased by \$113,000 (20%) due to lower amortization of deferred development costs.

Outlook

Seismic processing recently announced the expansion of their in-house seismic data processing and imaging solutions, with an agreement to license software technologies from Paradigm™. The addition of the Paradigm seismic data analysis suite will expand the division's offering to include near surface tomographic statics, multi-component processing and imaging, seismic characterization and interpretation, velocity model building and pre-Stack imaging technologies. A large portion of these additional expenditures are expected to be offset by a reduction in overall support costs and higher revenues. Some of the new technologies will be tested and applied to current projects, with the expectation of increasing revenue to correct for historically low level activities during the summer months. Processing is hoping to reap full benefits of the new technologies by the end of 2012.

Geomatics will be focusing on international opportunities throughout 2012 through both sales and marketing efforts, with the goal of generating leads as the year unfolds. In addition, geographic information system mapping and survey re-construction/validation will be a major focus for Geomatics, with various presentations planned for the current year. Several large opportunities are on the horizon for Geomatics during the balance of the year and confidence is very high that all budget plans will be met and likely exceeded.

Despite overall lower than expected industry activity, the land services division continues to focus services on oil and liquids rich players. The traditional third quarter lower activity is expected to be offset by a busier fourth quarter when industry levels return to higher levels. The division is optimistic about its position in the industry and continues to build on its reputation for quality work.

SEISMIC DATA

(Thousands)	Three months ended June 30				Six months ended June 30			
	2012	2011	\$ Change	% Change	2012	2011	\$ Change	% Change
Revenue	\$ 5,174	\$ 3,796	\$ 1,378	36%	\$ 11,925	\$ 5,307	\$ 6,618	125%
Operating Expenses	1,154	619	535	86%	1,915	1,563	352	23%
EBITDA ⁽¹⁾	4,020	3,177	843	27%	10,010	3,744	6,266	167%
Finance Costs	(2)	(1)	(1)	N/A	(6)	(3)	(3)	N/A
Depreciation and Amortization	1,881	4	1,877	46925%	5,816	972	4,844	498%
Income (Loss) Before Income Taxes	2,141	3,174	(1,033)	-33%	4,200	2,775	1,425	51%

⁽¹⁾ See the "Non-GAAP Measures" section.

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

Q2 2012 vs. Q2 2011

Seismic Data had revenues of \$5.2 million in first six months of 2012, compared to \$3.8 million in the same period of 2011, an increase of \$1.4 million (36%). Excluding seismic brokerage revenue, seismic data revenue (includes sales of existing data and participation survey revenue) in Q2 2012 was \$4.6 million compared to \$3.2 million in Q2 2011, a \$1.4 million increase (586%). There were \$4.1 million of sales of existing seismic data in Q2 2012 and none in Q2 2011 due to two large transactions the Company completed during Q2 2012. Participation survey revenue was \$545,000 for Q2 2012 compared to \$3.2 million for Q2 2011, a \$2.7 million (83%) decrease as the Company was in the final stages of completing a survey in Q2 2012, while the Company was 50% complete on a survey at the end of Q2 2011. Brokerage revenue was \$549,000 in Q2 2012 compared to \$574,000 in Q2 2011. The decrease of \$25,000 (4%) was due to a slowdown in existing seismic data purchases.

Seismic data recorded income before taxes of \$2.1 million, compared with a loss of \$0.4 million in the second quarter of 2011, an increase of \$2.5 million. EBITDA increased by \$5.4 million due to two large transactions the Company completed during Q2 2012. Operating expenses were \$761,000 in Q2 2012 compared to \$945,000 in Q2 2011, a decrease of \$184,000 (19%). Salaries and benefits decreased by \$27,000 (7%) while G&A expenses decreased by \$157,000 (29%), mainly due to a decrease in consulting costs and bad debt expense. Amortization of data libraries increased by \$2.9 million (100%) due to more seismic data being acquired during the current quarter.

SIX MONTHS ENDED JUNE 30, 2012 VERSUS SIX MONTHS ENDED JUNE 30, 2011

Seismic Data had revenues of \$11.9 million in the first six months of 2012, compared to \$5.3 million in the same period of 2011, an increase of \$6.6 million (125%). Excluding seismic brokerage revenue, seismic data revenue (includes sales of existing data and participation survey revenue) was \$10.8 million, compared to \$4.2 million in 2011, a \$6.7 million increase (162%). There were \$4.1 million of sales of existing seismic data in first half of 2012, compared to \$105,000 in same period of 2011, due to two large transactions the Company completed during current period. Participation survey revenue was \$6.7 million for 2012 compared to \$4 million for 2011, a \$2.7 million (67%) increase. The Company completed three surveys in 2012, while the Company completed a survey and was 50% complete on another survey at the end of Q2 2011. Brokerage revenue was \$1.1 million in 2012, compared to \$1.2 million in Q2 2011. The decrease of \$45,000 (4%) was due to a slowdown in existing seismic data purchases.

Seismic data recorded income before taxes of \$4.2 million, compared \$2.8 million in the six months of 2011, an increase of \$1.4 million (51%). EBITDA increased by \$6.3 million (167%) due the completion of a seismic survey and to two large transactions the Company completed during Q2 2012. Operating expenses were \$1.9 million in 2012, compared to \$1.6 million Q2 2011, an increase of \$315,000 (36%). Salaries and benefits increased by \$37,000 (5%), while G&A expenses increased by \$315,000 (36%) mainly due to a increase in bad debt expense. Amortization of data libraries increased by \$4.8 million (498%) due to more seismic data being acquired during the current period.

Outlook

Divestco completed its Ante Creek survey in Q2 2012, which covers approximately 124 square kilometers. Presently, the Company has a number of new 3D seismic surveys proposed for the remainder of 2012, and heading into 2013 and is in discussions with potential participants.

CORPORATE AND OTHER

(Thousands)	Three months ended June 30				Six months ended June 30			
	2012	2011	\$ Change	% Change	2012	2011	\$ Change	% Change
Revenue	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	N/A
Operating Expenses	1,176	2,804	(1,628)	-58%	2,149	6,401	(4,252)	-66%
Other Loss (Income)	-	2	(2)	-100%	1	2	(1)	-50%
EBITDA ⁽¹⁾	(1,176)	(2,806)	1,630	N/A	(2,150)	(6,403)	4,253	N/A
Finance Costs	333	169	164	97%	(22)	208	(230)	N/A
Depreciation and Amortization	120	569	(449)	-79%	319	1,342	(1,023)	-76%
Income (Loss) Before Income Taxes	(1,629)	(3,544)	1,915	N/A	(2,447)	(7,953)	5,506	N/A

⁽¹⁾ See the "Non-GAAP Measures" section.

Q2 2012 vs. Q2 2011

Loss before income taxes in Q2 2012 was \$1.6 million, compared to \$3.5 million in Q2 2011, a decrease of \$1.9 million. Salaries and benefits decreased by \$381,000 (30%), mainly due to reduced severance costs. G&A expenses decreased by \$1.2 million (82%), mainly due to a reduction in occupancy costs as the Company surrendered four floors of office space in its new premises in 2011. This was offset by an increase in stock based compensation expense of \$204,000 as there was no expense in Q2 2011. Finance costs increased by \$164,000 (97%) as the Company secured a \$5 million subordinated loan in May 2011. Amortization decreased by \$449,000 (79%) due to a net impairment recorded on leasehold improvements in Q2 2011 related to the surrendered office space.

