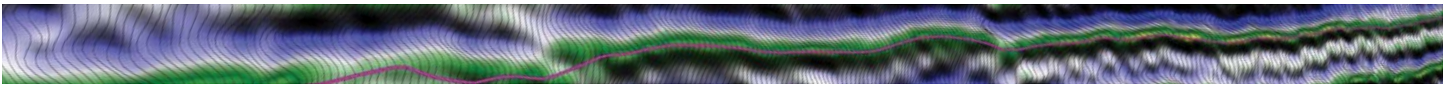
2010 Second Quarter Report



From the Ground Up

FROM THE

OUR 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.

GROUND UP

Contents

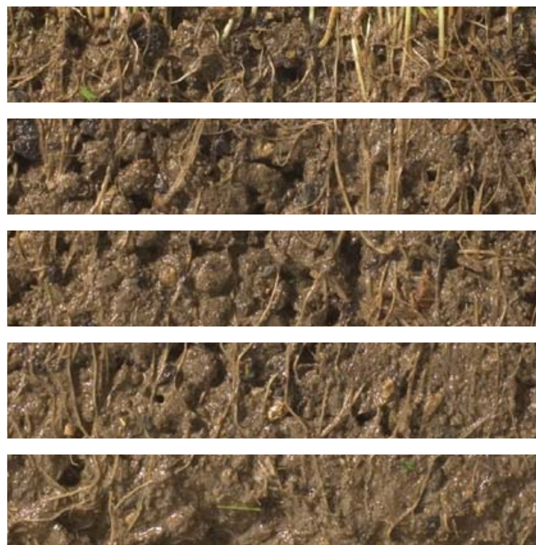
Financial Highlights 2

Management's Discussion & Analysis 5

Consolidated Financial Statements 36

Notes to Consolidated Financial Statements 39

Corporate Information 55



FINANCIAL HIGHLIGHTS

[FINANCIAL RESULTS]

(Thousands, Except Per Share Amounts)

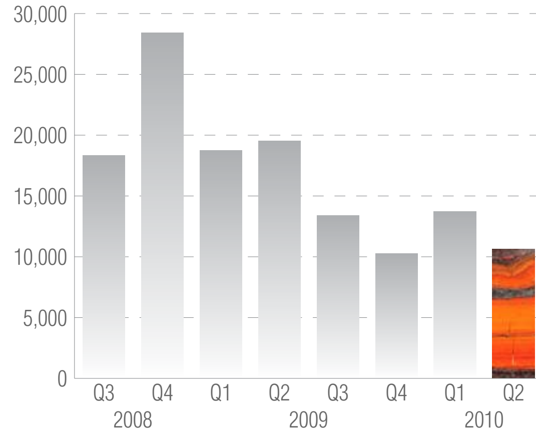
	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2010	**2009**	**% Change**	**2010**	**2009**	**% Change**
Revenue	$10,648	$19,532	-45%	$24,388	$38,297	-36%
EBITDA[(1)]	2,389	10,683	-78%	7,629	18,835	-59%
Operating Loss[(1)]	(5,991)	1,818	n/a	(10,557)	(2,432)	n/a
Net Income (Loss)	(4,577)	1,558	n/a	(7,620)	2,339	n/a
Per Share – Basic	(0.11)	0.04	n/a	(0.18)	0.06	n/a
Per Share – Diluted	(0.11)	0.04	n/a	(0.18)	0.06	n/a
Funds from Operations[(1)]	1,970	6,719	-71%	5,114	14,147	-64%
Per Share – Basic	0.05	0.16	-69%	0.12	0.34	-65%
Per Share – Diluted	0.05	0.16	-69%	0.12	0.34	-65%
Shares Outstanding	41,958	41,958	0%	41,958	41,958	0%
Weighted Average Shares Outstanding						
Basic	41,958	41,958	0%	41,958	41,958	0%
Diluted	41,958	41,958	0%	41,958	41,958	0%

(1) See the Non-GAAP measures section

DECISIVE IN OUR ACTIONS AND STRIVE TO MAKE DECISIONS EFFICIENTLY

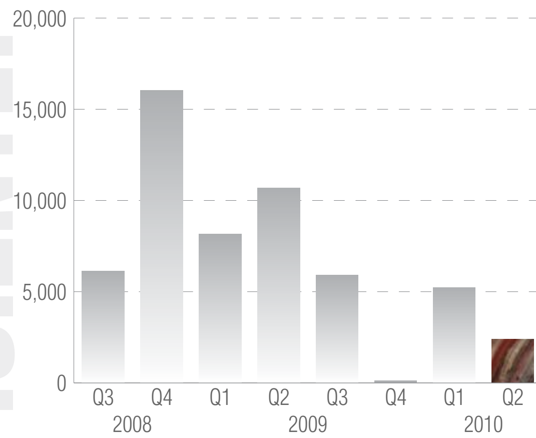
[REVENUE]

(Thousands)



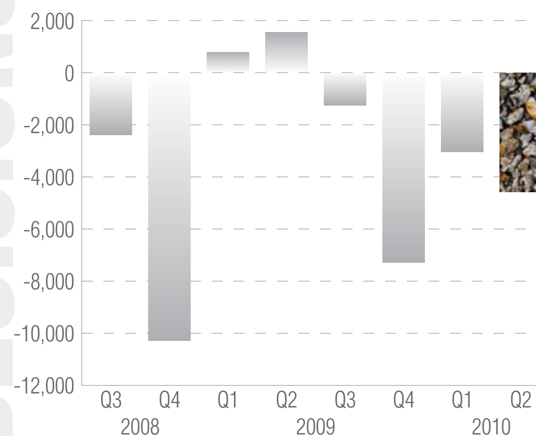
[EBITDA(1)]

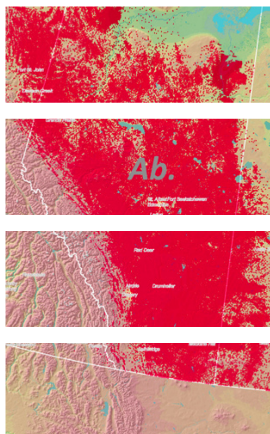
(Thousands)



[NET INCOME (LOSS)]

(Thousands)

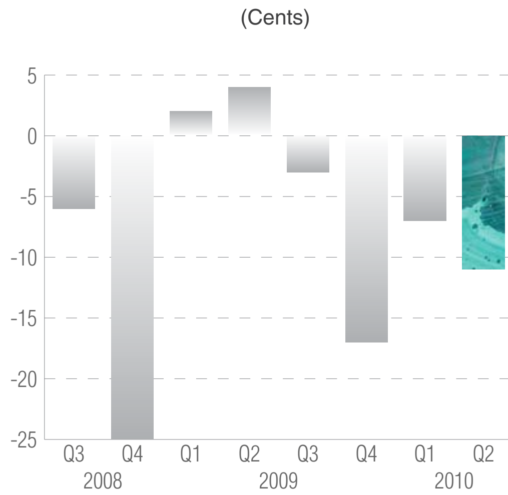




(1) See the Non-GAAP measures section

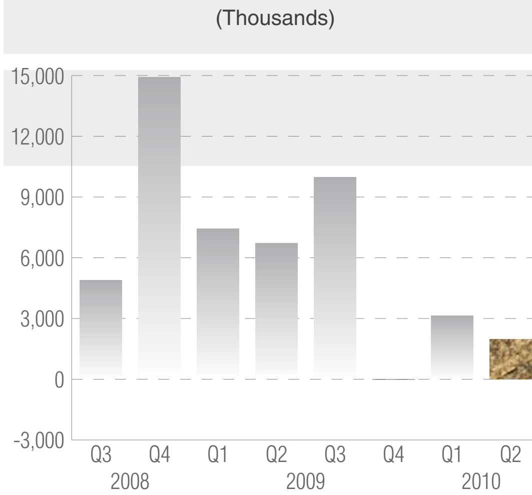
[NET INCOME (LOSS) PER SHARE (DILUTED)]

(Cents)



[FUNDS FROM OPERATIONS[1]]

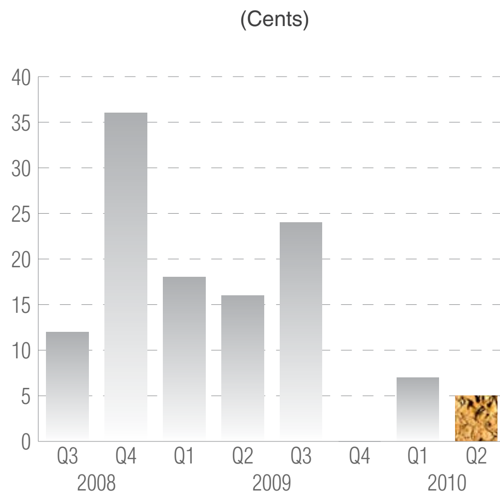
(Thousands)

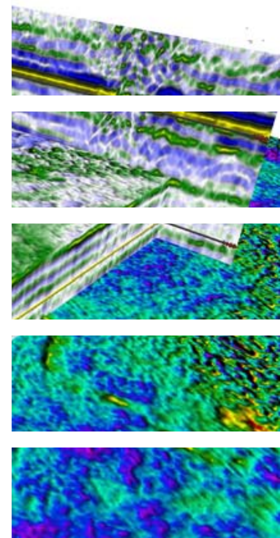


REACT NIMBLY TO CHANGES WITHIN OUR INDUSTRY

[FUNDS FROM OPERATIONS PER SHARE (DILUTED)[1]]

(Cents)





(1) See the Non-GAAP measures section

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Divestco Inc. ("Divestco" or the "Company"), dated August 16, 2010, should be read in conjunction with the interim consolidated financial statements for the three and six months ended June 30, 2010 and the audited consolidated financial statements and notes for the years ended December 31, 2009 and 2008. All financial information in this section has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) 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 – provides and is responsible for development, maintenance and support of over 20 geological, geophysical and land applications used by oil and gas professionals, including geologists, geophysicists, engineers, land agents and land administrators worldwide. The Company offers customized software and data bundles to clients depending on their needs. It also offers the market over 120 datasets including drilling data and a full suite of exploration and production data (well, land, drilling, log and mapping). Data also provides ancillary document management services such as high-quality technical document digitizing and rasterizing and scanning services for customers' data management needs.
- Services – offers geomatics (seismic survey audit and custom mapping), seismic processing and database services to customers who require data quality assurance, processing and data management services for geophysical and geological information. It also offers land management services through Cavalier Land Ltd.
- Seismic Data – offers the market proprietary seismic data through one of western Canada's largest premier seismic databases. Its also provides seismic brokerage services through the largest division of its kind in Canada. The Company announced it had entered into a binding letter of intent to sell its entire seismic data library in July 2010.
- Corporate and Other – responsible for setting Divestco's overall strategic plan and allowing the segments to operate which includes providing finance, accounting, sales, marketing, human resources (HR) and information technology (IT) services to the Company. The segment is discussed under the "Results of Operations 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 that provides a comprehensive and integrated portfolio of data, software and services to the oil and gas industry. Through continued commitment to align and bundle products and services to generate value for customers, Divestco is creating an unparalleled set of integrated solutions and unique benefits for the marketplace. Divestco's breadth of software, services, and data solutions offers customers the ability to access and analyze the information required to make business decisions and to optimize their success in the upstream oil and gas industry.

Future Operations and Subsequent Event

The interim consolidated financial statements for the three and six months ended June 30, 2010, have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in these consolidated financial statements. The Company had a working capital deficit of $29.3 million as at June 30, 2010, including deferred revenue of $2.6 million. The working capital deficit includes $8.4 million owing on the Company's term loans, capital leases and promissory notes which are due before July 1, 2011. The working capital deficit also includes $14.4 million of long-term debt obligations which were reclassified from long-term to current as the Company did not obtain a waiver for a cash EBITDA covenant violation as at June 30, 2010 due to the announced planned seismic asset divestiture that will retire all bank debt. In addition, the Company has a rental commitment for new office space (see the "Commitment" section) that commenced on May 1, 2010, and it incurred losses of $7.6 million for the six months ended June 30, 2010 as the continuing effects of the global recession and low natural gas prices continued to negatively impact most of the Company. These matters cast doubt on the ability of the Company to continue to meet its obligations. Management is reviewing additional sources of capital and debt financing to continue its activities and discharge its commitments as they become due. Management believes that the going concern assumption is appropriate for these consolidated financial statements. Adjustments to the carrying amounts of the balance sheet classifications used, assets and liabilities, and revenues and expenses, may be necessary should the going concern assumption be inappropriate.

In July 2010, the Company announced that it had entered into a binding letter of intent to divest of its entire 2D and 3D seismic data library for $55.7 million in cash and 14.3 million shares of Pulse Data Inc. (Pulse) In addition, the benefit of certain pending seismic data transactions will be reallocated between Pulse and Divestco and Pulse will assume certain obligations from Divestco related to the seismic data assets. If the divestiture of the 2D and 3D data library is successful, Divestco will restore working capital to a positive position and eliminate its bank debt. Furthermore, the Company has continued to reduce costs and evaluates all material capital expenditures before commencement to ensure they meet appropriate funding criteria. On August 16, 2010 Divestco and Pulse announced the signing of a formal Acquisition Agreement.

As at June 30, 2010, the carrying amount of Divestco's seismic data library was $123 million. All working capital related to the seismic data library will be retained by Divestco with the exception of prepaid archiving credit and a related minimum revenue obligation to a third party. The accounting loss on the transaction is estimated to be $50 million based on the closing price of Pulse's shares on July 14, 2010 ($1.34) and including estimated transactions costs.

