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Corporate Profile

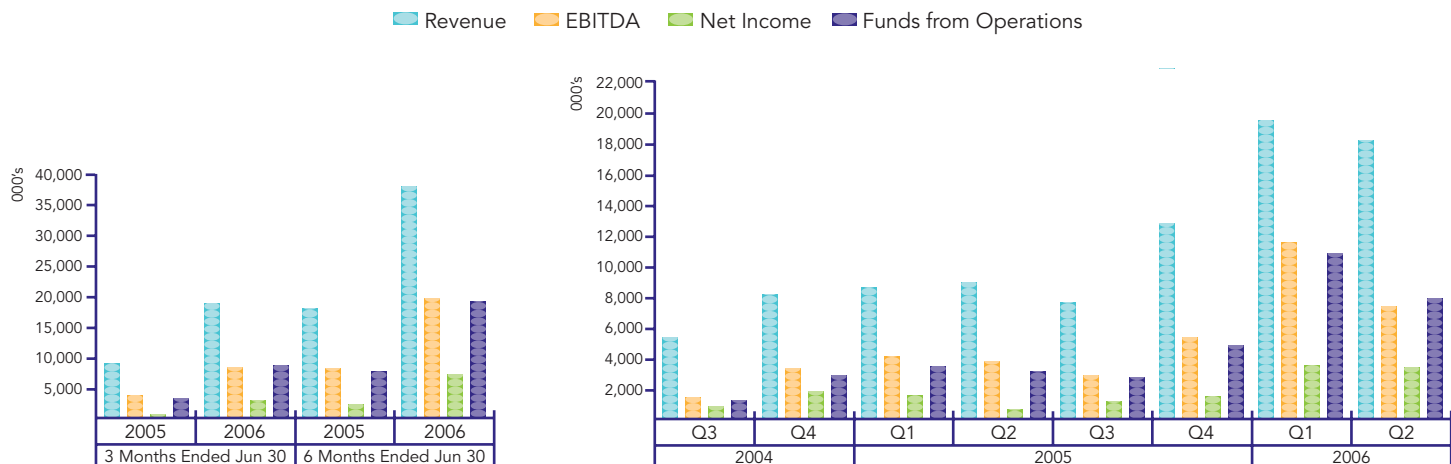
Divestco Inc. provides integrated solutions to the oil and gas industry. We supply software, services, data, and consulting to Geologists, Geophysicists, Geoscientists, Engineers, Technicians, Landmen and Land Administrators. Our offerings consist of a diverse range of innovative and complementary products and services with unique value-added bundling and integration options. Divestco has developed its business model based on a plan of strategic growth. Through a series of targeted mergers and acquisitions, we added the products, services, data and expertise of a number of highly respected companies whose businesses complement our own. Based in Calgary, Alberta, Divestco has more than 500 employees world wide, with additional offices in Edmonton, Vancouver, Denver and Houston.

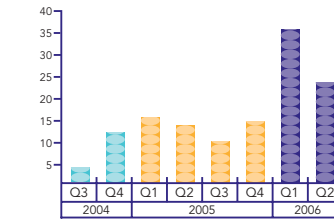
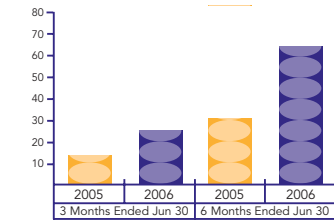
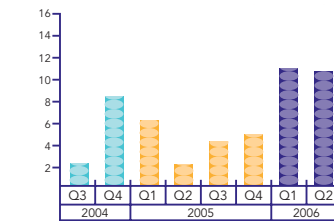
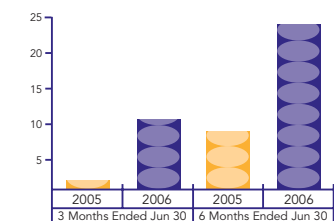
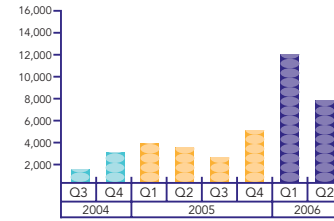
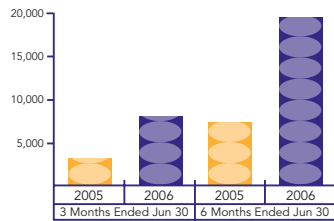
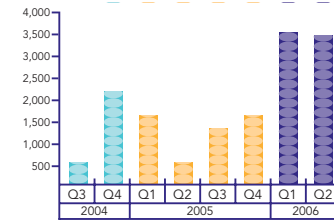
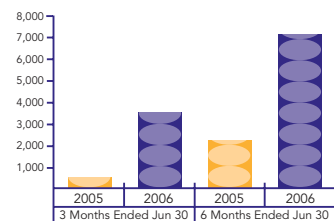
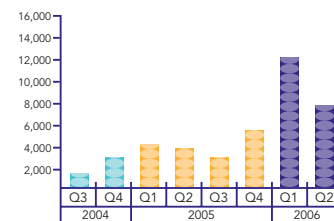
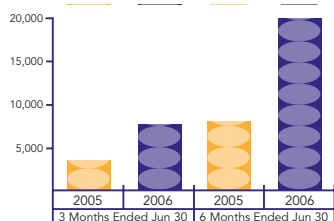
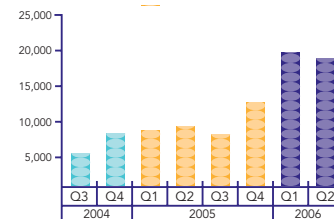
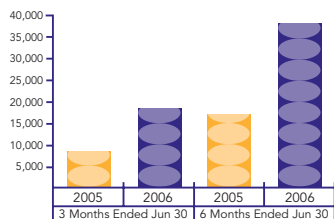