SIX MONTHS ENDED JUNE 30, 2012 VERSUS SIX MONTHS ENDED JUNE 30, 2011

Loss before income taxes in first six months of 2012 was \$2.4 million, compared to \$8 million in the same period of 2011, a decrease of \$5.6 million. Salaries and benefits decreased by \$516,000 (22%), mainly due to reduced severance costs. G&A expenses decreased by \$3.7 million (93%), mainly due to a reduction in occupancy costs as the Company surrendered four floors of office space in its new premises in 2011. This was offset by an increase in stock based compensation expense of \$245,000, as there was no expense in 2011. Finance costs decreased by \$230,000, as the Company reversed \$620,000 in accrued interest on an overdue payable as agreed to by the vendor. This was offset by interest on a \$5 million subordinated loan secured in May 2011. Amortization decreased by \$1 million (76%), due to a net impairment recorded on leasehold improvements in 2011 related to the surrendered office space.

Outlook

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

LIQUIDITY AND CAPITAL RESOURCES

Summary of Financial Position	Balance at Jun 30	Balance at Dec 31
(Thousands, except as otherwise indicated)	2012	2011
Working Capital ⁽¹⁾		
Current Assets	\$ 14,162	\$ 16,242
Current Liabilities ⁽²⁾	13,759	15,945
Working Capital ⁽¹⁾	\$ 403	\$ 297
Funded Debt to Equity Ratio ⁽¹⁾⁽⁵⁾		
Funded Debt ⁽³⁾	\$ 10,357	\$ 9,434
Shareholders' Equity ⁽⁴⁾	18,559	14,711
Funded Debt to Equity Ratio ⁽¹⁾⁽⁵⁾	0.56	0.64

⁽¹⁾ See the "Non-GAAP Measures" section

⁽²⁾ Excludes deferred revenue of \$3.6 million (December 31, 2011 - \$4.6 million)

⁽³⁾ Includes bank indebtedness (operating line), shareholder and subordinated loans, and finance leases for both current and long-term portions

⁽⁴⁾ Includes equity instruments, contributed surplus and deficit

⁽⁵⁾ Funded debt divided by shareholders' equity

LIQUIDITY

As of June 30, 2012, Divestco's main sources of liquidity included:

- \$11.5 million in funds from operations for the six months ended June 30, 2012
- \$5 million revolving operating loan facility, \$0.8 million which was available, and \$4.2 million drawn at June 30, 2012

While management believes that the Company's working capital, funds from operations and operating line will provide the capital to continue to operate in the short-term, based on the terms of the Company's operating line, there may be a temporary reduction of the availability under the facility in the short term. To mitigate the risk, the Company is looking at additional sources of capital. In the medium to long-term, additional financing may be required to meet the Company's planned growth. This could comprise additional debt, equity or a combination thereof.

Management also believes that the ongoing funds generated from operations will be sufficient to allow it to meet ongoing requirements for working capital, maintenance costs, administrative expenses, and finance costs. The Company's funds from operations will be dependent upon future financial performance, which in turn will be subject to financial, business and other risk factors, including elements beyond the Company's control. Management also believes that, dependent on capital market conditions, the Company has the ability to raise additional equity through the issuance of additional shares or secure additional debt, if required.

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

The Company is required to meet certain debt covenants in 2012, as described in the "Financial Instruments" section. As at June 30, 2012, the Company was not in violation of its debt covenants in its operating and subordinated loan agreements. Prior to June 30, 2012, the Company's lenders agreed to amend its current ratio going forward from 1.25:1 to 1:1, effective June 30, 2012.

Working capital

As at June 30, 2012, Divestco had working capital of \$403,000 (excluding deferred revenue of \$5.2 million), compared to working capital of \$297,000 (excluding deferred revenue of \$4.6 million) as at December 31, 2011. The increase was primarily due to the Company entering into a number of large data related transactions during Q2 2012, offset by seismic expenditures incurred during the six months ended June 30, 2012. In addition, \$1.7 million of the subordinated loan was classified as a current liability as at June 30, 2012, as the loan matures in May 2013.

Current assets decreased by \$2.1 million (13%), while current liabilities decreased by \$2.2 million (14%) excluding deferred revenue as at June 30, 2012. In the first six months of 2012, the Company drew \$500,000 on its operating line to cover operating costs. Accounts receivable decreased by \$1.2 million (10%). Accounts payable decreased by \$4.1 million (38%), due to payments made offset by costs related to new seismic surveys. The current portion of long-term debt obligations increased by \$1.4 million (120%), due to a portion of the subordinated bridge loan becoming current.

While Divestco focuses on the collection of its receivables, especially older accounts, the Company records an allowance for doubtful accounts of 20% of balances over 120 days old. There are instances where legal action may be required to collect an overdue account, which could further delay a possible settlement.

Funded Debt to Equity

Divestco had a funded debt to equity ratio of 0.56:1 as at June 30, 2012. The Company's practice is to utilize an appropriate mix of debt and equity to finance its current capital expenditures and growth initiatives. Consistent with the year ended December 31, 2011, the strategy of the Board of Directors and management is to operate the Company with the lowest possible debt load in reaction to the poor economic conditions in 2009 and 2010. This is to ensure adequate financial flexibility to meet the financial obligations, both current and long-term and as part of Company's effort to maintain a healthy statement of financial position. The Company's strategy is to maintain a funded debt to equity ratio of less than 1:1.

Contractual Obligations

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

(Thousands)	<1 year	1-2 years	2-5 years	Thereafter	Total
Operating Line	\$ 4,200	\$ -	\$ -	\$ -	\$ 4,200
Debt ⁽¹⁾	3,015	1,376	2,279	457	7,127
Finance Leases	146	78	92	-	316
Operating Leases ⁽²⁾	4,080	4,500	14,718	32,848	56,146
Other Obligations ⁽³⁾	356	356	859	-	1,571
Total Contractual Obligations	\$ 11,797	\$ 6,310	\$ 17,948	\$ 33,305	\$ 69,360

⁽¹⁾ Includes subordinated and shareholder loans

⁽²⁾ See "Off Balance Sheet Arrangements" section

⁽³⁾ Includes sublease loss liability

SELECTED CASH FLOW ITEMS

(Thousands)	Three months ended Jun 30	
	2012	2011
Operating Activities		
Funds from (used in) Operations ⁽¹⁾	\$ 11,473	\$ 1,198
Changes in Non-Cash Working Capital Balances	1,316	1,744
Interest Received (Paid)	118	(141)
Income Taxes Refunded	(22)	51
Cash From (Used in) Operating Activities	12,885	2,852
Financing Activities		
Bank Indebtedness	500	(550)
Long-Term Debt Obligations	354	4,779
Issue of Common Shares (Net of Related Costs)	-	99
Other - Net	14	(155)
Cash From (Used in) Financing Activities	868	4,173
Investing Activities		
Additions to intangible assets	(14,401)	(2,482)
Participation Surveys in Progress	5,100	(1,566)
Additions to Property, Plant and Equipment	(538)	(5,422)
Additions to Tenant Inducements	-	3,306
Payments Towards Sublease Loss Provision	(179)	(488)
Investment in Affiliates	-	(29)
Deferred Development Costs	(1,190)	(1,295)
Changes in Non-Cash Working Capital Balances	(1,186)	(1,842)
Cash From (Used in) Investing Activities	(12,394)	(9,818)
Change in Cash	\$ 1,359	\$ (2,793)

⁽¹⁾ See the "Non-GAAP Measures" section.