The completion of the transaction remains subject to the approval of the Court of Queens Bench of Alberta of the plan of arrangement of Divestco, approvals of the shareholders of both Pulse and Divestco and other conditions typical for a transaction of this nature. Special meetings of the shareholders of both Pulse and Divestco are currently scheduled for September 28, 2010, and the transaction is currently scheduled to close on September 29, 2010 with the information circulars expected to be mailed out at the end of August.

The transaction contains typical non-solicitation provisions for Divestco and the right of Pulse to match any superior proposal. Its also provides for break fees of $4 million if either party terminates the transaction under certain circumstances.

Forward-Looking Information

Divestco's annual report contains 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 reduce debt, improve liquidity, correct its working capital deficiency 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
- Future sales of the Company's seismic data library
- 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
- Fluctuations in interest rates
- Impact of Canadian federal and provincial governmental regulation on the Company
- Expected levels of operating costs, general administrative costs, costs of services and other costs and expenses
- Future ability to execute 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 headings of this MD&A: "Overall Performance", "Outlook", and "Results of Operations by Segment", "Liquidity and Capital Resources", and "New Accounting Pronouncements".*

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

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

- General economic, market and business conditions
- Volatility in market prices for crude oil and natural gas
- Ability of Divestco's clients to explore for, develop and produce oil and gas
- Availability of financing and capital
- Fluctuations in interest rates
- Demand for the Company's product and services
- Weather and climate conditions
- Competitive actions by other companies
- Availability of skilled labour
- Failure to obtain regulatory approvals in a timely manner
- Adverse conditions in the debt and equity markets
- 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 and in the Company's Annual Information Form for the year ended December 31, 2009, incorporated here by reference.

Non-GAAP Measures

This MD&A uses the terms "EBITDA" (earnings before interest, income taxes, depreciation and amortization), "operating income", "funds from operations", and "funds from operations per share (basic and diluted)"; however, these terms are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non-GAAP measures. While these measures may not be comparable to similar measures presented by other issuers, they are described and presented in this MD&A to provide shareholders and potential investors with additional information regarding the Company's results, liquidity, and its ability to generate funds to finance its operations.

EBITDA and Operating Income

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

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

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

(Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	**2009**	**2010**	**2009**
Net Income (Loss)	$(4,577)	$ 1,558	$ (7,620)	$ 2,339
Income Tax Expense (Reduction)	(1,400)	234	(2,843)	(347)
Other Income (Loss)[1]	14	(26)	94	4,424
Operating Income (Loss)	$(5,991)	$ 1,818	$(10,557)	$ (2,432)
Interest	523	891	1,092	1,792
Depreciation and Amortization	7,857	7,974	17,094	19,475
EBITDA	$ 2,389	$10,683	$ 7,629	$18,835

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

Funds from Operations

Divestco reports funds from operations because it is a key measure used by management to evaluate its performance and to assess the ability of the Company to finance operating and investing activities. Funds from operations excludes certain working capital changes and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows. It is not a calculation based on Canadian GAAP and should not be considered an alternative to the consolidated statements of cash flows. Funds from operations is a measure that can be used to gauge Divestco's capacity to generate discretionary cash flow. Investors should be cautioned that funds from operations as reported by Divestco may not be comparable in all instances to funds from operations as reported by other companies. While the closest GAAP measure is cash flows from operating activities, funds from operations is considered relevant because it provides an indication of how much cash generated by operations is available before proceeds from divested assets and changes in certain working capital items.

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

(Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	**2009**	**2010**	**2009**
Cash Flows from Operating Activities	$ 4,626	$11,905	$ 8,430	$15,741
Changes in Non-Cash Working Capital Balances related to operating activities	(2,577)	(5,186)	(3,158)	(1,857)
Decrease in Non-Current Deferred Revenue	–	–	–	263
Decrease in Long-Term Prepaid Expenses	(79)	–	(158)	–
Funds from Operations	$ 1,970	$ 6,719	$ 5,114	$14,147

Business Risks and Environment

Demand for Products and Services

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).

Divestco receives a significant portion of its revenue from the licensing of seismic data. Therefore 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. Revenue is recognized on the date the data is delivered to the client.

Divestco depends on qualified contractors to complete the surveys on time and within budget. To help ensure this, Divestco obtains written cost estimates before a survey begins, and then regularly follows up with the contractor on the progress and costs incurred during the survey.

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 Software segment typically experiences a slowdown during July and August, which is generally a slower period for the oil and gas industry in western Canada.

Competition

The Company operates in a highly competitive, price-sensitive industry. In addition, Divestco competes with some senior companies that generally have access to a larger pool of capital resources and may have 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.

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.

In addition to the "Business Risks and Environment" section in this MD&A, see the "Risk Factors" section in the Company's Annual Information Form (AIF) for the year ended December 31, 2009. A copy of the Company's AIF and other continuous disclosure documents can be viewed at www.sedar.com or on the Company's website at www.divestco.com.

Overall Performance

FINANCIAL RESULTS

(Thousands, Except Per Share Amounts)

	THREE MONTHS ENDED JUNE 30				SIX MONTHS ENDED JUNE 30			
	2010	**2009**	**$ Change**	**% Change**	**2010**	**2009**	**$ Change**	**% Change**
Revenue	$10,648	$19,532	$(8,884)	-45%	$ 24,388	$38,297	$(13,909)	-36%
Operating Expenses	8,259	8,849	(590)	-7%	16,759	19,462	(2,703)	-14%
EBITDA(1)	2,389	10,683	(8,294)	-78%	7,629	18,835	(11,206)	-59%
Interest	523	891	(368)	-41%	1,092	1,792	(700)	-39%
Depreciation and Amortization	7,857	7,974	(117)	-1%	17,094	19,475	(2,381)	-12%
Operating Income (Loss)(1)	(5,991)	1,818	(7,809)	N/A	(10,557)	(2,432)	(8,125)	N/A
Other Income (Loss)	14	(26)	40	N/A	94	4,424	(4,330)	-98%
Income Tax Expense Reduction	(1,400)	234	(1,634)	N/A	(2,843)	(347)	(2,496)	N/A
Net Income (Loss)	$ (4,577)	$ 1,558	$(6,135)	N/A	$ (7,620)	$ 2,339	$ (9,959)	N/A
Per Share – Basic	(0.11)	0.04	(0.15)	N/A	(0.18)	0.06	(0.24)	N/A
Per Share – Diluted	(0.11)	0.04	(0.15)	N/A	(0.18)	0.06	(0.24)	N/A
Funds from Operations(1)	$ 1,970	$ 6,719	$(4,749)	-71%	$ 5,114	$14,147	$ (9,033)	-64%
Per Share – Basic(1)	0.05	0.16	(0.11)	-69%	0.12	0.34	(0.22)	-65%
Per Share – Diluted(1)	0.05	0.16	(0.11)	-69%	0.12	0.34	(0.22)	-65%
Shares Outstanding	41,958	41,958	N/A	0%	41,958	41,958	N/A	0%
Weighted Average Shares Outstanding								
Basic	41,958	41,958	N/A	0%	41,958	41,958	N/A	0%
Diluted	41,958	41,958	N/A	0%	41,958	41,958	N/A	0%

FINANCIAL POSITION

(Thousands)

	BALANCE AS AT		
	Jun 30, 2010	**Dec 31, 2009**	**Dec 31, 2008**
Total Assets	$157,307	$175,923	$209,735
Working Capital Deficit(2)	(26,699)	(6,250)	(9,737)
Long-Term Debt Obligations(3)	26,715	30,504	48,085

(1) See the Non-GAAP Measures section.

(2) Excluding the current portion of deferred revenue of $2.6 million, the Company's working capital deficit was $26.7 million as at June 30, 2010, compared to $6.3 million at December 31, 2009, excluding deferred revenue of $5.5 million and $9.7 million as at December 31, 2008, excluding deferred revenue of $11.2 million. The increase from the end of 2009 was due to a decline in accounts receivables caused by a drop in revenue and the reclassification of $3.5 million from long-term to short-term debt obligations related to a lump-sum term loan payment due in April 2011. In addition, as a result of the announced planned seismic asset divestiture that will retire all Bank debt, the working capital deficit also includes $14.4 million of long-term debt obligations which were reclassified from long-term to current as the Company did not obtain a waiver for a cash EBITDA covenant violation as at June 30, 2010. The covenant violation was due in part to the announced planned sale of the seismic assets. It is expected that upon closing the seismic asset divestiture the Company's working capital will return to a positive position.

(3) Includes current portion and convertible debentures.

Earnings Variance Analysis
Q2 2010 Versus Q2 2009

Divestco incurred a net loss of $4.6 million (11 cents/share (basic and diluted)) for the second quarter of 2010 compared with net income of $1.6 million (4 cent/share (basic and diluted)) in Q2 2009. The decrease was primarily due to a decline in revenue of $8.9 million (45%) due to the continued lack of spending on exploration as a result of the tail end of the global recession and low natural gas prices. Divestco's business is focussed on exploration as opposed to existing production of oil and gas reserves. This was offset by a decrease in operating costs of $0.6 million (7%) due to austerity measures implemented by the Company in 2009, most of which continued into Q2 2010.

Operating highlights included:

- Generated positive funds from operations of $2 million
- Reduced funded debt by $3.2 million in Q2 2010
- Reduced interest expense by $368,000 (41%) due to lower a funded debt load
- Lowered operating costs (salaries and G&A expenses) by $0.5 million (6%) in Q2 2010 compared to Q2 2009 due to the implementation of company-wide austerity measures
- Company announced its intent to divest of its entire 2D and 3D seismic data library for $55.7 million in cash and 14,285,000 shares of Pulse. Estimated accounting loss is $50 million

Six Months Ended June 30, 2010 Versus Six Months Ended June 30, 2009

Divestco incurred a net loss of $7.6 million (18 cents/share (basic and diluted)) for the first six months of 2010 compared with net income of $2.3 million (6 cent/share (basic and diluted)) in the first six months of 2009. The decrease was primarily due to a decline in revenue of $14 million (36%) as the result of the continued effects of reduced client spending on oil and gas exploration and low natural gas prices. This was offset by a decrease in operating costs of $2.7 million (14%) due to austerity measures implemented by the Company in 2009, most of which continued into Q2 2010.

Operating highlights included:

- Continued to generate positive funds from operations of $5.1 million
- Reduced debt by $3.9 million in first six months of 2010
- Reduced interest expense by $700,000 (39%) due to a lower debt load
- Lowered operating costs (salaries and G&A expenses) by $2.5 million (13%) in the first six months of 2010 compared to the first six months of 2009 due to the implementation of company-wide austerity measures
- Divestco announced its intent to divest of its entire 2D and 3D seismic data library for $55.7 million in cash and 14,285,000 shares of Pulse. Estimated accounting loss is $50 million

Outlook and Future Operations

On, July 5, 2010, the Company announced that it has entered into a binding letter of intent (LOI) to divest of its entire 2D and 3D seismic data library to Pulse. The purchase price was $50 million cash plus 14,285,000 Pulse common shares. On July 14, 2010, Pulse and Divestco announced an amendment to the LOI whereby the cash portion of the purchase price increased by $5.7 million and the benefit of certain pending seismic data transactions that were previously to be retained wholly by Divestco, were reallocated between Pulse and Divestco. The effective date of the transaction is July 1, 2010. The cash portion will be financed by a combination of available advances under Pulse's syndicated acquisition credit facility and cash on hand. The Pulse common shares will be distributed by Divestco to its shareholders. The accounting loss on the transaction is estimated to be $50 million based on the closing price of Pulse's shares on July 14, 2010 ($1.34) and including estimated transactions costs. On August 16, 2010 Divestco and Pulse announced the signing of a formal Acquisition Agreement.

Divestco has relentlessly focused its efforts to improve its balance sheet since the fall of 2008. Not only does the proposed Pulse transaction eliminate Divestco's debt and return the Company working capital to a positive position, it also provides the Company's shareholders the opportunity to participate in the combined upside of one of the largest and most successful seismic data libraries in Western Canada. Furthermore, a recapitalized Divestco allows our shareholders to take part in a well focused software and service company going forward.