Financial Highlights

| Financial Results (Thousands, Except Per Share Amounts) | | | | | | |
|---|----------------------------|----------|----------|--------------------------|-----------|----------|
| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
| | 2006 | 2005 | % change | 2006 | 2005 | % change |
| Revenue | \$ 18,056 | \$ 9,221 | 96% | \$ 37,661 | \$ 17,936 | 110% |
| EBITDA | 7,914 | 3,814 | 107% | 19,972 | 7,928 | 152% |
| Operating income | 2,673 | 1,019 | 162% | 7,835 | 3,472 | 126% |
| Net income | 3,550 | 599 | 493% | 7,141 | 2,200 | 225% |
| Per share - basic | 0.11 | 0.02 | 450% | 0.23 | 0.09 | 156% |
| Per share - diluted | 0.11 | 0.02 | 450% | 0.22 | 0.09 | 144% |
| Funds from operations | 8,058 | 3,584 | 125% | 19,652 | 7,544 | 160% |
| Per share - basic | 0.26 | 0.15 | 73% | 0.64 | 0.31 | 106% |
| Per share - diluted | 0.24 | 0.14 | 71% | 0.61 | 0.30 | 103% |
| Shares outstanding | 33,812 | 24,528 | 38% | 33,812 | 24,528 | 38% |
| Weighted average shares outstanding | | | | | | |
| Basic | 31,407 | 24,503 | 28% | 30,857 | 24,617 | 25% |
| Diluted | 33,538 | 24,718 | 36% | 32,435 | 24,743 | 31% |





Integrated Solutions = Innovative Exploration

Divestco's integrated solutions complete the exploration puzzle. Our tools help oil and gas companies discover new innovations to meet their exploration goals.

Software

Divestco's extensive line of exploration software was designed with a thorough understanding of the needs and demands of the land, geological, geophysical and engineering communities. We aim to foster integration between exploration team and our integrated software applications reflect this.

Services

Divestco's Services provide expert teams in the areas of geophysical survey audit, archive, database and mapping, geophysical processing and seismic brokerage. Outstanding QA, best practices data management, and Canada's largest seismic library are key elements that have made our Services division a leader in the oil and gas industry.

Data

Divestco has the largest and most complete collection of current and archived oil and gas data for Western Canada. Our data has become an indispensable resource for Geologists, Geophysicists, Engineers and Landmen, and complements our application offerings in value added bundle options.

Consulting

Divestco's Consulting services provides comprehensive business solutions, technical consulting and land services. Whether you are in the market for surface or mineral rights, require IT assistance, or are embarking on an organizational transformation, Divestco is a strategic partner who can help you realize your business success.



Management's Discussion and Analysis

This Management Discussion and Analysis (MD&A) for Divestco Inc. (Divestco or the Company) focuses on key statistics from the financial statements, and pertains to known risks and uncertainties relating to the oil and gas exploration and production industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political, and environmental conditions. This MD&A should be read in conjunction with the company's interim consolidated financial statements for the three and six months ended June 30, 2006, as well as the MD&A and audited financial statements and accompanying notes for the year ended December 31, 2005. Unless otherwise disclosed, all financial information in this section has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and is reported in Canadian dollars.

This MD&A is dated August 8, 2006.

Forward Looking Statements

This MD&A contains forward-looking statements based upon current expectations that involve a number of business risks and uncertainties. The use of forward-looking words such as, "may," "will," "expect," or similar variations generally identify such statements. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties including the factors discussed in the Business Risks and Environment section of this MD&A.

Non-GAAP Measures

Earnings before interest, taxes, depreciation and amortization (EBITDA); "operating income;" "funds from operations" and "funds from operations per share (basic and diluted)" are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non-GAAP measures. Therefore, these measures may not be comparable to similar measures presented by other issuers. Accordingly, these measures have been 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.

Management believes that in addition to net income, EBITDA and operating income are useful supplemental measures for providing an indication of the results generated by the Company's principle business activities, even prior to the consideration of how those activities are financed or how the results are taxed. Management also uses funds from operations and funds from operations per share - basic and diluted, as key measures to assess the ability of the Company to finance operating activities and capital expenditures.