Operating Activities

In the first six months of 2012, funds from operations were \$11.5 million (\$0.17/share (basic and diluted)), compared with \$1.2 million (\$0.02/share (basic and diluted)) in the same period of 2011. The increase of \$10.3 million (858%) was mainly due to an increase in revenue due to some large transactions in Q2 2012 and a reduction of operating expenses due to reduced occupancy costs.

Financing Activities

In the first six months of 2012, the Company drew \$500,000 on its revolving credit facility. The funds were used for working capital purposes. The Company made \$645,000 in principal payments on its subordinated loan and finance leases, offset by \$1 million received in shareholder loans.

Investing Activities

In the first six months of 2012, Divestco acquired \$538,000 of computer hardware and spent \$107,000 on consulting fees for the re-write of a commercial software product. A further \$9.5 million was spent to complete three 3D seismic surveys covering an area of approximately 389 km².

FINANCIAL INSTRUMENTS

Operating Line

The Company has a \$5 million revolving operating loan facility with advances being limited to the lesser of the maximum principal of the facility and the aggregate of 75% of accounts receivable of the Company, excluding certain accounts that are outstanding for more than 90 days. The facility consists of a prime-based loan, letters of credit (to an aggregate maximum of \$500,000) and corporate MasterCard (to a maximum of \$150,000). The interest rate on this facility is prime plus 2.50% per annum, with a non-refundable facility fee of 0.75% per annum being charged on the unused portion of the facility. As at June 30, 2012, \$4.2 million (December 31, 2011: \$3.7 million) was drawn on the facility with \$0.8 million of availability (December 31, 2011: \$2.3 million). The facility is presented as bank indebtedness in the condensed consolidated interim statements of financial position.

The facility is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.00:1 (amended from 1:25:1 effective on June 30, 2012) and debt service coverage ratio cannot fall below 2.25:1 on a trailing 12-month basis. The current ratio is current assets divided by current liabilities (excluding deferred revenue). Debt service coverage is the ratio of EBITDA to finance charges and scheduled principal payments in respect of funded debt plus all dividends declared. EBITDA is net income (loss) plus finance charges, income taxes, depreciation and amortization. As at June 30, 2012, the Company was not in violation of its debt covenants. Prior to June 30, 2012, the Company's lenders agreed to amend its current ratio going forward from 1.25:1 to 1:1, effective June 30, 2012.

Subordinated Debt

The Company has a \$5 million subordinate bridge loan, with \$2 million of the loan proceeds being provided by two of the Company's directors in accordance with a condition of the financing. The interest rate on this facility is 12% per annum. On November 1, 2011, the loan agreement was amended to postpone the director's portion of the principal payments effective January 1, 2012 until the remainder of the loan is repaid by April 2013. On January 1, 2012, the lender commenced receiving their pro-rata share of the monthly principal payments being \$90,000 and has a balloon payment of \$1.6 million due on April 30, 2012. Although the directors are due to commence receiving their pro-rata share of the monthly principal payments being \$60,000 on May 1, 2013, they have agreed to postpone payments until July 1, 2013. The loan will be repaid in full by December 31, 2014. As at June 30, 2012, the principal amount due on the loan was \$4.5 million (December 31, 2011: \$5 million).

The facility is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.00:1 (amended from 1:25:1 effective on June 30, 2012) and debt service coverage ratio cannot fall below 2.25:1 on a trailing 12-month basis. The current ratio is current assets divided by current liabilities (excluding deferred revenue). Debt service coverage is the ratio of EBITDA to finance charges and scheduled principal payments in respect of funded debt plus all dividends declared. EBITDA is net income (loss) plus finance charges, income taxes, depreciation and amortization. As at June 30, 2012, the Company was not in violation of its debt covenants. Prior to June 30, 2012, the Company's lenders agreed to amend its current ratio going forward from 1.25:1 to 1:1, effective June 30, 2012.

Unsecured loans from shareholders

The Company has \$1,500,000 in unsecured loans from two of the Company's directors. The loans bear interest of 10% per annum and payments are interest only until July 2013.

Finance leases

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has an office lease with a term of 15 years expiring in 2025. Excluding subleases, the monthly commitment is approximately \$325,000 including operating costs for 2012 and is \$241,000 for 2013. The annual square foot rate increases in 2012, 2016, 2018, 2020 and 2023. A portion of the space is subleased on a month to month basis. Monthly sublease payments of \$6,500 are expected to be received during 2012. The Company also leases approximately 9,500 square feet of office space in another location, which increased to 15,000 square feet in May 2012 and expires in 2025. The monthly commitment is approximately \$60,000 including operating costs for 2012 and \$63,000 for 2013.

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

CONTINGENCIES

The Company is party to various legal actions arising in the normal course of business. Matters that are probable of an unfavorable outcome to the Company and that can be reasonably estimated are accrued. The Company's estimates of the outcomes of such matters are based on information known and its experience in contesting, litigating and settling similar matters. Except as discussed below, none of the actions are believed by management to involve future amounts that would be material to the Company's financial position or results of operations after consideration of recorded accruals. However, actual amounts could differ materially from management's estimate.

In September 2010, the Company disposed its seismic data library and commenced building another proprietary seismic data library. The Company retained the right to litigate and retain in whole or in part the proceeds of past breaches, with respect to certain of the disposed seismic assets. In addition, the Company relies on a combination of patent, copyright, trademark and trade secret laws, confidentiality agreements, contractual provisions and other measures to protect its own proprietary information. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may or have attempted to copy aspects of its technology or to obtain and use information that the Company regards as proprietary, such as its current and past seismic data library. In an effort to protect the Company's seismic data assets, both past and present, the Company has commenced legal action against companies for breaches of its license agreement, copyright and duty of confidentiality for unauthorized sharing of its proprietary seismic data with third parties and will continue to enforce its proprietary rights using all methods at its disposal. These actions could have a material financial impact to the Company. Given the nuances, it is difficult to estimate the timing or quantify the potential financial impact of any legal action commenced or contemplated. During Q2 2012, the Company discontinued and settled one of its legal actions for an undisclosed amount.

OUTSTANDING SHARE DATA

Divestco's Class A common shares are listed on the TSX-V and trade under the symbol DVT. The Company is authorized to issue an unlimited number of voting Class A common shares.