Selected Quarterly Information

(Thousands, Except Per Share Amounts)

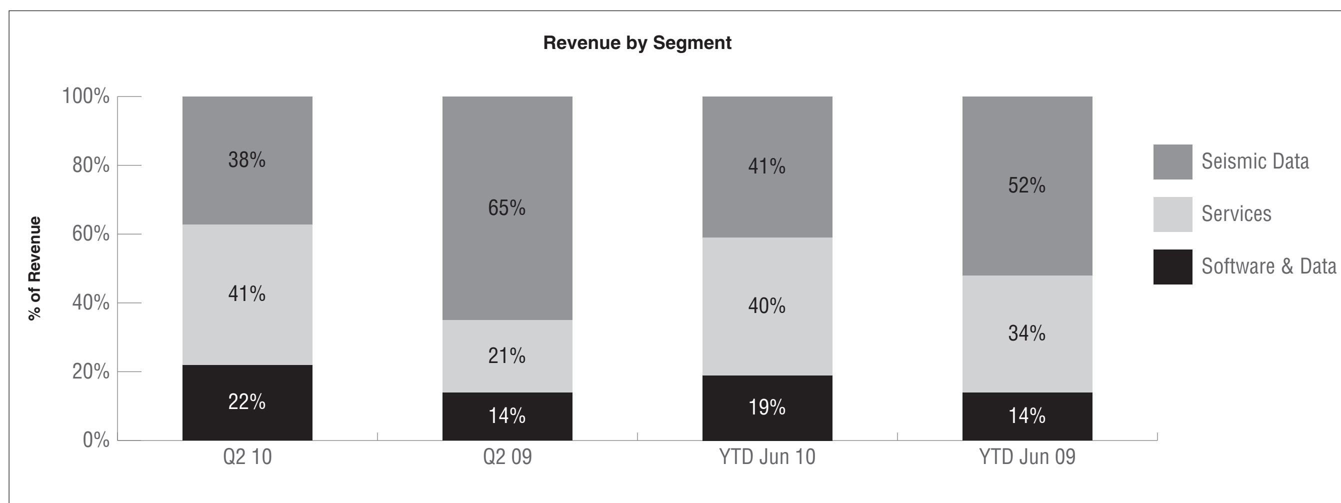
	2010				2009			2008
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	$10,648	$13,741	$10,268	$13,411	$19,532	$18,765	$ 28,404	$18,334
EBITDA[1]	2,389	5,239	122	5,903	10,683	8,152	16,046	6,128
Operating Income (Loss)[1]	(5,991)	(4,566)	(8,714)	(2,740)	1,818	(4,250)	(12,106)	(2,016)
Net Income (Loss)	(4,577)	(3,043)	(7,291)	(1,245)	1,558	781	(10,277)	(2,381)
Per Share – Basic	(0.11)	(0.07)	(0.17)	(0.03)	0.04	0.02	(0.25)	(0.06)
Per Share – Diluted	(0.11)	(0.07)	(0.17)	(0.03)	0.04	0.02	(0.25)	(0.06)
Funds from Operations[1]	1,970	3,143	(47)	9,984	6,719	7,427	14,905	4,894
Per Share – Basic	0.05	0.07	0.00	0.24	0.16	0.18	0.36	0.12
Per Share – Diluted	0.05	0.07	0.00	0.24	0.16	0.18	0.36	0.12

[1] See the Non-GAAP Measures section.

The trend illustrated in the table above is a result of unanticipated negative regional and global market conditions including a worldwide economic recession, depressed equity and credit markets, low natural gas and crude oil prices and the impact of the Alberta Royalty Review. Generally the Company's busiest quarters are the first and fourth, when significant drilling and exploration activities are normally underway in North America.

Results of Operations by Segment

Financial Summary by Segment



(Thousands)

	FOR THE THREE MONTHS ENDED JUNE 30, 2010				
	Software & Data	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue	$2,305	$4,336	$ 4,007	$ –	$10,648
EBITDA(1)	903	493	3,278	(2,285)	2,389
Interest (Net of Interest Revenue)	–	–	–	523	523
Depreciation and Amortization	694	374	6,614	175	7,857
Operating Income (Loss)(1)	209	119	(3,336)	(2,983)	(5,991)

(Thousands)

	FOR THE THREE MONTHS ENDED JUNE 30, 2009				
	Software & Data	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue	$2,656	$ 4,109	$12,767	$ –	$19,532
EBITDA(1)	1,120	(527)	12,031	(1,941)	10,683
Interest (Net of Interest Revenue)	11	–	(17)	897	891
Depreciation and Amortization	488	692	6,298	496	7,974
Operating Income (Loss)(1)	621	(1,219)	5,750	(3,334)	1,818

(Thousands)

FOR THE SIX MONTHS ENDED JUNE 30, 2010	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$4,724	$9,829	$ 9,835	$ –	$ 24,388
EBITDA[1]	1,829	1,864	7,977	(4,041)	7,629
Interest (Net of Interest Revenue)	–	–	–	1,092	1,092
Depreciation and Amortization	1,428	903	14,291	472	17,094
Operating Income (Loss)[1]	401	961	(6,314)	(5,605)	(10,557)

(Thousands)

FOR THE SIX MONTHS ENDED JUNE 30, 2009	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$5,521	$13,038	$19,738	$ –	$38,297
EBITDA[1]	2,130	2,288	18,429	(4,012)	18,835
Interest (Net of Interest Revenue)	11	(1)	19	1,763	1,792
Depreciation and Amortization	1,041	1,539	15,945	950	19,475
Operating Income (Loss)[1]	1,078	750	2,465	(6,725)	(2,432)

(1) See the Non-GAAP Measures section.

Software and Data

(Thousands)

	THREE MONTHS ENDED JUN 30				SIX MONTHS ENDED JUN 30			
	2010	**2009**	**$ Change**	**% Change**	**2010**	**2009**	**$ Change**	**% Change**
Revenue	$2,305	$2,656	$(351)	-13%	$4,724	$5,521	$(797)	-14%
EBITDA[(1)]	903	1,120	(217)	-19%	1,829	2,130	(301)	-14%
Interest (Net of Interest Revenue)	–	11	(11)	-100%	–	11	(11)	-100%
Depreciation and Amortization	694	488	206	42%	1,428	1,041	387	37%
Operating Income (Loss)[(1)]	209	621	(412)	-66%	401	1,078	(677)	-63%

(1) See the Non-GAAP Measures section.

Q2 2010 Versus Q2 2009

In the second quarter of 2010, Software recorded operating income of $209,000, compared with operating income of $621,000 in the second quarter of 2009.

The decrease in revenue of $351,000 (13%) is due to the decline in software development and log data revenue. Software development revenue was down across many product lines. Client rationalization in 2009 impacted Q2 2010. The negative impact of 2009 is likely to decline over the remaining 6 months of the year, reasserting a more level revenue model for the Segment, particularly on the software side.

Revenues are also highly impacted by a sharp decrease in one-time development consulting activities that were ongoing throughout 2009. In general, we continue to see low levels of activities in many of the Segment’s service offering areas.

Within the Data divisions of the Segment, Log Digitizing and Scanning activities continue to be extremely weak compared to 2009 levels. This weakness began in the latter half of 2009, so year over year comparisons moving forward are likely to be less extreme. On a positive note, our customer list has changed little over the last 12 months; only their activity levels have decreased. We will continue to focus on business development in anticipation of greater client need as gas prices improve.

The $217,000 (19%) decrease in EBITDA was mainly attributable to the decrease in revenue. Salaries and benefits decreased by 10% compared to Q2 2009. General and administrative (G&A) expenses were down by $127,000 (33%) due to cost-cutting measures, as well as reduced requirements for external consultants. Amortization of deferred development costs increased by 42% due to the completion of some major projects in late 2009.

Six Months Ended June 30, 2010 Versus Six Months Ended June 30, 2009

In the first six months of 2010, Software recorded operating income of $401,000, compared with operating income of $1.1 million in the first six months of 2009.

The decrease in revenue of $797,000 (14%) is largely due to the effects of customer software rationalization activities in 2009, lower on-going development consulting work and weak activity levels in several key data services areas.

The $301,000 (14%) decrease in EBITDA was mainly attributable to the decrease in revenue offset by a decrease in salaries and benefits of $220,000 (9%) due to austerity measures that were implemented on April 1, 2009 (salary roll-back was reversed on January 1, 2010) as compared to Q2 2009. General and administrative (G&A) expenses were down by $277,000 (34%) due to cost-cutting measures, as well as reduced requirements for external consultants. Amortization of deferred development costs increased by 37% due to the completion of some major projects in late 2009.

Outlook

2010 continues to be a challenging year for Software and Data sales. Mergers and industry contraction has greatly impacted the junior E&P sector as well as oil and gas service companies. Divestco's software, data and related services areas have typically catered to these segments of the market. However, we continue to work towards our release of several new offerings in Q3 2010 which will target these historically critical customers and an expanded audience of medium and major E&P companies. The products are related to the GeoCarta family of software and data tools including further evolution of our GIS based system, the introduction of a complimentary desktop based mapping tool, and the integration of Divestco's high quality oil and gas data sets (wells, land and grid).

As well, Divestco continues to refocus on its Geophysical WinPICS product. Improvements to our current product are focused on large project support and network access tuning, while in parallel we continue to develop a complimentary framework for further expansion of our Geophysical domain.

As our software evolves, so does our data. Over the last quarter, focused development has been levelled against the delivery of our data into our GeoCarta Product suite. As well, we continue to develop our PPDM core repository, and have recently released our key Reference Well data set for commercial sale.

Services

(Thousands)

	THREE MONTHS ENDED JUN 30				SIX MONTHS ENDED JUN 30			
	2010	2009	$ Change	% Change	2010	2009	$ Change	% Change
Revenue	$4,336	$ 4,109	$ 227	6%	$9,829	$13,038	$(3,209)	-25%
EBITDA[1]	493	(527)	1,020	N/A	1,864	2,288	(424)	-19%
Interest (Net of Interest Revenue)	–	–	–	N/A	–	(1)	1	N/A
Depreciation and Amortization	374	692	(318)	-46%	903	1,539	(636)	-41%
Operating Income (Loss)[1]	119	(1,219)	1,338	N/A	961	750	211	28%

(1) See the Non-GAAP Measures section.

Q2 2010 Versus Q2 2009

In the second quarter of 2010, Services recorded operating income of $119,000, compared to an operating loss of $1.2 million in the second quarter of 2009.

Geomatics revenue increased $162,000 (18%) in Q2 2010 over Q2 2009 due to the market beginning to recover from the economic downturn. Processing revenue increased by $464,000 (33%) even during conditions of low natural gas prices due to optimism in the market and the benefits of a strong sales campaign. Land management services revenue was down $161,000 (11%) due to some large sales in Q2 2009.

In addition to increases in revenue, salaries and benefits decreased by $439,000 (14%) due to staff and temporary salary reductions some of which were reversed on January 1, 2010. Careful management of expenses decreased G&A expenses by $354,000 (22%). The decrease in amortization was the result of the segment's intangible assets being fully amortized by the end of 2009.

Six Months Ended June 30, 2010 Versus Six Months Ended June 30, 2009

In the first six months of 2010, Services recorded operating income of $961,000, compared with operating income of $750,000 in the first six months of 2009.

Geomatics revenue decreased $159,000 (6%) in the first six months of 2010 over the same period in 2009 due to the effect of the economic downturn in early 2010 and despite cautious optimism in Q2 2010. Processing revenue decreased by $1.5 million (26%) mainly due to low natural gas prices and continued economic uncertainty which restricted clients' budgets. Archive and technical records revenue was down $681,000 due to the sale of the divisions at the end of Q1 2009. Business consulting revenue was down $332,000 (43%) as the enterprise resource planning practice customers continued their freeze on capital expenditures in light of the economic uncertainty and the division was sold on March 4, 2010. Land management services revenue was up $59,000 (2%) due to an increase in land acquisition activity as a result of the changes to the Alberta Royalty regime and stronger oil prices.

Offsetting the decline in revenue, salaries and benefits decreased $2 million (27%) due to staff and temporary salary reductions (some of which were reversed on January 1, 2010) and the disposition of the Archive and Technical Records divisions at the end of Q1 2009. Reductions in consulting expenses and the sale of the Archive and Technical Records divisions and careful management of expenses

decreased G&A expenses by $776,000 (23%). The decrease in amortization was the result of the segment's intangible assets being fully amortized by the end of 2009.

Outlook

Seismic processing work levels have been steady throughout 2010 as revenue from international projects continues to bolster weak domestic activity. One positive emerging trend is that historical customers who were inactive during the downturn are now returning, albeit with modest work levels. Looking forward, the expectation is a slow but steady increase in work levels until the end of the year, interrupted by the usual summer seasonal slowdown. Reduced costs, especially in terms of salary, have placed the Processing division in a stable position relative to market conditions, and poised to take advantage when seismic processing levels return to historically higher levels.

Geomatics experienced stronger results in Q2 2010 compared to Q2 2009. Q2 is typically a softer quarter due to spring breakup when customers are busy evaluating their winter work. However, results are not expected to return to pre-2009 levels as the overall economic environment has not yet returned to these levels. Dominion land survey (DLS) and consulting activity continues with a major client that is expected to go through Q4 2010. An additional NAD 83 project began in early Q3 2010 with a third project expected to commence late Q3 or early Q4 2010.

For Divestco's Land Management Services division (Cavalier Land), sales volumes are expected to rise due to a few key factors. First, the rise and stability of oil and gas prices is expected to lead to increased exploration and production among many clients. Second, the hiring of a professional account representative in January 2010 led to the addition of 13 new clients and is expected to continue to rise as the individual gains traction in the market. Third, Cavalier has begun to expand into other markets, including the telecommunications and environmental assessments. These two markets are expected to bring new clients, increased revenue, and diversification from potential oil and gas risk. Finally, a significant contract with a major utility supplier signed in 2009 is leading to increased field agent work across Alberta. On the expense side, the division continues monitor labour and G&A costs very closely. This will continue throughout the year.

Divestco's Consulting segment (Land Management Services and Business Consulting) was consolidated into the Services segment effective January 1, 2010. This reorganization will better position the Land Management division with the Company's other oil and gas focused service offerings. As previously announced, Divestco is pursing a more focused strategy and as such the Business Consulting division was divested in March 2010.

Seismic Data

(Thousands)

	THREE MONTHS ENDED JUN 30				SIX MONTHS ENDED JUN 30			
	2010	**2009**	**$ Change**	**% Change**	**2010**	**2009**	**$ Change**	**% Change**
Revenue	$ 4,007	$12,767	$(8,760)	-69%	$ 9,835	$19,738	$ (9,903)	-50%
EBITDA[1]	3,278	12,031	(8,753)	-73%	7,977	18,429	(10,452)	-57%
Interest (Net of Interest Revenue)	–	(17)	17	N/A	–	19	(19)	-100%
Depreciation and Amortization	6,614	6,298	316	5%	14,291	15,945	(1,654)	-10%
Operating Income (Loss)[1]	(3,336)	5,750	(9,086)	N/A	(6,314)	2,465	(8,779)	N/A

(1) See the Non-GAAP Measures section.