The following table summarizes the Company's outstanding equity instruments:

(Thousands)	Balance as at		
	Aug 23, 2012	Jun 30, 2012	Dec 31, 2011
Class A shares			
Outstanding	66,615	66,713	66,610
Weighted Average Outstanding			
Basic and diluted - YTD ⁽¹⁾		66,627	60,575
Basic - QTR ⁽²⁾		66,641	59,797
Diluted - QTR ⁽²⁾		66,694	59,797
Stock Options			
Outstanding	4,265	4,293	3,030
Exercise Price Range	\$0.17 to \$2.51	\$0.17 to \$2.51	\$0.17 to \$3.68
Performance Share Units			
Outstanding	1,310	1,310	-
Share Purchase Warrants			
Outstanding	16,280	16,280	16,280
Exercise Price	\$0.32	\$0.32	\$0.32

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

⁽²⁾ In computing diluted net income (loss) per share, 53,000 shares were added to the weighted average number of Class A Shares outstanding for the three months ended June 30, 2012. For the three months ended June 30, 2011, no shares were added as the options and warrants were anti-dilutive.

Long-Term Service Awards

On May 1, 2011, the Company adopted a plan whereby 5 and 10-year service awards ("Service Awards") are issued to employees in the form of Class A shares issued from treasury. The value for a 5-year award is \$750 and \$1,250 for a 10-year award. The number of shares issued is based on the closing price on the last trading day prior to the issuance of the Service Award. Service Awards are issued at the end of the month in which the employee has their 5 or 10-year anniversary. During the six months ended June 30, 2012, 83,487 shares were issued. From July 1, 2012 to August 23, 2012, no shares were issued.

Employee Stock Purchase Plan

The Company's employee stock ownership plan ("ESOP") allows each employee to contribute up to 25% of their regular salary towards the purchase of Divestco shares. The Company matches the employee's contribution through a combination of cash and Class A shares issued from treasury up to 4.5% of their monthly regular salary to a maximum of \$450 per month. All cash contributions are used to purchase Class A common shares through the facilities of the TSX-V and all share contributions are issued from treasury. The value of the Company's contribution is included in salaries and benefits in profit or loss. During six months ended June 30, 2012, no shares were issued as the contributions were all in cash. From July 1, 2012 to August 23, 2012, no shares were issued as the Company contributions were all in cash.

Stock Options

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

During the six months ended June 30, 2012:

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

- 321,724 options were forfeited with exercise prices ranging from \$0.17 to \$3.68 per option.

From July 1, 2012 to August 23, 2012:

- 28,166 options were forfeited with an exercise prices ranging from \$0.17 to \$1.30 per option.

Performance share units

On May 19, 2011, the Company's shareholders approved the establishment of a Performance Share Unit ("PSU") Plan (the "PSU Plan"). Each PSU awarded conditionally entitles the eligible unit holder to the delivery of one Class A common share of the Company upon attainment of the PSUs non-market performance vesting conditions approved by Board of Directors. As the Company will settle these obligations with Class A common shares, it has classified these awards as equity in the consolidated statement of financial position. These PSUs vest if the performance conditions for the current fiscal year are met.

The aggregate number of Class A common shares reserved for issuance upon the vesting of all PSUs granted under the PSU plan cannot exceed 2% of the issued and outstanding Class A common shares of the Corporation and a maximum of 1% for any one insider. Compensation expense related to the PSUs is accrued over the term of the performance period based on the expected total compensation to be paid out at the end of the performance period.

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

RELATED PARTY TRANSACTIONS

Loans from directors

The Company has \$1,500,000 in unsecured loans from two directors.

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

Key management personnel compensation

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

Key management personnel and director transactions

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

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

Name	Position	Transaction	Transaction value for the six months ended June 30		Balance due from (to) as at Jun 30	Balance due from (to) as at Jun 30
			2012	2011	2012	2011
W. Brillon	Director	Consulting fees and commissions ⁽¹⁾	92	89	(76)	(226)
W. Tobman	Director	Seismic data management services ⁽²⁾	219	-	75	-
B. Gough	Director	Seismic processing and geomatics services ⁽³⁾	10	-	-	-

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

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

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

NEW IFRS PRONOUNCEMENTS

A number of new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective as at June 30, 2012, and have not been applied in preparing the interim consolidated financial statements:

Joint Arrangements and Off Balance Sheet Activities

In May 2011, the IASB issued the following new and amended standards:

- IFRS 10, "Consolidated Financial Statements" ("IFRS 10") replaces IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") and Standing Interpretations Committee ("SIC") 12, "Consolidation – Special Purpose Entities". IFRS 10 revises the definition of control and focuses on the need to have power and variable returns for control to be present. IFRS 10 provides guidance on participating and protective rights and also addresses the notion of "de facto" control. It also includes guidance related to an investor with decision making rights to determine if it is acting as a principal or agent.
- IFRS 11, "Joint Arrangements" ("IFRS 11") replaces IAS 31, "Interest in Joint Ventures" ("IAS 31") and SIC 13, "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IFRS 11 defines a joint arrangement as an arrangement where two or more parties have joint control. A joint arrangement is classified as either a "joint operation" or a "joint venture" depending on the facts and circumstances. A joint operation is a joint arrangement where the parties that have joint control have rights to the assets and obligations for the liabilities, related to the arrangement. A joint operator accounts for its share of the assets, liabilities, revenues and expenses of the joint arrangement. A joint venturer has the rights to the net assets of the arrangement and accounts for the arrangement as an investment using the equity method.
- IFRS 12, "Disclosure of Interest in Other Entities" ("IFRS 12") replaces the disclosure requirements previously included in IAS 27, IAS 31, and IAS 28, "Investments in Associates". It sets out the extensive disclosure requirements relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements.

- IAS 28, "Investments in Associates and Joint Ventures" has been amended to conform to the changes made in IFRS 10 and IFRS 11.

The above standards are effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, providing the above standards are adopted concurrently. The Company is currently evaluating the impact of adopting these standards on its financial statements.

Presentation of Items of Other Comprehensive Income

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

The Company has not completed its evaluation of the effect of adopting these standards on its financial statements.

Fair value measurement

In May 2011, the IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13") which provides a consistent and less complex definition of fair value, establishes a single source for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and applies prospectively from the beginning of the annual period in which the standard is adopted. Early adoption is permitted. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

Financial instruments

IFRS 9, "Financial instruments" ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. There is currently an exposure draft that proposes the effective date of IFRS 9 to annual periods beginning on after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

Revenue recognition

The IASB has issued an exposure draft for a new standard on revenue from customers that would replace IAS 11 "Construction Contracts" and IAS 18 "Revenue and Related Interpretations". A final standard was expected in the second quarter of 2011; however, given the importance of revenue numbers, in the third quarter of 2011 the IASB decided to re-expose the proposals for a comment period of 120 days.

The new guidance may represent a substantial change from existing IFRS. The original exposure draft proposed a single revenue recognition model in which revenue is recognized when an entity satisfies a performance obligation by transferring a promised good or service to a customer. The proposals also include the withdrawal of the percentage-of-completion method currently used by Divestco to account for its participation survey revenue.

Selection of amortization method

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

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

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

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

CORPORATE INFORMATION**BOARD OF DIRECTORS**Edward L. Molnar^{1,2,3}

Stephen Popadynetz

Brent Gough^{2,3,4}

Wade Brillon

Bill Tobman^{2,3,4}¹ Chairman of the Board² Member of the Audit Committee³ Member of the Compensation Committee⁴ Member of the Corporate Governance Committee**OFFICERS**

Stephen Popadynetz – Chief Executive Officer, Chief Financial Officer and President

Steve Sinclair-Smith – Chief Operating Officer

Lonn Hornsby – Senior VP Operations – Divestco Seismic

Danny Chiarastella – VP Finance

Mathew Hepton – VP Software Development

CORPORATE SECRETARY

Faralee A. Chanin

STOCK EXCHANGE LISTING

TSX-V: DVT

REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company

AUDITORS

KPMG LLP

LEGAL COUNSEL

Field LLP

HEAD OFFICE

400, 520 – 3rd Avenue SW

Calgary, Alberta, Canada T2P 0R3

Phone: (587) 952-8000

Toll free: 1-888-294-0081

Fax: (587) 952-8374

Website: www.divestco.comInvestor Relations: investor.relations@divestco.comFor more information: info@divestco.comSales: sales@divestco.com**CAVALIER LAND AND LANDMASTERS**

400, 440 – 2 Avenue SW

Calgary, Alberta, Canada T2P 5E9

Phone: (587) 952-8282

Fax: (587) 952-8371



Condensed Consolidated Interim Financial Statements

For the Three and Six months ended
June 30, 2012

Table of Contents

Condensed Consolidated Interim Statements of Financial Position	2
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)	3
Condensed Consolidated Interim Statements of Changes In Equity	4
Condensed Consolidated Interim Statements of Cash Flows	5
Notes to Condensed Consolidated Interim Financial Statements	6

Divestco Inc.

Condensed Consolidated Interim Statements of Financial Position

		June 30	December 31
(Thousands - Unaudited)	Note	2012	2011
Assets			
Current Assets			
Cash		\$ 2,906	\$ 1,547
Funds held in trust		74	40
Accounts receivable		10,611	11,810
Prepaid expenses, supplies and deposits		269	235
Income taxes receivable		302	110
Asset held for sale	6	-	2,500
Total current assets		14,162	16,242
Investment in affiliated company		122	141
Participation surveys in progress		8	5,108
Property and equipment		4,200	4,147
Intangible assets	7	25,853	18,123
Total assets		\$ 44,345	\$ 43,761
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank indebtedness	9	\$ 4,200	\$ 3,700
Accounts payable and accrued liabilities		6,609	10,669
Deferred revenue		5,221	4,561
Current loss on sublease loss provision		324	320
Current portion of long-term debt obligations	10	2,513	1,143
Current portion of tenant inducement		113	113
Total current liabilities		18,980	20,506
Deferred rent obligations		653	1,124
Long-term debt obligations	10	3,644	4,591
Sublease loss provision		1,169	1,332
Tenant Inducements		1,340	1,397
Other long-term liabilities		-	100
Total liabilities		25,786	29,050
Shareholders' Equity			
Equity instruments	11	9,068	76,431
Contributed surplus		5,906	5,663
Retained Earnings (Deficit)		3,585	(67,383)
Total shareholders' equity		18,559	14,711
Total liabilities and shareholders' equity		\$ 44,345	\$ 43,761

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

Divestco Inc.

**Condensed Consolidated Interim Statements of Income (Loss) and
Comprehensive (Income) Loss**

(Thousands, Except Per Share Amounts - Unaudited)	Note	Three months ended Jun 30		Six months ended Jun 30	
		2012	2011	2012	2011
Revenue		\$ 11,483	\$ 10,637	\$ 25,949	\$ 19,452
Operating expenses					
Salaries and benefits		4,452	5,107	9,260	10,266
General and administrative		2,544	3,585	4,710	8,098
Share-based payments	12	205	-	246	-
Total operating expenses		7,201	8,692	14,216	18,364
Finance costs (income)	8	331	167	(29)	204
Depreciation and amortization		3,011	1,525	8,176	4,914
Other loss		-	2	1	2
Income (loss) before income taxes		940	251	3,585	(4,032)
Income taxes					
Current		-	16	-	65
Net income (loss) and comprehensive income (loss) for the period		\$ 940	\$ 235	\$ 3,585	\$ (4,097)
Net income (loss) per share					
Basic and Diluted	11	\$ 0.01	\$ -	\$ 0.05	\$ (0.07)

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

Divestco Inc.
Condensed Consolidated Interim Statements of Changes in Equity

(Thousands - Unaudited)	Note	Number of Shares Issued Share Capital		Number of Warrants Issued Warrants		Equity Instruments	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance as at January 1, 2011		58,938	\$ 73,445	15,825	\$ 1,808	\$ 75,253	\$ 5,590	\$ (62,773)	\$ 18,070
Net loss and comprehensive loss for the period								(4,097)	(4,097)
Transactions with owners, recorded in equity contributions by and distributions to owners:									
Issue of Class A common shares		455	48	455	52	100			100
Share-based payment transactions		192	31			31	-		31
Share issue costs			(1)			(1)			(1)
Balance as at June 30, 2011		59,585	\$ 73,523	16,280	\$ 1,860	\$ 75,383	\$ 5,590	\$ (66,870)	\$ 14,103
Balance as at January 1, 2012		66,610	\$ 74,571	16,280	\$ 1,860	\$ 76,431	\$ 5,663	\$ (67,383)	\$ 14,711
Reduction of stated capital and deficit	11		(67,383)			(67,383)		67,383	-
Net income and comprehensive income for the period								3,585	3,585
Transactions with owners, recorded in equity contributions by and distributions to owners:									
Issue of Class A common shares		83	17			17			17
Issue on exercise of PSUs		20	3			3			3
Reclassification on exercise of PSUs						-	(3)		(3)
Share-based payment transactions						-	246		246
Balance as at June 30, 2012		66,713	\$ 7,208	16,280	\$ 1,860	\$ 9,068	\$ 5,906	\$ 3,585	\$ 18,559