SEISMIC DATA LIBRARY

	BALANCE AS AT		
	Jun 30, 2010	**Dec 31, 2009**	**Dec 31, 2008**
2D in Gross KM	103,938	103,848	103,848
2D in Net KM	82,892	82,802	82,802
3D in Gross KM^2	16,505	16,319	15,961
3D in Net KM^2	15,308	15,122	14,764

Q2 2010 Versus Q2 2009

In the second quarter of 2010, Seismic Data recorded an operating loss of $3.3 million, compared with operating income of $5.8 million in the second quarter of 2009. Total seismic revenue in Q2 2010 was $3.4 million compared to $12.6 million in Q2 2009. Seismic revenue includes seismic data library sales and participation survey revenue. Brokerage revenue was $628,000 in Q2 2010 compared to $160,000 in Q2 2009.

Seismic data library sales were $3.4 million in Q2 2010 compared to $12.6 million in Q2 2009, a decrease of $9.2 million (73%). There was no participation survey revenue in Q2 2010 or in Q2 2009. The increase in brokerage revenue of $468,000 (293%) was due in part to the addition of four seismic brokers in 2009.

Salaries and benefits decreased marginally by $8,000 (2%) due to some of the 2009 austerity measures that remained in place. G&A expenses increased slightly by $5,000 (1%) due to higher commissions associated with higher brokerage revenue, a general provision for doubtful accounts and third party archive costs as the Company sold its archive division and therefore had to outsource this service. Amortization of data libraries increased by $316,000 (5%) due the straight-line portion of amortization commencing in 2010 on a participation survey that was completed in 2009. Amortization of intangibles decreased by $258,000 (100%) as these assets were fully amortized at the end of 2009.

Six Months Ended June 30, 2010 Versus Six Months Ended June 30, 2009

In the first six months of 2010, Seismic Data recorded an operating loss of $6.3 million, compared with operating income of $2.5 million in the first six months of 2009. Total seismic revenue in the first six months of 2010 was $8.5 million compared to $19.3 million in the first six months of 2009. Seismic revenue includes seismic data library sales and participation survey revenue. Brokerage revenue was $1.3 million in the first six months of 2010 compared to $0.4 million in the first six months of 2009.

Seismic data library sales were $6.5 million for the six months ended June 30, 2010 compared to $13.6 million for the same the period of 2009, a decrease of $7.1 million (52%). The decrease in seismic library revenue was due to a large one-time sale that was recognized in 2009.

Participation survey revenue was $2 million for the first six months of 2010 compared to $5.7 million for the same period of 2009, a decrease of $3.7 million (66%). A smaller survey was shot in 2010 compared to the survey that was shot in 2009; demand for new data was down as clients did not have the budget funds available to participate in any new programs.

The increase in brokerage revenue of $0.9 million (228%) was due in part to the addition of four seismic brokers in 2009, changes to the Alberta royalty regime and strengthening commodity prices.

Salaries and benefits increased by $36,000 (5%) due to higher commissions related to the increase in data library revenue offset by some of the 2009 austerity measures that remained in place. G&A expenses increased by $516,000 (83%) due to higher commissions associated with higher brokerage revenue, a general provision for doubtful accounts and third party archive costs as the Company sold its archive division and therefore had to outsource this service. Amortization of data libraries decreased by $1.7 million (10%) due to a decrease in the amount of new seismic data acquired while amortization of intangibles decreased by $0.8 million as these assets were fully amortized at the end of 2009.

Outlook

On, July 5, 2010, the Company announced that it has entered into a binding letter of intent (LOI) to divest of its entire 2D and 3D seismic data library to Pulse. The purchase price was $50 million cash plus 14,285,000 Pulse common shares. On July 14, 2010, Pulse and Divestco announced an amendment to the LOI whereby the cash portion of the purchase price increased by $5.7 million and the benefit of certain pending seismic data transactions that were previously to be retained wholly by Divestco, were reallocated between Pulse and Divestco. The effective date of the transaction is July 1, 2010. The cash portion will be financed by a combination of available advances under Pulse's syndicated acquisition credit facility and cash on hand. The Pulse common shares will be distributed by Divestco to its shareholders. The accounting loss on the transaction is estimated to be $50 million based on the closing price of Pulse's shares on July 14, 2010 ($1.34) and including estimated transactions costs. On August 16, 2010 Divestco and Pulse announced the signing of a formal Acquisition Agreement.

Divestco has relentlessly focused its efforts to improve its balance sheet since the fall of 2008. Not only does the proposed Pulse transaction eliminate Divestco's debt and return the Company working capital to a positive position, it also provides the Company's shareholders the opportunity to participate in the combined upside of one of the largest and most successful seismic data libraries in Western Canada. Furthermore, a recapitalized Divestco allows our shareholders to take part in a well focused software and service company going forward.

Corporate and Other

(Thousands)

	THREE MONTHS ENDED JUN 30				SIX MONTHS ENDED JUN 30			
	2010	2009	$ Change	% Change	2010	2009	$ Change	% Change
Revenue	$ –	$ –	$ –	N/A	$ –	$ –	$ –	N/A
EBITDA[1]	(2,285)	(1,941)	(344)	N/A	(4,041)	(4,012)	(29)	N/A
Interest (Net of Interest Revenue)	523	897	(374)	-42%	1,092	1,763	(671)	-38%
Depreciation and Amortization	175	496	(321)	-65%	472	950	(478)	-50%
Operating Income (Loss)[1]	(2,983)	(3,334)	351	N/A	(5,605)	(6,725)	1,120	N/A

(1) See the Non-GAAP Measures section.

Q2 2010 Versus Q2 2009

Salaries and benefits increased by $19,000 (3%) as a result of salary roll-backs that were reversed on January 1, 2010. G&A expenses increased by $321,000 (27%) mainly due to a increase in occupancy costs as Divestco's new building lease commenced on May 1, 2010 (landlord deferred May to August payments) offset by a decrease in bad debts and professional fees expenses. Interest expense was down by $374,000 (42%) due to a reduction of overall debt levels and lower effective interest rates. Amortization decreased by $320,000 (65%) due to a reduction in overall capital spending.

Six Months Ended June 30, 2009 Versus Six Months Ended June 30, 2008

Salaries and benefits decreased $208,000 (12%) as a result of permanent staff cuts, the Company's temporary wage reduction programs and hiring freeze which commenced on April 1, 2009 and remained in place until Q1 2010 except for salary roll-backs that were reversed on January 1, 2010. G&A expenses increased by $234,000 (10%) mainly due to a increase in occupancy costs as the Divestco's new building lease commenced on May 1, 2010 (landlord deferred May to August payments) offset by an decrease in bad debts, stock based compensation and professional fees expenses. Interest expense was down by $671,000 (38%) due to a reduction of overall debt levels and lower effective interest rates. Amortization decreased by $478,000 (50%) due to a reduction in overall capital spending.

Outlook

The Company continues to look for ways to reduce costs and appropriately manage corporate overhead.

Depreciation and Amortization

(Thousands)

	THREE MONTHS ENDED JUN 30				SIX MONTHS ENDED JUN 30			
	2010	**2009**	**$ Change**	**% Change**	**2010**	**2009**	**$ Change**	**% Change**
Depreciation and Amortization	$7,857	$7,974	$(117)	-1%	$17,094	$19,475	$(2,381)	-12%

In the second quarter of 2010, depreciation and amortization was $7.9 million, compared with $8 million depreciation and amortization in the second quarter of 2009, a decrease of $117,000 (1%). Amortization of deferred development costs increased by $153,000 (39%) due to the completion of some large projects in 2009. Data libraries increased by $548,000 (9%) due to the straight-line portion of amortization commencing in 2010 on participation survey completed in 2009. Amortization of data property and equipment (PP&E) and intangibles was down by $818,000 (57%). For PP&E, overall capital expenditures were down due to reductions in spending. With the exception of software code, the Company's remaining intangibles were fully amortized by the end of 2009.

In the first six months of 2010, depreciation and amortization was $17.1 million, compared with $19.5 million in depreciation and amortization in the first six months of 2009, a decrease of $2.4 million (12%). Amortization of deferred development costs increased $279,000 (33%) due to some large projects that were completed in 2009 while amortization of data libraries, property and equipment (PP&E) and intangibles decreased $2.7 million (14%). The decrease in data libraries was due to a smaller participation program completed in Q1 2010 compared to Q1 2009 and less existing data was purchased(1). For PP&E, overall capital expenditures were down. With the exception of software code, the Company's remaining intangibles were fully amortized by the end of 2009.

(1) Participation surveys are amortized at a rate of 40% on the date of delivery and 10% each year thereafter, commencing a year after the date of delivery.

Income Taxes

(Thousands)

	THREE MONTHS ENDED JUN 30				SIX MONTHS ENDED JUN 30			
	2010	**2009**	**$ Change**	**% Change**	**2010**	**2009**	**$ Change**	**% Change**
Current	(48)	21	(69)	N/A	(79)	163	(242)	N/A
Future (Reduction)	(1,352)	213	(1,565)	N/A	(2,764)	(510)	(2,254)	N/A
Income Taxes (Reduction)	$(1,400)	$234	$(1,634)	N/A	$(2,843)	$(347)	$(2,496)	N/A

In the second quarter of 2010, the Company recorded a current tax recovery of $48,000 and a future tax reduction of $1.4 million.

In the first six months of 2010, the Company recorded a current tax recovery of $79,000 and a future tax reduction of $2.8 million mainly due to additional non-capital loss carry-forwards that were generated and tax rate changes.

As at June 30, 2010, Divestco and its Canadian subsidiaries had $2.9 million in undepreciated capital cost pools, $53.8 million in Federal and $36.3 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 had $1 million in federal scientific research and experimental development investment tax credits to reduce taxes payable in the future which expire in 2029.

Major Transactions

Seismic Related

In Q2 2010, Divestco acquired 48 km of 2D and 28 km^2 of existing 3D seismic by way of a data exchange whereby the Company sold $100,000 of seismic data licenses and related services in exchange for $25,000 in cash and $75,000 of seismic data.

In the first six months of 2010, Divestco completed a 3D seismic participation survey for $2.6 million covering an approximate area of 41 km^2 and acquired 90 km of 2D and 145 km^2 of existing 3D seismic for $1.8 million. Except for $82,000, the existing data was acquired by way of a data exchange whereby the Company sold $2.5 million of seismic data licenses and related services in exchange for the seismic data.

The Company has announced the sale of its entire 2D and 3D seismic data library to Pulse for $55.7 million in cash and 14,285,000 shares of Pulse. The transaction is still subject to certain conditions, including approval by the shareholders of Pulse and Divestco as well as stock exchange and regulatory approvals. The transaction is expected to close in September 2010. The accounting loss on the transaction is estimated to be $50 million, including estimated transactions costs.

Liquidity And Capital Resources

SUMMARY OF FINANCIAL POSITION

(Thousands, except as otherwise indicated)

		BALANCE AS AT	
	Jun 30, 2010	**Dec 31, 2009**	**Dec 31, 2008**
Current Assets	$ 15,635	$ 21,151	$ 32,120
Current Liabilities(1)	42,334	27,401	41,857
Working Capital (Deficiency)	(26,699)	(6,250)	(9,737)
Funded Debt(2)	26,715	30,504	48,085
Shareholders' Equity	98,895	106,350	111,973
Funded Debt to Equity(3) – %	27%	29%	43%

(1) Excludes deferred revenue
(2) Current and long-term portion of debt obligations
(3) Funded debt divided by shareholders' equity

Working Capital

Divestco's working capital deficit at the end of June 2010, excluding deferred revenue of $2.6 million was $26.7 million, compared to a deficit of $6.3 million at the end of 2009, excluding deferred revenue of $5.5 million. The $20.4 million increase in working capital deficit (net of deferred revenue) was mainly due to the reclassification of $14.4 million of long-term debt to current due to violation of the Company's EBITDA covenant (a waiver was not obtained as the Company expects to repay the debt in full before end of 2010 with the proceeds from sale of its entire seismic library). The additional $6 million working capital deficit is due to the decrease in funds from operations; there was less cash available to reduce payables. Total debt was reduced by $3.9 million (current and long-term portions) in the first six months of 2010. In addition, the Company has focused on collection of its receivables, especially those that are greater than 90 days old. The Company records an allowance for doubtful accounts of 20% of balances over 120 days old. There are two large balances totalling approximately $6.3 million which are more than a year old. Management is exploring all available options to resolve these balances in a timely manner.

To mitigate further economic pressure the Company remains committed to limiting capital expenditures unless they are well funded (mainly seismic participation surveys) and implemented further cost-cutting measures to reduce aggregate labour costs. In addition to funds from operations, the Company continues to explore the possibility of disposing of certain assets (which could result in an accounting gain or loss). In July 2010, the Company announced its intent to sell its entire 2D and 3D seismic data library. If the divestiture of the 2D and 3D data library is successful, Divestco will restore its working capital to a positive position and eliminate its bank debt.

A significant factor contributing to the working capital deficit at the end of June 2010 is the Company's current debt repayment schedule. As depicted in the summary below, the Company is scheduled to reduce its funded debt by $7.1 million in fiscal 2010 (net of advances). Components of Divestco's working capital deficit related to funded debt include:

- $7.9 million of scheduled committed term loan payments
- $0.5 million in unsecured promissory notes and the current portion of capital leases.