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

Divestco Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Thousands - Unaudited)	Note	Six months ended Jun 30	
		2012	2011
Cash from (used in) operating activities			
Net income (loss) for the period		\$ 3,585	\$ (4,097)
Items not affecting cash:			
Equity investment income		5	1
Depreciation and amortization		8,176	4,914
Sublease loss		-	(303)
Amortization of tenant inducements		(57)	(38)
Deferred rent obligations		(471)	425
Income taxes		-	65
Unrealized foreign exchange loss		1	(4)
Non-cash employment benefits		17	31
Share-based payments	12	246	-
Finance costs (income)		(29)	204
Funds from operations	17	11,473	1,198
Changes in non-cash working capital balances	13	1,316	1,744
Interest received (paid)		118	(141)
Income taxes refunded (paid)		(22)	51
Net cash from operating activities		12,885	2,852
Cash from (used in) financing activities			
Bank indebtedness		500	(550)
Advances to affiliated company		14	-
Issue of common shares (net of related costs)		-	99
Repayment of long-term debt obligations		(646)	(221)
Deferred financing costs		-	(155)
Proceeds received from long-term debt obligations (net of committed revolver repayments)		1,000	5,000
Net cash from (used in) financing activities		868	4,173
Cash from (used in) investing activities			
Additions to intangible assets		(14,401)	(2,482)
Decrease (increase) in participation surveys in progress		5,100	(1,566)
Purchase of property and equipment		(538)	(5,422)
Additions to tenant inducements		-	3,306
Payments towards sublease loss provision		(179)	(488)
Investment in affiliates		-	(29)
Deferred development costs		(1,190)	(1,295)
Changes in non-cash working capital balances	13	(1,186)	(1,842)
Net cash from (used in) investing activities		(12,394)	(9,818)
Increase (decrease) in cash		1,359	(2,793)
Cash, beginning of period		1,547	3,696
Cash, end of period		\$ 2,906	\$ 903

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

Divestco Inc.
Notes to Condensed Consolidated Interim Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

1. Reporting Entity

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

2. Future Operations

These condensed consolidated interim financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

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

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Therefore, the Company may be required to realize its assets and discharge its liabilities in other than the normal course of business at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

3. Basis of Presentation

(a) Statement of Compliance

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

These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2011. The disclosures below are incremental to those included with annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted.

Divestco Inc.
Notes to Condensed Consolidated Interim Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

These condensed consolidated interim financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), were authorized for issuance by the Company's Audit Committee on August 23, 2012, and should be read in conjunction with the annual financial statements for the year ended December 31, 2011.

(b) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Therefore, actual results may differ from these estimates. This note should be read in conjunction with the consolidated interim financial statements for the three months ended March 31, 2012 and the annual financial statements for the year ended December 31, 2011.

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

4. Seasonality of Operations

Acquisition of seismic data is usually completed in the winter season when the ground is frozen. These conditions are imperative, especially in the northern areas of Alberta and British Columbia where seismic acquisition requires the use of heavy equipment. Unfavourable weather conditions may cause potential cost overruns and delays in the field data acquisition portion of the seismic data survey, delaying revenue recognition. Revenue is recognized on a percentage of completion basis.

Other segments of the Company, such as Services, normally exhibit a noticeable reduction in sales from mid-April through to the end of September and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. Divestco tries to minimize these fluctuations by performing specific types of contract work appropriate for lower-activity months. The Company's Software and Data segment has recurring revenue through out the year due to its license and subscription sales.

5. Operating Segments

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

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

- Software and Data: includes selling, maintaining, and supporting licensed (perpetual and periodic) software exploration products as well as provides a full suite of support data layers.
 - Services: includes providing geomatics, processing and land management services.
 - Seismic Data: includes providing seismic brokerage services in addition to building, licensing and maintaining the Company's seismic data assets.
-

Divestco Inc.
Notes to Condensed Consolidated Interim Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

- Corporate and Other: includes providing overall strategic direction to the Company through executive management, finance, accounting, marketing, human resources, investor relations, and information technology.

The accounting policies of the segments are the same as those described in Note 4 to the consolidated financial statements of the Company for the year ended December 31, 2011. There are varying levels of integration between Services and Seismic Data reportable segments. This integration includes the provision of geomatics and processing services to the seismic data division. Inter-segment pricing is determined on an arm's length basis. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment income or loss before tax, as included in the internal management reports that are reviewed by the Company's chief operating decision maker. Segment income or loss before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Taxes reported on the Company's statement of income (loss) and comprehensive income (loss) are not allocated to the reportable segments.

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

As at and for the Three months ended June 30 2012					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	\$ 2,090	\$ 4,219	\$ 5,174	\$ -	\$ 11,483
Inter-segment revenue	-	25	-	-	25
Reportable segment income (loss) before tax	(325)	753	2,141	(1,629)	940
Finance costs	-	-	(2)	333	331
Depreciation and amortization	791	219	1,881	120	3,011
Share of profit (loss) of equity-accounted investees	-	-	-	(6)	(6)
Reportable segment assets	12,600	8,909	20,361	2,475	44,345
Reportable segment liabilities	4,342	5,403	3,814	12,227	25,786
Equity-accounted investees	-	-	-	122	122
Capital expenditures ⁽¹⁾	63	127	804	213	1,207
Deferred development costs	603	-	-	-	603

Divestco Inc.
Notes to Condensed Consolidated Interim Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

As at and for the Three months ended June 30 2011					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	\$ 2,361	\$ 4,480	\$ 3,796	\$ -	\$ 10,637
Inter-segment revenue	-	9	-	-	9
Reportable segment income (loss) before tax	(126)	747	3,174	(3,544)	251
Finance costs	-	(1)	(1)	169	167
Depreciation and amortization	788	164	4	569	1,525
Share of profit (loss) of equity-accounted investees	-	-	-	(5)	(5)
Reportable segment assets	15,142	9,650	9,321	3,127	37,240
Reportable segment liabilities	5,104	4,978	3,822	9,233	23,137
Equity-accounted investees	-	-	-	128	128
Capital expenditures ⁽¹⁾	282	593	3,300	394	4,569
Deferred development costs	585	-	-	-	585

As at and for the Six months ended June 30 2012					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	\$ 4,220	\$ 9,804	\$ 11,925	\$ -	\$ 25,949
Inter-segment revenue	-	293	-	-	293
Reportable segment income (loss) before tax	(638)	2,470	4,200	(2,447)	3,585
Finance costs (income)	-	(1)	(6)	(22)	(29)
Depreciation and amortization	1,591	450	5,816	319	8,176
Share of profit (loss) of equity-accounted investees	-	-	-	(5)	(5)
Reportable segment assets	12,600	8,909	20,361	2,475	44,345
Reportable segment liabilities	4,342	5,403	3,814	12,227	25,786
Equity-accounted investees	-	-	-	122	122
Capital expenditures ⁽¹⁾	87	234	9,221	297	9,839
Deferred development costs	1,190	-	-	-	1,190

As at and for the Six months ended June 30 2011					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	\$ 4,539	\$ 9,606	\$ 5,307	\$ -	\$ 19,452
Inter-segment revenue	-	90	-	-	90
Reportable segment income (loss) before tax	(604)	1,750	2,775	(7,953)	(4,032)
Finance costs (income)	-	(1)	(3)	208	204
Depreciation and amortization	2,037	563	972	1,342	4,914
Share of profit (loss) of equity-accounted investees	-	-	-	(1)	(1)
Reportable segment assets	15,142	9,650	9,321	3,127	37,240
Reportable segment liabilities	5,104	4,978	3,822	9,233	23,137
Equity-accounted investees	-	-	-	128	128
Capital expenditures ⁽¹⁾	851	1,856	5,572	1,191	9,470
Deferred development costs	1,295	-	-	-	1,295

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

Divestco Inc.
Notes to Condensed Consolidated Interim Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