Divestco's debt summary for fiscal 2010:

	BALANCE AS AT JANUARY 1, 2010	PAYMENTS (NET OF ADVANCES)	BALANCE AS AT JUNE 30, 2010	EXPECTED PAYMENTS	FORECASTED BALANCE AS AT DECEMBER 31, 2010
Term Loans	10,786	(2,848)	7,938	(7,938)	–
Committed Revolver	15,759	(1,018)	14,741	(14,741)	–
Promissory Notes	67	–	67	(67)	–
Capital Leases	718	(26)	692	(262)	430
	27,330	(3,892)	23,438	(23,008)	430

Commitment

On May 1, 2010, the Company's lease for its new premises commenced. The lease term is 15 years. The monthly commitment is approximately $692,000 including operating costs for the first year. The annual square foot rate increases in years 3, 6, 9, 11 and 14. The landlord agreed to defer the payment of the monthly rent (excluding operating costs) until August 1, 2010 due to a delay by the Company in building out the floors it will occupy. In conjunction with the announced seismic divestiture, the Company is currently finalizing an agreement with its landlord to extend the rent payment deferral to October 1, 2010. A significant portion of the Company's current leases expire by December 31, 2010. Below is a summary of the new building lease commitment:

2010 (8 months)	$ 5,339
2011 (12 months)	8,581
2012 (12 months)	9,479
2013 (12 months)	9,808
2014 +	118,867
Total	$152,274

Selected Cash Flow Items

(Thousands)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	2009	2010	2009
Operating Activities				
Funds from operations[1]	$ 1,970	$ 6,719	$ 5,114	$ 14,147
Non-Cash Working Capital Change (Current and Long-Term Portions)	2,656	5,186	3,316	1,594
Cash Flows From Operating Activities	4,626	11,905	8,430	15,741
Financing Activities				
Long-Term Debt Obligations	(3,293)	(5,131)	(4,149)	(11,601)
Other – Net	–	(75)	–	(75)
Cash Flows From (Used in) Financing Activities	(3,293)	(5,206)	(4,149)	(11,676)
Investing Activities				
Acquisition of Data Libraries	(22)	1,732	(2,647)	(7,132)
Surveys in Progress	(52)	(1)	1,981	4,500
Additions to Property, Plant and Equipment	(54)	(1,310)	(442)	(1,372)
Other – Net	(1,670)	(6,512)	(2,863)	(772)
Cash Flows From (Used in) Investing Activities	(1,798)	(6,091)	(3,971)	(4,776)
Foreign Exchange Gain on Cash Held in a Foreign Currency	–	1	–	1
Change in Cash	$ (465)	$ 609	$ 310	$ (710)

(1) See the Non-GAAP Measures section.

Operating Activities

In the Q2 2010, funds from operations were $2 million (5 cents/share (basic and diluted)), compared with $6.7 million (16 cents/share (basic and diluted)) in Q2 2009. The $8.9 million (45%) decrease in revenue was primarily due to the drop in services and seismic data revenue as clients did not have budgeted funds available for their winter exploration programs as they would have normally had in prior years. The $0.6 million (7%) decrease in operating expenses resulted from the cost reduction strategies which remained in place from 2009.

In the first six months of 2010, funds from operations were $5.1 million (12 cents/share (basic and diluted)), compared with $14.1 million (34 cents/share (basic and diluted)) in the first six months of 2009. The $14 million (36%) decrease in revenue was primarily due to the drop in services and seismic data revenue as clients did not have budgeted funds available for their winter exploration programs as they would have normally had in prior years. The $2.7 million (14%) decrease in operating expenses resulted from the cost reduction strategies which remained in place from 2009 (except for salary roll-backs that were reversed on January 1, 2010).

Financing Activities

At the end of Q2 2010, the Company's term and committed revolving credit facilities totalled $22.7 million. $6.3 million and $1.7 million were outstanding on term loans A and B, respectively, while $14.7 million was outstanding on the committed revolver.

Due to aggressive debt repayments in 2009 imposed by Divestco's lenders, the Company negotiated an amendment in March 2010 to its debt covenants and agreed to postpone $3.5 million in scheduled step-downs until April 1, 2011. Effective January 1, 2010, the Company's interest rate was set at LIBOR and Canadian base-rate options plus 5.00% increasing to 6.00% as at August 1, 2010, 6.25% as at July 1, 2011, 6.5% as at October 1, 2011, 6.75% as at January 1, 2012 and 7% as at April 1, 2012 to maturity.

The Company's minimum cash EBITDA* covenant was amended to approximately:

- $8.1 million as at June 30, 2010 (measured on a trailing 6-month basis)
- $10.3 million as at September 30, 2010 (measured on a trailing 9-month basis)
- $17.1 million as at December 31, 2010 (measured on a trailing 12-month basis)
- $17.1 million thereafter (measured on a trailing 12-month basis)

* Cash EBITDA is EBITDA less seismic participation revenue.

The Company's fixed charge coverage covenant was amended whereby the ratio must be least:

- 1.25:1 as at June 30, 2010 (measured on a trailing 6-month basis)
- 1.10:1 as at September 30, 2010 (measured on a trailing 9-month basis)
- 1.25:1 as at December 31, 2010 (measured on a trailing 12-month basis)
- 1.25:1 thereafter (measured on a trailing 12-month basis)

The remaining terms remained substantially unchanged.

As at June 30, 2010, the Company was in violation of its cash EBITDA covenant. The Company did not obtain a covenant waiver from its lender as the Company plans to fully repay its bank debt with proceeds from the pending sale of its data library. The Company and lender are finalizing an agreement to suspend amortization payments on the term loans with no demand repayment assurances prior to the asset divestiture closing.

Divestco is in continuous negotiations with its lender to ensure that the Company's credit facilities combined with its 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 and evaluates all material capital expenditures before commencement to ensure they meet appropriate funding levels. The Company has also announced its intent to sell its entire 2D and 3D seismic data library to restore working capital and eliminate bank debt. Divestco may also consider disposing of other non-core assets (which could result in accounting gain or loss).

Investing Activities

During Q2 2010, the Company acquired $54,000 of property, plant and equipment (excluding $47,000 in computer equipment acquired under capital lease). In addition, the Company acquired 48 km of 2D and 28 km^2 of existing 3D seismic by way of a data exchange whereby the Company sold $100,000 of seismic data licenses and related services in exchange for $25,000 in cash and $75,000 of seismic data.

During the first six months of 2010, the Company acquired $442,000 of property, plant and equipment (excluding $256,000 in computer equipment acquired under capital lease). In addition, the Company completed a 3D seismic participation survey for $2.6 million covering an approximate area of 41 km^2 and acquired 42 km of 2D and 145 km^2 of existing 3D seismic for $1.7 million. Except for $47,000, the existing data was acquired by way of a data exchange.

In the first six months of 2010, Divestco completed a 3D seismic participation survey for $2.6 million covering an approximate area of 41 km^2 and acquired 90 km of 2D and 145 km^2 of existing 3D seismic for $1.8 million. Except for $82,000, the existing data was acquired by way of a data exchange whereby the Company sold $2.5 million of seismic data licenses and related services in exchange for the seismic data.

Outstanding Share Data

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

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

(Thousands)

	BALANCE AS AT		
	Aug 16, 2010	**Jun, 2010**	**Dec 31, 2009**
Common Shares			
Outstanding	41,958	41,958	41,958
Weighted Average Outstanding			
Basic		41,958	41,958
Diluted[1]		41,958	41,958
Stock Options			
Outstanding	2,467	2,416	2,137
Exercise Price Range	$0.60 to $6.10	$0.60 to $6.10	$0.60 to $6.10

(1) In calculating diluted weighted average outstanding shares, conversion or exercise of equity instruments is assumed only if the effect is dilutive. For the six months ended June 30, 2010, options to purchase 2,416,000 common shares have been excluded from the calculation of diluted weighted average outstanding shares as they were anti-dilutive.

Stock Options

As at June 30, 2010, there were 4,196,000 common shares reserved for grants of stock options.

During the six months ended June 30, 2010:

- 555,000 options were granted with an exercise price of $0.68
- 276,000 options were forfeited with exercise prices ranging from $0.68 to $4.70

From July 1, 2010 to August 16, 2010:

- 9,000 options were forfeited with exercise prices ranging from $1.69 to $6.00
- 60,000 options were granted to a Director with an exercise price of $0.78

Related Party Transactions

Divestco had the following related party transactions for the six months ended June 30, 2010:

- $88,000 (2009 – $100,000) was earned in consulting fees and brokerage commissions by a company controlled by a Director for providing seismic data consulting and seismic brokerage services.
- $89,000 (2009 – $232,000) was earned in legal fees by the law firm that provides the Company general legal counsel and employs the Company's Corporate Secretary.

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

Critical Accounting Estimates

Seismic Data Libraries

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

Stock-Based Compensation

The fair value of share options granted in February 2010 were estimated using the Black-Scholes option pricing model, with the following assumptions: an average expected volatility of 91%, an average risk-free interest rate of 2.2%, and an expected life of five years. The value of the stock options is recognized as a compensation expense over the three-year vesting period.

New Accounting Pronouncements

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

As of January 1, 2011, the Company will be required to adopt the following new Canadian accounting standards for:

Business combinations, which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard will impact the accounting treatment of future business combinations.

Consolidated financial statements, together with the new rules on non-controlling interests, replace the former consolidated financial statements standard. This standard establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard should not have a material impact on Divestco's consolidated financial statements.

Non-controlling interests, which establishes the accounting for a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should not have a material impact on Divestco's consolidated financial statements.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) has confirmed that accounting standards in Canada will converge with IFRS. Entities will be required to adopt IFRS effective January 1, 2011 with a restatement of the comparative periods for 2010 including an opening balance sheet as at January 1, 2010. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies and increased note disclosures which must be addressed.

The International Accounting Standards Board (IASB) has a number on ongoing projects that may result in changes to IFRS prior to the Company's conversion in 2011. IFRS developments will be monitored throughout the Company's changeover project and may result in changes to the project activities.

The Company has commenced the process to transition from current Canadian GAAP to IFRS. It has established a project plan and a project team. The project team is led by finance and includes representatives from operations to plan for and achieve an efficient transition to IFRS. The project plan consists of three phases: initiation, detailed assessment and design, and implementation. The Company has completed the first phase, initiation, which involved the development of a detailed timeline for assessing resources and training and the completion of a high level review of the major differences between current Canadian GAAP and IFRS. Education and training sessions for employees within finance and accounting and discussions with the Company's external auditors have commenced and will continue throughout the subsequent phases. Regular reporting is provided to the Company's senior executive management and to the Audit Committee.

The Company's detailed assessment and design phase of the project was expected to be completed by June 30, 2010. In addition, an initial evaluation of IFRS 1, First-time Adoption of IFRS, transition exemptions and the analysis of financial systems was also expected to be completed by June 30, 2010. The detailed assessment and design phase involves establishing work teams to complete a comprehensive analysis of the impact of the IFRS differences identified in the initial scoping assessment. Although not completed by June 30, 2010, significant progress has been made on this front and the Company expects to complete this phase by the end of September 2010 and the implementation phase by the end of December 2010.

During the last phase, implementation, the Company will execute the required changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting. The implementation phase will continue through 2010.

On a qualitative basis, the Company has identified the key areas where changes are anticipated as follows:

IFRS 1 – First-time Adoption of IFRS

IFRS 1 generally requires that an entity apply all IFRS standards effective at the end of its first IFRS reporting period retrospectively, with specific mandatory exemptions, and a limited number of optional exemptions. A preliminary assessment of the available exemptions has been completed. The Company intends to finalize this assessment and disclose the options selected once its IFRS opening balance sheet has been audited which is scheduled for Q3 2010. Quantifiable information, if any, about the impact of IFRS on key line items should be available at that time.

International Accounting Standard (IAS) 36 – Impairment of Assets

This standard deals with the impairment of a variety of non-financial assets, including property, plant and equipment, intangible assets and goodwill. The standard contains a single comprehensive impairment standard under which assets are tested for impairment either individually or within cash-generating units (CGUs), the smallest group of assets that generates cash inflows from continuing use that largely are independent of the cash inflows of other assets or groups thereof. This Standard ensures that assets are carried at no more than their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is the discounted present value of the future cash flows expected to arise.

Under this standard, all assets are to be reviewed at each balance sheet date to look for any indication of impairment, based on a list of external and internal indicators of impairment. This standard may result in more frequent write-downs in the carrying value of assets as the carrying values that were previously supported under Canadian GAAP, based on undiscounted cash flows, may not be supportable under the discounted cash flows basis. However, under this standard reversal of impairment is allowed.

The Company will be assessing the impairment charges made prior to January 1, 2010 to assess if they are required to be reversed. The Company intends to finalize this assessment once its IFRS opening balance sheet has been audited which is planned for Q3 2010.

International Financial Reporting Standards (IFRS) 2 – Share-Based Payments

A share-based payment is a transaction in which the entity receives goods or services as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity. Stock options issued to directors, officers, employees and consultants would fall under the purview of this standard.

Under Canadian GAAP, the Company currently accrues compensation costs as if all instruments granted were expected to vest and recognises the effect of actual forfeitures as they occur. Under IFRS 2 the entity is required to estimate the forfeiture rate based on the best available information and adjust the forfeiture rate prospectively if required. In addition, IFRS 2 requires that each tranche of options be treated as a separate arrangement as graded vesting is utilized. As a result of these differences between Canadian GAAP and IFRS there is potential for adjustment.

The Company has completed a preliminary assessment of the impact of these changes, but will only have the actual number at the end of the year 2010 when the impact of grants and additional forfeitures, if any, can be accounted for.

International Accounting Standard (IAS) 38 – Intangible Assets

The Company currently shows its Data Library as a separate asset on the balance sheet. The Company will account for its data libraries as an intangible asset using the historical cost model which is similar to Canadian GAAP. The Company is analyzing its current amortization methods and rates for its data libraries to determine if they will be compliant under IFRS. Depending on the methods and rates chosen, there could be an impact on the Company's financial statements. The decision on methods and rates is expected to be completed once the Company's IFRS opening balance sheet has been audited which is scheduled for Q3 2010.

International Accounting Standard (IAS) 1 – Presentation of Financial Statements

Significant differences between IFRS and Canadian GAAP exist for financial statement presentation and disclosure, which only impact the presentation on the face of the balance sheet, statement of comprehensive income, cash flow statement or within classes of shareholders' equity. The presentation differences between Canadian GAAP and IFRS will have no impact on reported earnings (loss) or total equity.

International Financial Reporting Standards (IFRS) 3 – Business Combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. IFRS 3 does not apply to the formation of a joint venture, combinations of entities or businesses under common control. IFRS 3 also does not apply to the acquisition of an asset or a group of assets that do not constitute a business.

IFRS 1 provides an exemption from restating past business combinations for periods prior to the IFRS transition date, thereby grandfathering the accounting treatment under Canadian GAAP. The Company will likely to elect to apply the exemption available to first time IFRS adopters without having to retroactively restate the accounting for those business combinations that occurred prior to January 1, 2010. There have been no business combinations in 2010 to date.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Commencing in Q3 2010, the Company will prepare internal controls documentation related to the preparation of the IFRS opening balance sheet, including controls related to the completeness of the adjustments.

Information Technology (IT)

The Company has commenced a high-level review of its IT systems to ensure they are able to adequately support conversion to IFRS and ongoing financial reporting which will be completed by September 30, 2010. On January 1, 2010, the Company implemented a new accounting system to facilitate changeover to IFRS easier than under the previous systems that were being used.

Business Policy Assessment

Based on the Company's current debt covenants, the calculations will be affected by the adoption of IFRS as they include cash items such as EBITDA. The calculation of EBIDTA may be affected by the change from the completed contract method to the percentage of completion method for purposes of revenue recognition.

At this time, the Company cannot quantify the impact that the adoption of IFRS will have on our future results of operations or financial position. Additional disclosure of the key elements of our plan and progress on the project will be provided as the Company moves toward the changeover date. The Company will continue to monitor the development of new standards and any changes will be incorporated as required.

The following table is summary of the Company's changeover plan and status:

KEY ACTIVITY (SELECTED ELEMENTS ONLY)	PROPOSED DEADLINES	STATUS AS OF THE DATE OF THIS MD&A
Financial Statement Preparation		
Identification of differences between Canadian GAAP and IFRS accounting policies and choices that are applicable to the Company	Ready for commencement of 2011 financial year	Significant accounting policy choices identified and their impact is being evaluated.
Selection of entity's continuing IFRS policies	Q3 2010	Effect of significant accounting policy choices is being evaluated prior to selection.
Selection of IFRS 1 policy choices	Q3 2010	Effect of significant accounting policy choices is being evaluated prior to selection.
Financial statement format including alternative performance measures	Q3 2010	Work commenced and expected to continue throughout 2010.
Changes in note disclosure	Upon completion of opening balance sheet	Sources of information indentified. Company to commence building new tables and gathering addition information to populate the tables
Quantification of IFRS 1 disclosure for 2010	Q3 2010	Work commenced and expected to be completed by Q3 2010 when the opening IFRS balance sheet will be prepared.
Infrastructure: IFRS expertise		
IFRS expertise and identification and development at all levels (including Board level)	Q3 2010	Expert resources identified – use of external auditors and industry peer groups, key in-house personnel trained with additional training being provided as needed.
Infrastructure: Information technology (IT)		
Systems are capable of processing transactions, generating reports and maintaining IT controls under GAAP and IFRS, during and after transition.	Q4 2010	ERP system capable of parallel processing transactions. Parallel processing method and report creation method identified in Q2 2010 and will be tested during Q3-Q4 2010.
Business Policy Assessment:		
Renegotiate bank covenants	Q3 2010	Once IFRS 1 and continuing IFRS policies choices have been made, any effect on the covenants will be discussed with the bank at that time.
Customer and supplier contract evaluation	Q3 2010	Review of customer/supplier contracts against IFRS related to revenue/cost recognition
Control Environnement:		
ICFR and DC&P (i) Accounting policy determination, documentation and implementation (ii) CEO/CFO certification process	ICFR and DC&P (i) Q3/Q4 2010 (ii) Q4 2010	ICFR and DC&P (i) Review and sign off by management, and review by the Audit Committee, all accounting policy changes by Q3 2010; implementation by Q4 2010; (ii) Update CEO/CFO certification process by end of Q4 2010

Securities Regulations Update

Disclosure Controls and Procedures

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

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as at December 31, 2009, by and under the supervision of Divestco's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined in the Canadian Securities Administrators' National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", are effective to ensure that information required to be disclosed in reports that the Company files or submits under Canadian securities legislation is recorded, processed, summarized, and reported within the time periods specified in those rules and forms.

There were no changes in Divestco's disclosure controls and procedures that occurred during the six months ended June 30, 2010, that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.

Internal Control Over Financial Reporting

Divestco maintains a set of internal controls and procedures over financial reporting which have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. The Company used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework to evaluate the effectiveness of its internal control over financial reporting. Divestco evaluated the effectiveness of its controls and procedures over financial reporting (as defined under National Instrument 52-109) for the year ended December 31, 2009. This evaluation was performed under the supervision of the CEO and the CFO, with the assistance of other Divestco employees. Based on this evaluation, the CEO and the CFO concluded that the effectiveness of these internal controls and procedures provided reasonable assurance regarding the reliability of financial reporting and that there are no material weaknesses in Divestco's internal control over financial reporting that have been identified by management for the year ended December 31, 2009.

There were no changes in Divestco's internal control over financial reporting that occurred during the six months ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.

Consolidated Balance Sheets

(Thousands - Unaudited)

	AS AT	
	Jun 30, 2010	**Dec 31, 2009**
Assets		
Current Assets		
Cash and cash equivalents	$ 1,078	$ 768
Funds held in trust	15	17
Accounts receivable	13,253	19,267
Prepaid expenses, supplies and deposits	700	708
Income taxes receivable	589	391
	15,635	21,151
Long-term prepaid expense	688	846
Investment in affiliated company	88	88
Data libraries (Note 4)	128,667	138,712
Participation surveys in progress	205	2,186
Property and equipment (Note 5)	2,279	2,747
Deferred development costs (Note 6)	6,590	6,699
Intangible assets (Note 7)	3,155	3,494
	$157,307	$175,923
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 19,509	$ 21,184
Current portion of deferred revenue	2,610	5,543
Current portion of long-term debt obligations (Note 8)	22,825	6,217
	44,944	32,944
Long-term debt obligations (Note 8)	250	20,685
Convertible debentures (Note 9)	3,640	3,602
Future income taxes	9,578	12,342
	58,412	69,573
Shareholders' Equity		
Equity instruments (Note 10(b))	70,518	70,518
Contributed surplus (Note 10(c))	5,638	5,473
Equity portion of convertible debentures (Note 9)	56	56
Retained earnings	22,683	30,303
	98,895	106,350
Future operations (Note 1)		
Commitment (Note 16)		
Contingencies (Note 17)		
Subsequent Event (Note 18)		
	$157,307	$175,923

See notes to consolidated financial statements.

Consolidated Statements of Income (Loss), Comprehensive Income (Loss) and Retained Earnings

(Thousands, Except Per Share Amounts – Unaudited)

	THREE MONTHS ENDED JUN 30		SIX MONTHS ENDED JUN 30	
	2010	**2009**	**2010**	**2009**
Revenue	$10,648	$19,532	$ 24,388	$38,297
Operating expenses				
Salaries and benefits	4,844	5,281	9,948	12,350
General and administrative	3,325	3,404	6,646	6,720
Stock compensation expense (Note 10(c))	90	164	165	392
	8,259	8,849	16,759	19,462
Interest expense	523	891	1,092	1,792
Depreciation and amortization	7,857	7,974	17,094	19,475
Other income (loss)	14	(26)	94	4,424
Income (loss) before income taxes	(5,977)	1,792	(10,463)	1,992
Income taxes				
Current (recovery)	(48)	21	(79)	163
Future (reduction)	(1,352)	213	(2,764)	(510)
	(1,400)	234	(2,843)	(347)
Net income (loss) and comprehensive income (loss) for the period	(4,577)	1,558	(7,620)	2,339
Retained earnings, beginning of period	27,260	37,281	30,303	36,500
Retained earnings, end of period	$22,683	$38,839	$ 22,683	$38,839
Net income (loss) per share (Note 10(e))				
Basic and Diluted	$ (0.11)	$ 0.04	$ (0.18)	$ 0.06
Weighted average number of shares				
Basic and Diluted	41,958	41,958	41,958	41,958

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Thousands - Unaudited)

	THREE MONTHS ENDED JUN 30		SIX MONTHS ENDED JUN 30	
	2010	2009	2010	2009
Cash flows from operating activities				
Net income (loss) for the period	$(4,577)	$ 1,558	$ (7,620)	$ 2,339
Items not affecting cash:				
Equity investment gain	3	4	–	1
Depreciation and amortization of data libraries, property and equipment and intangible assets	7,306	7,575	15,969	18,628
Amortization of deferred development costs	551	399	1,125	847
Amortization of deferred finance costs	5	127	66	206
Amortization of deferred finance costs and accretion of liability portion of convertible debentures	19	–	38	–
Future income taxes (reduction)	(1,352)	213	(2,764)	(510)
Data exchanges (Note 4)	(75)	(3,321)	(1,775)	(3,321)
Gain on sale of property and equipment (Note 3)	–	–	(90)	(4,435)
Stock compensation expense (Note 10(c))	90	164	165	392
	1,970	6,719	5,114	14,147
Changes in non-cash working capital balances (Note 12)	2,577	5,186	3,158	1,857
Decrease in non-current deferred revenue	–	–	–	(263)
Decrease in long-term prepaid expense	79	–	158	–
	4,626	11,905	8,430	15,741
Cash flows from (used in) financing activities				
Repayment of long-term debt obligations	(1,561)	(5,664)	(3,129)	(8,618)
Deferred financing costs	–	(75)	–	(75)
Proceeds received from long-term debt obligations (net of committed revolver repayments)	(1,732)	533	(1,020)	(2,983)
	(3,293)	(5,206)	(4,149)	(11,676)
Cash flows from (used in) investing activities				
Purchase of data libraries	(22)	1,732	(2,647)	(7,132)
Decrease in participation surveys in progress	(52)	(1)	1,981	4,500
Purchase of property and equipment	(54)	(1,310)	(442)	(1,372)
Proceeds on sale of property and equipment	–	–	93	3,340
Deferred development costs	(483)	(465)	(1,016)	(1,012)
Changes in non-cash working capital balances (Note 12)	(1,187)	(6,047)	(1,940)	(3,100)
	(1,798)	(6,091)	(3,971)	(4,776)
Foreign exchange gain on cash held in a foreign currency	–	1	–	1
Increase (decrease) in cash and cash equivalents	(465)	609	310	(710)
Cash and cash equivalents, beginning of period	1,543	492	768	1,811
Cash and cash equivalents, end of period	$ 1,078	$ 1,101	$ 1,078	$ 1,101

See notes to consolidated financial statements.

Divestco Inc.
Notes to Consolidated Financial Statements

June 30, 2010 (Tabular amounts in thousands, unless otherwise stated)

Divestco Inc. (Divestco or the Company) is incorporated under the Business Corporations Act of Alberta and is a publicly traded company on the Toronto Stock Exchange (TSX) under the symbol DVT. The Company 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 three operating segments which include Software and Data, Services, and Seismic Data. The Corporate and Other segment provides support services to the operating segments.

1. Basis of Presentation and Future Operations

These consolidated financial statements have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in these consolidated financial statements. The Company had a working capital deficit of $29.3 million as at June 30, 2010, including deferred revenue of $2.6 million. The working capital deficit includes $8.4 million owing on the Company's term loans, capital leases and promissory notes which are due before July 1, 2011. The working capital deficit also includes $14.4 million of long-term debt obligations which were reclassified from long-term to current as the Company did not obtain a waiver for a cash EBITDA covenant violation as at June 30, 2010 due to the announced planned seismic asset divestiture that will retire all bank debt. In addition, the Company has a rental commitment for new office space (Note 16) that commenced on May 1, 2010, and it incurred losses of $7.6 million for the six months ended June 30, 2010 as the continuing effects of the global recession and low natural gas prices continued to negatively impact most of the Company. These matters cast doubt on the ability of the Company to continue to meet its obligations. Management is reviewing additional sources of capital and debt financing to continue its activities and discharge its commitments as they become due. Management believes that the going concern assumption is appropriate for these consolidated financial statements. Adjustments to the carrying amounts of the balance sheet classifications used, assets and liabilities, and revenues and expenses, may be necessary should the going concern assumption be inappropriate.