6. Assets Held for Sale

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

Divestco Inc.
Notes to Consolidated Financial Statements
(Tabular amounts in thousands, unless otherwise stated)

June 30, 2012

7. Intangible Assets

	Data Libraries						Proprietary Software and Code	Deferred Development Costs ⁽¹⁾	Total
	Seismic Data Library	Datasets	Log, Support and Drilling Data Library	Reference Library	Map Library	Sub-Total			
Cost									
At January 1 2011	\$ 62	\$ 632	\$ 7,209	\$ 445	\$ 239	\$ 8,587	\$ 8,256	\$ 11,081	\$ 27,924
Additions	8,358	-	-	-	-	8,358	653	2,214	11,225
At December 31 2011	8,420	632	7,209	445	239	16,945	8,909	13,295	39,149
Additions	14,294	-	-	-	-	14,294	107	1,019	15,420
At June 30 2012	\$ 22,714	\$ 632	\$ 7,209	\$ 445	\$ 239	\$ 31,239	\$ 9,016	\$ 14,314	\$ 54,569
Accumulated depreciation									
At January 1 2011	\$ 2	\$ 520	\$ 2,458	\$ 445	\$ 104	\$ 3,529	\$ 5,440	\$ 4,344	\$ 13,313
Amortization	3,353	34	361	-	16	3,764	615	3,334	7,713
At December 31 2011	3,355	554	2,819	445	120	7,293	6,055	7,678	21,026
Amortization	5,723	10	181	-	8	5,922	273	1,495	7,690
At June 30 2012	\$ 9,078	\$ 564	\$ 3,000	\$ 445	\$ 128	\$ 13,215	\$ 6,328	\$ 9,173	\$ 28,716
Carrying amount									
At December 31 2011	\$ 5,065	\$ 78	\$ 4,390	\$ -	\$ 119	\$ 9,652	\$ 2,854	\$ 5,617	\$ 18,123
At June 30 2012	13,636	68	4,209	-	111	18,024	2,688	5,141	25,853

⁽¹⁾ During the six months ended June 30, 2012, the Company expensed \$858,000 (2011: \$824,000) in research costs.

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

The Company's operating lender has a general security agreement over all present and after acquired personal property and a floating charge on all lands of the Company (Note 9). The Company's subordinated lender has a second floating charge security over all personal and real property assets of the Company and a negative pledge and undertaking to provide fixed charges on the Company's corporate assets at the request of the lender (Note 10).

Divestco Inc.
Notes to Consolidated Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

8. Finance costs

	For the Three months ended June 30		For the Six months ended June 30	
	2014	2013	2012	2011
Interest expense on financial liabilities measured at amortized cost	\$ 289	\$ 125	\$ (118)	\$ 141
Amortization of deferred finance charges	33	25	69	26
Accretion of sublease loss	9	17	20	37
	\$ 331	\$ 167	\$ (29)	\$ 204

9. Bank Indebtedness

The Company has a \$5 million revolving operating loan facility with advances being limited to the lesser of the maximum principal of the facility and the aggregate of 75% of accounts receivable of the Company excluding certain accounts that are outstanding for more than 90 days. The facility consists of a prime-based loan, letters of credit (to an aggregate maximum of \$500,000) and corporate MasterCard (to a maximum of \$150,000). The lender has a general security agreement over all present and after acquired personal property and a floating charge on all lands of the Company. The interest rate on this facility is Prime + 2.50% per annum with a non-refundable facility fee of 0.75% per annum being charged on the unused portion of the facility. As at June 30, 2012, \$4.2 million (December 31, 2011: \$3.7 million) was drawn on the facility.

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

10. Long-term Debt Obligations

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

Divestco Inc.
Notes to Consolidated Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

	Jun 30, 2012	Dec 31, 2011
Non-current liabilities		
Secured subordinated bridge loan	\$ 2,000	\$ 3,920
Unsecured loans from shareholders	1,500	500
Finance lease obligations	144	201
Deferred finance charges	-	(30)
	\$ 3,644	\$ 4,591
Current liabilities		
Secured subordinated bridge loan	\$ 2,460	\$ 1,080
Unsecured loans from shareholders	-	-
Finance lease obligations	135	184
Deferred finance charges	(82)	(121)
	\$ 2,513	\$ 1,143
Total long-term and current	\$ 6,157	\$ 5,734

	Nominal interest rate	Year of maturity	June 30, 2012		December 31, 2011	
			Face value	Carrying amount	Face value	Carrying amount
Secured subordinated bridge loan	12%	2013	\$ 4,460	\$ 4,378	\$ 5,000	\$ 4,849
Unsecured loans from shareholders	10%	2016	1,500	1,500	500	500
Finance lease obligations	1.8-12.4%	2012-2016	316	279	434	385
Total interest-bearing liabilities			\$ 6,276	\$ 6,157	\$ 5,934	\$ 5,734

Secured subordinated bridge loan

The Company has a \$5 million subordinated bridge loan with \$2 million of the loan proceeds being provided by two of the Company's directors as a condition of the financing. The interest rate on this facility is 12% per annum. Monthly principal payments of \$90,000 commenced on January 1, 2012. On November 1, 2011, the loan agreement was amended to postpone the director's portion of the principal payments effective January 1, 2012 until the remainder of the loan is repaid. The loan has a maturity date of April 30, 2013 with a balloon payment of \$1.6 million due at that time. Although the directors are due to commence receiving their pro-rata share of the monthly principal payments being \$60,000 on May 1, 2013, they entered into postponement agreements to delay principal repayment until July 1, 2013. The loan will be repaid in full by December 31, 2014. As at June 30, 2012, the principal amount due on the loan was \$4.5 million (December 31, 2011: \$5 million).

The security for the loan is a \$6.25 million demand debenture providing a second floating charge security over all personal and real property assets of the Company and a negative pledge and undertaking to provide fixed charges on the Company's corporate assets at the request of the lender.

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

Divestco Inc.
Notes to Consolidated Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

Unsecured loans from shareholders

The Company has \$1,500,000 in unsecured loans from two of the Company's directors. The loans bear interest of 10% per annum. The directors have agreed to postpone principal payments until July 1, 2013 at the earliest. There payments are interest only until that time.

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

Authorized - Unlimited number of voting Class A shares.

As voted on and approved by the shareholders of the Company at its Annual and Special General Meeting held on May 17, 2012, the Company's accumulated deficit balance of \$67.4 million as at January 1, 2012 was eliminated and applied against accounting share capital, without payment or reduction to stated capital or paid-up capital.

Warrants

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

Net income (loss) per share

Basic net income (loss) per share is computed using the weighted-average number of Class A Shares outstanding during the three months ended June 30, 2012, being 66,641,000 (2011 – 59,741,000). In computing diluted net income (loss) per share, 53,000 shares were added to the weighted average number of Class A Shares outstanding for the three months ended June 30, 2012. For the three months ended June 30, 2011, no shares were added as the options and warrants were anti-dilutive.