In July 2010, the Company announced that it had entered into a binding letter of intent to divest of its entire 2D and 3D seismic data library for $55.7 million in cash and 14.3 million shares of Pulse Data Inc. In addition, the benefit of certain pending seismic data transactions will be reallocated between Pulse and Divestco and Pulse will assume certain obligations from Divestco related to the seismic data assets. If the divestiture of the 2D and 3D data library is successful, Divestco will restore working capital to a positive position and eliminate its bank debt. Furthermore, the Company has continued to reduce costs and evaluates all material capital expenditures before commencement to ensure they meet appropriate funding criteria. The accounting loss on the transaction is estimated to be $50 million based on the closing price of Pulse's shares on July 14, 2010 ($1.34) and including estimated transactions costs. On August 16, 2010 Divestco and Pulse announced the signing of a formal acquisition agreement.

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

These interim consolidated financial statements do not include the entire note disclosures required for the annual consolidated financial statements, and therefore, should be read in conjunction with audited consolidated financial statements as at and for the year ended December 31, 2009. These interim consolidated financial statements have been prepared following the same significant accounting policies as the most recently issued annual consolidated financial statements.

The results of operations for the three and six months ended June 30, 2010 are not necessarily indicative of results to be expected for the entire year ending December 31, 2010. The Company records seismic data revenue related to its shot seismic programs, which are carried out primarily during the winter months. Revenue is recognized upon completion of a program after the related data has been delivered. Therefore, a significant portion of the Company's revenue for its shot seismic data is recognized in the winter and spring seasons.

Certain figures with respect to the six months ended June 30, 2009 have been reclassified to conform to the current period's presentation. Specifically, due to the sale of the Company's Business Consulting division in March 2010, the Land Management division was moved to the Services segment and the Consulting segment was eliminated (Business Consulting results for Q1 2010 and the six months ended June 30, 2009 are also included under Services). In addition, the Company's Log Data and Support Data divisions were moved from the Seismic Data segment to the Software and Data segment. The Data segment was changed to Seismic Data and the Software segment was changed to the Software and Data segment.

2. Future Accounting Pronouncements

As of January 1, 2011, the Company will be required to adopt the following new Canadian accounting standards for:

Business combinations, which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard will impact the accounting treatment of future business combinations.

Consolidated financial statements, together with the new rules on non-controlling interests, replace the former consolidated financial statements standard. This standard establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard should not have a material impact on Divestco's consolidated financial statements.

Non-controlling interests, which establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should not have a material impact on Divestco's consolidated financial statements.

3. Disposition

On March 4, 2010, the Company sold its Business Consulting division. The disposition is summarized below:

ASSETS DISPOSED OF:	
Computer hardware and software	$ 3
CONSIDERATION:	
Cash (including disposition costs)	$93
Gain on sale	**$90**

The gain has been reflected in other income in the consolidated statements of income (loss) and comprehensive income (loss).

4. Data Libraries

				BALANCE AS AT
		June 30, 2010		December 31, 2009
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Seismic data library	$257,461	$133,997	$253,040	$119,765
Datasets	632	503	632	486
Log and drilling library	7,209	2,278	7,209	2,098
Reference library	445	445	445	416
Map library	239	96	239	88
	$265,986	$137,319	$261,565	$122,853
Net book value		$128,667		$138,712

During the six months ended June 30, 2010, the Company acquired $1.8 million of seismic data libraries and sold $2.5 million of seismic data licenses and related services in a data exchange. During the six months ended June 30, 2009, the Company acquired $3.3 million of seismic data libraries and sold $6.3 million of seismic data licenses in data exchanges.

Refer to Note 18, Subsequent Event.

5. Property and Equipment

	BALANCE AS AT			
	June 30, 2010		December 31, 2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	$ 7,384	$ 6,498	$ 6,921	$ 5,556
Office furniture and equipment	1,286	1,089	1,744	1,461
Leasehold improvements	1,896	1,176	1,492	1,032
Assets under capital lease	3,777	3,331	3,521	2,912
Land	30	–	30	–
	$14,373	$12,094	$13,708	$10,961
Net book value		$ 2,279		$ 2,747

6. Deferred Development Costs

	BALANCE AS AT	
	Jun 30, 2010	Dec 31, 2009
Balance, beginning of period	$ 6,699	$ 6,201
Additions	1,017	1,979
Amortization[(1)]	(1,126)	(1,481)
Balance, end of period	$ 6,590	$ 6,699

(1) Included in depreciation and amortization in the consolidated statements of income (loss) and comprehensive income (loss).

7. Intangible Assets

	BALANCE AS AT			
	June 30, 2010		December 31, 2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Proprietary software and code	8,256	5,101	8,256	4,762
Net book value		$3,155		$3,494

8. Long-Term Debt Obligations

	BALANCE AS AT	
	Jun 30, 2010	**Dec 31, 2009**
Term loans and committed revolver (a)	$ 22,679	$26,545
Promissory notes (b)	67	67
Capital lease obligations (c)	692	718
	23,438	27,330
Current portion	(22,825)	(6,217)
Deferred finance charges (d)	(363)	(428)
Long-term portion	$ 250	$20,685

(a) Term loans and committed revolver

As at June 30, 2010, the Company had the following credit facility in place:

(i) Committed revolver of $17.5 million with $14.7 million drawn as at June 30, 2010 and due on April 24, 2012, the maturity date of the facility. The committed revolver reduced to $17.5 from $20 million of availability on January 1, 2010.

(ii) Term loan A which is payable in monthly instalments of $378,000. $6.3 million was outstanding on June 30, 2010.

(iii) Term loan B which is payable in monthly instalments of $96,000. $1.7 million was outstanding on June 30, 2010.

The interest rate on the facility is at LIBOR and Canadian base-rate options plus 5.00% increasing to 6.00% as at August 1, 2010, 6.25% as at July 1, 2011, 6.5% as at October 1, 2011, 6.75% as at January 1, 2012 and 7% as at April 1, 2012 to maturity.

The facilities are subject to the Company meeting certain debt covenants. The Company must maintain a cash EBITDA exceeding approximately $8.1 million as at June 30, 2010 (trailing six months), $10.3 million as at September 30, 2010 (trailing nine months) and $17.1 million as at December 31, 2010 (trailing 12 months). The Company must maintain a fixed charge coverage ratio of at least 1.25:1 as at June 30, 2010 (trailing six months), 1.10:1 as at September 30, 2010 (trailing nine months) and 1.25:1 as at December 31, 2010 and going forward (trailing 12 months).

As at June 30, 2010, the Company was in violation of its cash EBITDA covenant. The Company did not obtain a covenant waiver from its lender as the Company plans to fully repay its bank debt with proceeds from the pending sale of its data library. The Company and lender are finalizing an agreement to suspend amortization payments on the term loans with no demand repayment assurances prior to the asset divestiture closing.

PRINCIPAL PAYMENTS ON THE TERM LOANS ARE AS FOLLOWS:	
July 2010 to Jun 2011	$ 7,938
COMMITTED REVOLVER:	
Current potion	$14,741
Long-term portion	–
	14,741
Total	$22,679

(b) Promissory notes

	BALANCE AS AT	
	Jun 30, 2010	**Dec 31, 2009**
Unsecured promissory notes issued on the acquisition of Landmasters, bearing interest at 2% above the Company's prime lending rate, repayable in three equal instalments of $66,667 on each of December 31, 2008, 2009, and 2010.	$ 67	$ 67
Current portion	(67)	(67)
Long-term portion	$ –	$ –

(c) Capital lease obligations

The Company has capital lease obligations, which have terms of two to four years and bear interest at 1.4% to 8.8% per annum. Minimum annual lease payments are as follows:

Jun 2010 to Jun 2011	$442
Jul 2011 to Jun 2012	203
Jul 2012 to Jun 2013	41
Jul 2013 to Jun 2014	6
	$692

(d) Deferred finance charges

	BALANCE AS AT	
	Jun 30, 2010	**Dec 31, 2009**
Balance, beginning of period	$428	$ 699
Additions	–	75
Amortization(1)	(65)	(346)
Balance, end of period(2)	$363	$ 428

(1) Included in interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

(2) Deferred finance charges we netted against the short-term potion of long-term debt obligations as at June 30, 2010 as the term loans and committed revolver were classified as current and netted against the long-term portion as at December 31, 2009.

9. Convertible Debentures

	BALANCE AS AT	
	Jun 30, 2010	**Dec 31, 2009**
Balance, beginning of period	$3,602	$ –
Additions	–	3,750
Equity component	–	(56)
Accretion of liability portion to face value	14	2
Deferred finance charges	–	(98)
Amortization of deferred finance charges	24	4
Balance, end of period	$3,640	$3,602

On November 16, 2009, the Company closed a private placement of an aggregate principal amount of $3,750,000 of unsecured convertible debentures maturing November 15, 2011. The convertible debentures are convertible at the option of the holder at any time before maturity for common shares of the Company at a conversion price equal to $0.805 per common share, subject to standard anti-dilution adjustments. The Debentures bear interest at 9.75% per annum, payable quarterly, and are repayable in cash at maturity.

10. Equity Instruments

(a) Authorized

An unlimited number of voting common shares.

(b) Issued

	BALANCE AS AT			
	Jun 30, 2010		**Dec 31, 2009**	
Common shares	**Number of Shares**	**Amount**	**Number of Shares**	**Amount**
Balance, beginning and end of period	41,958	$70,518	41,958	$70,518

(c) Contributed surplus

	BALANCE AS AT	
	Jun 30, 2010	**Dec 31, 2009**
Balance, beginning of period	$5,473	$4,955
Stock compensation expense	165	518
Balance, end of period	$5,638	$5,473

(d) Stock options

The Company has established a stock option plan whereby the Company may grant options to purchase common shares to directors, officers, employees and consultants. The options have a five-year term and are exercisable pursuant to a vesting schedule of one-third following the first anniversary of the grant date, one-third following the second anniversary of the grant date, and the remaining one-third following the third anniversary of the grant date. 4,196,009 common shares of the Company have been reserved under the Plan.

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

	NUMBER OF OPTIONS	OPTION PRICE	WEIGHTED AVERAGE PRICE
Options outstanding, December 31, 2008	2,487	$1.00-$6.10	$2.90
Granted	975	$0.60	$0.60
Forfeited	(1,325)	$1.00-$6.10	$2.67
Options outstanding, December 31, 2009	2,137	$0.60-$6.10	$1.99
Granted	**555**	**$0.68**	**$0.68**
Forfeited	**(276)**	**$0.68-$4.70**	**$2.31**
Options outstanding, June 30, 2010	**2,416**	**$0.60-$6.10**	**$1.65**

Stocks options which were outstanding and vested as at June 30, 2010, are summarized as follows:

OPTIONS OUTSTANDING	OPTION PRICE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF OPTIONS CURRENTLY EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE OF OPTIONS CURRENTLY EXERCISABLE
1,851	$0.60-$1.99	$0.76	4.19	121	$1.31
153	$2.00-$3.49	$2.96	0.86	142	$2.99
195	$3.50-$4.99	$4.24	1.39	195	$4.25
217	$5.00-$6.10	$6.02	0.83	217	$6.01
2,416	**$0.60-$6.10**	**$1.65**	**3.45**	**675**	**$4.03**

The per share weighted average fair value of the stock options granted for the six months ended June 30, 2010, was $0.56. This was estimated using the Black-Scholes option pricing model with the following assumptions: an average expected volatility of 91%, an average risk free interest rate of 2.2%, no dividend rate and an expected life of five years. The compensation expense is recognized evenly over the three-year vesting period of the stock options. No options were granted during the six months ended June 30, 2009.

(e) Net loss per share

The following table summarizes the computation of net income per share:

	FOR THE THREE MONTHS ENDED JUNE 30		FOR THE SIX MONTHS ENDED JUNE 30	
	2010	**2009**	**2010**	**2009**
Numerator				
Net income (loss)	$ (4,577)	$ 1,558	$ (7,620)	$ 2,339
Net income (loss) for diluted earnings per share	$ (4,577)	$ 1,558	$ (7,620)	$ 2,339
Denominator				
Weighted average number of shares outstanding for basic earnings per share	41,958	41,958	41,958	41,958
Weighted average number of shares outstanding for diluted earnings per share	41,958	41,958	41,958	41,958
Basic and diluted net income (loss) per share	$ (0.11)	$ 0.04	$ (0.18)	$ 0.06

Options to purchase 2,416,000 (2009 – 2,202,000) common shares have been excluded from the calculations of diluted net loss per share due to their anti-dilutive effect for the six months ended June 30, 2010. The convertible debentures were also excluded from the calculations of diluted net loss per share due to their anti-dilutive effect.

11. Management of Capital

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

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

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

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

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

During 2009 and the six months ended June 30, 2010, the Company's strategy was to maintain the targets set out in the following table. The Company determined that in reaction to the current economic environment it will target its funded debt to equity at the lower end of the range to ensure adequate financial flexibility to meet the financial obligations, both current and long term. The Company believes that these ratios remain in a range that will continue provide access to capital at a reasonable cost.

Total funded debt to equity ratio as at June 30, 2010 is within the Company's target.