Basic net income (loss) per share is computed using the weighted-average number of Class A Shares outstanding during the six months ended June 30, 2012, being 66,627,000 (2011 – 59,408,000). In computing diluted net income (loss) per share, no shares were added to the weighted average number of Class A Shares outstanding for the six months ended June 30, 2012 as the options and warrants were anti-dilutive. For the six months ended June 30, 2011, no shares were added as the options and warrants were anti-dilutive.

12. Share-Based Payment Arrangements

Stock option plan (equity settled)

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

Divestco Inc.
Notes to Consolidated Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

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

	Number	Weighted Average Exercise Price
Options outstanding, December 31, 2011	3,030	\$0.37
Granted	1,585	\$0.23
Forfeited	(322)	\$0.91
Options outstanding, June 30, 2012	4,293	\$0.28
Options exercisable, June 30, 2012	382	\$1.14

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

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

Options Outstanding				Exercisable Options	
Number	Price Range	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Number	Weighted Average Exercise Price
4,044	\$0.17-\$1.00	\$0.21	4.34	133	\$0.68
231	\$1.01-\$2.00	\$1.30	1.25	231	\$1.30
18	\$2.01-\$2.51	\$2.51	0.50	18	\$2.51
4,293	\$0.17-\$2.51	\$0.28	4.16	382	\$1.14

The Company recorded share-based compensation expense related to the stock options of \$94,000 for the six month period ended June 30, 2012 (June 30, 2011: \$nil) and presented as such on the Company's statements of income (loss) and comprehensive income (loss).

The grant date fair value of the stock options for the six months ended June 30, 2012 was measured based on the Black-Scholes formula. No stock options were granted during the six months ended June 30, 2011. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the stock option plan are the following:

	June 30, 2012
Weighted average fair value at grant date (\$/option)	\$0.16
Expected volatility (weighted average)	108.7%
Option life (expected weighted average)	5 years
Risk-free interest rate (weighted average)	1.4%
Forfeiture rate	17.1%

Performance share unit plan (equity settled)

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

Divestco Inc.
Notes to Consolidated Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

The aggregate number of Class A Shares reserved for issuance upon the vesting of all PSUs granted under the PSU plan will not exceed 2% of the issued and outstanding Class A Shares of the Company and 1% for any one insider. Compensation expense related to the PSUs will be accrued over the term of the performance period based on the expected total compensation to be paid out at the end of the performance period.

During the six months ended June 30, 2012, 1.3 million PSUs were granted, including 700,000 to officers (June 30, 2012: nil). The Company recorded share-based compensation expense of \$152,000 for the six month period ended June 30, 2012 (June 30, 2011: \$nil) and presented as such on the Company's statements of income (loss) and comprehensive income (loss).

13. Supplement to Statements of Cash Flows

	For the Six months ended June 30	
	2012	2011
Changes in non-cash working capital balances		
Funds held in trust	\$ (34)	\$ (1)
Accounts receivable	1,199	(378)
Prepaid expenses, supplies and deposits	(34)	13
Accounts payable and accrued liabilities	(1,661)	44
Deferred revenue	660	224
	\$ 130	\$ (98)
Changes in non-cash working capital balances related to operating activities	\$ 1,316	\$ 1,744
Changes in non-cash working capital balances related to investing activities	(1,186)	(1,842)
	\$ 130	\$ (98)

14. Operating Leases

Summary of non-cancellable building lease (net of subleases) and equipment operating leases commitments until expiry:

	Jun 30, 2012	Dec 31, 2011
One year	\$ 4,080	\$ 4,450
Between one and five years	19,218	15,140
More than five years	32,848	38,710
	\$ 56,146	\$ 58,300

Movement in the commitments for the six months ended June 30, 2012:

Balance, January 1, 2012	\$ 58,300
Payments (net of subleases)	(2,154)
Balance, June 30, 2012	\$ 56,146

Divestco Inc.
Notes to Consolidated Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

The Company has an office lease with a term of 15 years expiring in 2025. Excluding subleases, the monthly commitment is approximately \$325,000 including operating costs for 2012 and is \$241,000 for 2013. The annual square foot rate increases in 2012, 2016, 2018, 2020 and 2023. A portion of the space is subleased on a month to month basis. Sublease payments of \$78,000 are expected to be received from July 2012 to June 2013. The Company also leases approximately 9,500 square feet of office space in another location which increased to 15,000 square feet in May 2012 and expires in 2025. The monthly commitment is approximately \$60,000 including operating costs for 2012 and \$63,000 for 2013.

15. Related Parties

Transactions with key management personnel

Loans from directors

The Company has \$1,500,000 in unsecured loans from two directors (see Note 10).

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

16. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

- Maintains a \$5 million operating line of credit. Interest is payable at prime plus 2.5%;
- Secured a \$5 million subordinated demand bridge loan in May 2011. \$3 million is repayable by April 30, 2013 and \$2 million is repayable by December 31, 2014;
- Obtained \$1,500,000 in shareholder loans repayable by December 31, 2016. Management intends to convert the shareholder loans into a debenture in 2012; and
- Raised \$1 million through a private placement in December 2011.

As at June 30, 2012 the Company had a cash balance of \$2.9 million, \$10.6 million in accounts receivable and \$0.8 million in unused committed bank credit facilities totaling \$14.3 million to settle current liabilities of \$13.8 million (excluding deferred revenue of \$5.2 million). The Company continues to review additional sources of capital to continue its activities and discharge its commitments as they become due.

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

Divestco Inc.
Notes to Consolidated Financial Statements

June 30, 2012

(Tabular amounts in thousands, unless otherwise stated)

As at June 30, 2012	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Bank indebtedness	\$ 4,200	\$ 4,200	\$ 4,200	\$ -	\$ -	\$ -	\$ -	\$ 4,200
Accounts payable and accrued liabilities	6,609	6,609	6,609	-	-	-	-	6,609
Deferred rent obligations	653	653	-	-	-	-	653	653
Long-term debt obligations (excluding finance lease obligations)	5,878	7,127	869	2,146	1,376	2,279	457	7,127
Finance lease obligations	279	316	73	73	78	92	-	316
Loss on sublease	1,493	1,571	178	178	356	859	-	1,571
Total	\$ 19,112	\$ 20,476	\$ 11,929	\$ 2,397	\$ 1,810	\$ 3,230	\$ 1,110	\$ 20,476

As at December 31, 2011	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Bank indebtedness	\$ 3,700	\$ 3,700	\$ 3,700	\$ -	\$ -	\$ -	\$ -	\$ 3,700
Accounts payable and accrued liabilities	10,669	10,669	10,669	-	-	-	-	10,669
Deferred rent obligations	1,124	1,124	-	-	-	-	1,124	1,124
Long-term debt obligations (excluding finance lease obligations)	5,349	6,637	852	819	2,847	2,119	-	6,637
Finance lease obligations	385	434	100	100	109	125	-	434
Loss on sublease	1,652	1,749	178	178	356	1,037	-	1,749
Other long-term liabilities	100	100	-	-	100	-	-	100
Total	\$ 22,979	\$ 24,413	\$ 15,499	\$ 1,097	\$ 3,412	\$ 3,281	\$ 1,124	\$ 24,413

17. Additional GAAP Measure

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