		BALANCE AS AT JUN 30	BALANCE AS AT DEC 31
		2010	**2009**
Components of funded debt to equity ratio:			
Current portion of long-term funded debt obligations		$22,825	$ 6,217
Long-term funded debt obligations		250	20,685
Convertible Debentures		3,640	3,602
Total funded debt		26,715	30,504
Shareholders' equity		$98,895	$106,350
	Company Target		
Total funded debt to equity	**20% to 50%**	27%	29%

12. Statement of Cash Flows

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	**2009**	**2010**	**2009**
Interest and income taxes paid				
Income taxes paid	$ 33	$ 29	$ 102	$ 346
Income taxes refunded	$ 401	$ 1,100	$ 401	$ 1,126
Interest paid (net of interest revenue)	$ 523	$ 802	$ 1,092	$ 1,689
Changes in non-cash working capital balances				
Funds held in trust	$ 6	$ 11	$ 2	$ 7
Accounts receivable	2,461	(1,111)	6,014	11,758
Income taxes receivable	128	427	(198)	59
Prepaid expenses, supplies and deposits	81	1,168	8	787
Accounts payable and accrued liabilities	(706)	(1,719)	(1,675)	(7,213)
Income taxes payable	–	543	–	543
Deferred revenue	(580)	(180)	(2,933)	(7,184)
	$ 1,390	$ (861)	$ 1,218	$ (1,243)
Changes in non-cash working capital balances related to operating activities	$ 2,577	$ 5,186	$ 3,158	$ 1,857
Changes in non-cash working capital balances related to investing activities	(1,187)	(6,047)	(1,940)	(3,100)
	$ 1,390	$ (861)	$ 1,218	$ (1,243)

During the three months ended June 30, 2010, the Company recorded capital lease additions of $256,000 (2009 – $8,000). At June 30, 2010, the Company held $124,000 (2009 – $14,000) of cash and cash equivalents which were denominated in a foreign currency.

13. Related Party Transactions

In addition to those disclosed elsewhere, the Company had the following related party transactions:

(a) During the six months ended June 30, 2010, the Company incurred $88,000 (June 30, 2009 – $100,000) in seismic consulting fees and brokerage commissions to a company controlled by a director. Included in accounts payable as at June 30, 2010 was $151,000 (December 31, 2009 – $101,000) related to these fees and commissions.

(b) During the six months ended June 30, 2010, the Company incurred $89,000 (June 30, 2009 – $232,000) in legal fees from the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at June 30, 2010 was $95,000 (December 31, 2009 – $26,000) related to these legal fees.

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

14. Financial Instruments and Risk Management

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

(a) Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Company incurring a financial loss. The Company is exposed to credit risk through its accounts receivable and unbilled revenue. To mitigate this risk, the Company routinely monitors the activities and balances in these accounts.

A significant portion of the Company's trade accounts receivable are from companies in the oil and gas industry and are exposed to normal industry credit risks. The concentration risk is mitigated primarily by the customers being large investment grade organizations. The credit worthiness of new customers is subject to review by management through consideration of the type of customer and the size of the contract. During the six months ended June 30, 2010, four customers accounted for 27% of the Company's revenue related to sales contacts for seismic data. As at June 30, 2010, one customer accounted for 41% of the Company's total accounts receivable. There are two large balances totalling approximately $6.3 million which are more than a year old. Management is exploring all available options to resolve these balances in a timely manner.

The Company reviews its accounts receivable amounts regularly and amounts are written down to their expected realizable value when outstanding amounts are determined not to be fully collectable. This generally occurs when the customer has indicated an inability to pay, the Company is unable to communicate with the customer over an extended period of time, and other methods to obtain payment have been considered and have not been successful. Bad debt expense is charged to net loss in the period that the account is determined to be doubtful. Estimates of the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date taking into consideration the following factors: the length of time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience. In addition, the Company records an allowance for doubtful accounts equal to 20% of balances that are older than 120 days. The carrying amount of accounts receivable represents the maximum credit exposure.

The aging of trade receivables is illustrated below:

				BALANCE AS AT
		June 30, 2010		**December 31, 2009**
	Gross	**Allowance**	**Gross**	**Allowance**
Not past due	$ 2,660	$ –	$ 6,982	$ –
Past due 0-30 days	2,800	–	4,057	–
Past due 31-120 days	1,022	–	1,189	–
More than 121 days	8,390	1,668	8,716	2,030
Total trade receivables	$14,872	$1,668	$20,944	$2,030
Accrued receivables	49	–	353	–
Allowance for doubtful accounts	(1,668)	–	(2,030)	–
Total accounts receivable	$13,253	$1,668	$19,267	$2,030

(b) Interest rate risk

The Company's short-term borrowings are based on floating rates and subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. The Company's long-term debt is based on fixed interest rates ranging from 1.4% to 9.75%. If these transactions were entered into today, the interest expense would not be materially different.

The Company's sensitivity analysis includes items bearing interest at variable rates and indicates that a 100 basis points fluctuation in interest rates would have an approximately $121,000 impact on the net loss for the six months ended June 30, 2010 (on a pre-tax basis). The Company does not use derivative financial instruments to reduce its interest risk exposure. The carrying amounts of the Company's term debt approximate their fair values.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. As at June 30, 2010 the Company had a cash and cash equivalents balance of $1.1 million, $13.3 million in accounts receivable and $2.8 million in unused committed bank credit facilities (term facilities cannot be redrawn upon) totalling $17.2 million to settle current liabilities of $42.3 million (excluding deferred revenue of $2.6 million). To manage liquidity risk on a long-term basis by restoring working capital to a positive position and eliminating bank debt, the Company recently announced its intent to divest of its entire 2D and 3D seismic library. The Company has also focused on collection of its receivables, especially those that are greater than 90 days old. There are two large balances totalling approximately $6.3 million which are more than a year old and Management is working diligently on these two accounts and has had the several discussions with the parties with respect to settlement. To manage short-term liquidity requirements, the Company utilizes cash forecasts to ensure it has necessary funds to fulfill its obligations. The Company has also disposed of non-core assets and has implemented considerable expense reductions. The Company will remain committed to not undertaking any significant capital expenditures unless the project is fully funded with sales contracts or until its working capital position has further improved. Given the recently announced seismic asset divestiture which will retire all bank debt and result in a working capital surplus, management believes that the liquidity risk will be significantly reduced.

The following table summarizes the maturities of financial liabilities and associated interest payments as at June 30, 2010:

	< 1 YEAR	1-2 YEARS	2-5 YEARS	TOTAL
Accounts payable and accrued liabilities	$19,509	$ –	$ –	$19,509
Long-term debt obligations[(1)]	23,188	203	47	23,438
Convertible debentures[(2)]	–	3,750	–	3,750
Total	**$42,697**	**$3,953**	**$47**	**$46,697**

(1) Excludes deferred finance charges of $363,000.
(2) Excludes equity portion of $40,000 and deferred finance charges of $70,000.

15. Segmented Information

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

Software and Data sells, maintains, and supports licensed software exploration products as well as provides a full suite of support data layers. Services provides geomatics, processing and land management services. Data provides seismic brokerage services in addition to developing and maintaining the Company's seismic data libraries. Corporate and Other includes costs for finance, accounting, marketing, human resources, investor relations, and information technology.

The accounting policies of the segments are the same as those described in the significant accounting policies note accompanying the Company's audited financial statements for the year ended December 31, 2009. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation. Operating income (loss) is measured as revenue less operating expenses, interest, depreciation and amortization and impairment of goodwill and intangibles. Other income (loss) items and income taxes reported on the Company's consolidated statements of income (loss) and comprehensive income (loss) are not allocated to the reportable segments.

AS AT AND FOR THE THREE MONTHS ENDED JUNE 30, 2010					
	Software & Data	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue	$ 2,305	$4,336	$ 4,007	$ –	$ 10,648
Inter-segment revenue	–	92	–	–	92
Operating income (loss)(1)	209	119	(3,336)	(2,983)	(5,991)
Interest expense (net of interest revenue)	–	–	–	523	523
Depreciation and amortization	694	374	6,614	175	7,857
Total assets	15,798	8,063	132,792	654	157,307
Capital expenditures	8	17	92	11	128
Deferred development costs	418	58	7	–	483

AS AT AND FOR THE THREE MONTHS ENDED JUNE 30, 2009					
	Software & Data	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue	$ 2,656	$ 4,109	$ 12,767	$ –	$ 19,532
Inter-segment revenue	–	78	–	–	78
Operating income (loss)(1)	621	(1,219)	5,750	(3,334)	1,818
Interest expense (net of interest revenue)	11	–	(17)	897	891
Depreciation and amortization	487	692	6,299	496	7,974
Total assets	10,619	11,597	162,774	1,289	186,279
Capital expenditures	206	410	(1,324)	287	(421)
Deferred development costs	348	93	24	–	465

AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2010					
	Software & Data	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue from external customers	$ 4,724	$9,829	$ 9,835	$ –	$ 24,388
Inter-segment revenue	–	260	–	–	260
Operating income (loss)[1]	401	961	(6,314)	(5,605)	(10,557)
Interest expense (net of interest revenue)	–	–	–	1,092	1,092
Depreciation and amortization	1,428	903	14,291	472	17,094
Total assets	15,798	8,063	132,792	654	157,307
Capital expenditures	69	138	804	97	1,108
Deferred development costs	804	163	49	–	1,016

AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2009					
	Software & Data	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue from external customers	$ 5,521	$13,038	$ 19,738	$ –	$ 38,297
Inter-segment revenue	–	688	–	–	688
Operating income (loss)[1]	1,078	750	2,465	(6,725)	(2,432)
Interest expense (net of interest revenue)	11	(1)	19	1,763	1,792
Depreciation and amortization	1,041	1,539	15,945	950	19,475
Total assets	10,619	11,597	162,774	1,289	186,279
Capital expenditures	215	430	3,060	299	4,004
Deferred development costs	648	229	135	–	1,012

(1) Operating income (loss) is revenue less operating expenses, interest, depreciation and amortization and impairment of goodwill and intangibles

16. Commitment

On May 1, 2010, the Company's lease for its new premises commenced. The lease term is 15 years. The monthly commitment is approximately $692,000 including operating costs for the first year. The annual square foot rate increases in years 3, 6, 9, 11 and 14. The landlord agreed to defer the payment of the monthly rent (excluding operating costs) until August 1, 2010 due to a delay by the Company in building out the floors it will occupy. In conjunction with the announced seismic divestiture, the Company is currently finalizing an agreement with its landlord to extend the rent payment deferral to October 1, 2010. A significant portion of the Company's current leases expire by December 31, 2010. Below is a summary of the new building lease commitment:

2010 (8 months)	$ 5,339
2011 (12 months)	8,581
2012 (12 months)	9,479
2013 (12 months)	9,808
2014 +	118,867
Total	$152,274

17. Contingencies

The Company is party to various legal actions arising in the normal course of business. Matters that are probable of unfavorable outcome to the Company and that can be reasonably estimated are accrued. Such accruals are based on information known about the matters, the Company's estimates of the outcomes of such matters and its experience in contesting, litigating and settling similar matters. 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.

18. Subsequent Event

On, July 5, 2010, the Company announced that it has entered into a binding letter of intent (LOI) to divest of its entire 2D and 3D seismic data library to Pulse Seismic Inc. (Pulse). The purchase price was $50 million cash plus 14,285,000 Pulse common shares. On July 14, 2010, Pulse and Divestco announced an amendment to their LOI whereby the cash portion of the purchase price increased by $5.7 million and the benefit of certain pending seismic data transactions that were previously to be retained wholly by Divestco, were reallocated between Pulse and Divestco. In addition, Pulse will assume certain obligations from Divestco related to the seismic data assets. The effective date of the transaction is July 1, 2010. The cash portion will be financed by a combination of available advances under Pulse's syndicated acquisition credit facility and cash on hand. The Pulse common shares will be distributed by Divestco to its shareholders. On August 16, 2010 Divestco and Pulse announced the signing of a formal acquisition agreement.

As at June 30, 2010, the carrying amount of Divestco's seismic data library was $123 million. All working capital related to the seismic data library will be retained by Divestco with the exception of prepaid archiving credit and a related minimum revenue obligation to a third party. The accounting loss on the transaction is estimated to be $50 million based on the closing price of Pulse's shares on July 14, 2010 ($1.34) and including estimated transactions costs.

The completion of the transaction remains subject to the approval of the Court of Queens Bench of Alberta of the plan of arrangement of Divestco, approvals of the shareholders of both Pulse and Divestco and other conditions typical for a transaction of this nature. Special meetings of the shareholders of both Pulse and Divestco are currently scheduled for September 28, 2010, and the transaction is currently scheduled to close on September 29, 2010 with the information circulars expected to be mailed out at the end of August.

The transaction contains typical non-solicitation provisions for Divestco and the right of Pulse to match any superior proposal. It also provides for break fees of $4 million if either party terminates the transaction under certain circumstances.

Corporate Information

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Board of Directors

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

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

Officers

Stephen Popadynetz – Chief Executive Officer and President
Roderick Chisholm – Chief Financial Officer
Steve Sinclair-Smith – Chief Operating Officer
Lonn Hornsby – Senior VP Operations – Divestco Seismic Limited Partnership
Danny Chiarastella – VP Finance
Mathew Hepton – VP Software Development
Peter Zyla – VP Processing, Land & Strategy

Corporate Secretary

Faralee A. Chanin

Stock Exchange Listing

TSX: DVT

Lending Institutions

Wells Fargo Financial Corporation Canada

Registrar and Transfer Agent

CIBC Mellon Company

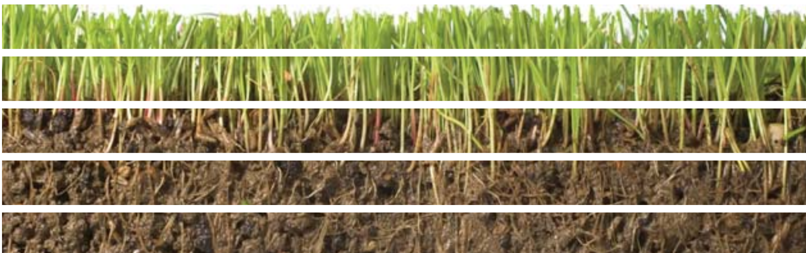
Auditors

KPMG LLP

Legal Counsel

Field LLP

From the Ground up



Printed in Canada

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