These non-GAAP measures are calculated as follows: operating income (deduct interest and amortization from EBITDA), funds from operations (add or deduct non-cash items from net income [loss]), funds from operations per share - basic and diluted (divide funds from operations by the weighted average number of shares outstanding [basic and diluted] for the relevant period).

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 for, and price of, services and products offered by Divestco depends on the activity levels for oil and gas producers. Commodity prices, supply and demand for oil and natural gas, and to a lesser extent, government regulation (including regulation of environmental matters), determine these activity levels. In addition, the Company's focus on the oil and gas industry as its primary customer base, exposes it to all of the uncertainties associated with the demand for, and price of, oil and natural gas.

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



Management's Discussion & Analysis

Demand for Products and Services (continued)

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

Weather

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

The Company's Services segment normally exhibits a noticeable dip 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. To minimize these fluctuations, Divestco enters into certain long-term archiving contracts with customers, as well as specific types of contract work appropriate for lower-activity months. Software experiences a slowdown during July and August, which is generally a low volume period for the oil and gas industry.

Competition

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

Skilled Personnel

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

Government Regulations and Safety

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

You can view copies of the Company's other continuous disclosure documents at www.sedar.com 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 | | |
| | 2006 (unaudited) | 2005 (unaudited) | % change | 2006 (unaudited) | 2005 (unaudited) | % change |
| Revenue | \$ 18,056 | \$ 9,221 | 96% | \$ 37,661 | \$ 17,936 | 110% |
| EBITDA | 7,914 | 3,814 | 107% | 19,972 | 7,928 | 152% |
| Operating income | 2,673 | 1,019 | 162% | 7,835 | 3,472 | 126% |
| Income tax expense | 950 | 406 | 134% | 2,800 | 1,251 | 124% |
| Net income | 3,550 | 599 | 493% | 7,141 | 2,200 | 225% |
| Per share - basic | 0.11 | 0.02 | 450% | 0.23 | 0.09 | 156% |
| Per share - diluted | 0.11 | 0.02 | 450% | 0.22 | 0.09 | 144% |
| Funds from operations | 8,058 | 3,584 | 125% | 19,652 | 7,544 | 160% |
| Per share - basic | 0.26 | 0.15 | 73% | 0.64 | 0.31 | 106% |
| Per share - diluted | 0.24 | 0.14 | 71% | 0.61 | 0.30 | 103% |
| Shares outstanding | 33,812 | 24,528 | 38% | 33,812 | 24,528 | 38% |
| Weighted average shares outstanding | | | | | | |
| Basic | 31,407 | 24,503 | 28% | 30,857 | 24,617 | 25% |
| Diluted | 33,538 | 24,718 | 36% | 32,435 | 24,743 | 31% |
| Financial Position (Thousands) | | | | | | |
| Balance as at | | | | Jun 30 2006 | Jun 30 2005 | Dec 31 2005 |
| Total assets | | | | \$ 141,183 | \$ 42,238 | \$ 80,198 |
| Working capital (deficiency) ⁽¹⁾ | | | | (38,069) | (4,788) | 3,515 |
| Long-term debt (including current portion) | | | | 10,234 | 2,007 | 11,604 |

⁽¹⁾ The deficiency at June 30, 2006 was due to \$45.0 million of in-progress participation surveys at the end of the second quarter. Approximately \$23.4 million in deferred revenue, \$8.9 million in short-term seismic acquisition financing and \$18.8 million in accrued sub-contractor invoices related to these in-progress surveys. This was offset by \$5.7 million in receivables owing for work completed and invoiced to the client. Four surveys (including two large surveys) are expected to be delivered in the third quarter of 2006 resulting in \$23.4 million of seismic revenue.



Management's Discussion & Analysis

Consolidated Second Quarter Financial Results - 2006

Divestco generated 11 cents per share in earnings (diluted) for the second quarter of 2006 compared to 2 cents in 2005. Net income increased by \$3.0 million (493%) to \$3.6 million from \$0.6 million in 2005. This was the Company's eleventh consecutive profitable quarter. Revenues were \$18.1 million, an increase of \$8.9 million (96%) from \$9.2 million in 2005. Funds from operations improved by \$4.5 million (125%) to \$8.1 million (24 cents per share - diluted) from \$3.6 million in 2005.

Highlights for the quarter were as follows:

- \$5.4 million (102%) increase in Data revenue related to the delivery of a seismic survey and an increase in revenue for the Company's U.S. divisions with the acquisition of Drilling Records
- \$1.9 million gain on the sale of the Company's short-term investments
- \$1.6 million (58%) increase in Services revenue related mainly to the Company's purchase of the Geo-X Processing assets in May 2006
- \$1.4 million in Consulting revenue from the acquisition of Focus Integrated Solutions Inc. (Focus) which was completed in October 2005
- \$0.5 million (38%) increase in Software revenue related to the acquisition of Laser Software Limited (Laser Software) in September 2005

Consolidated Year to Date Financial Results - 2006

Divestco generated 22 cents per share in earnings (diluted) for the first six months of 2006 compared to 9 cents in 2005. Net income was \$7.1 million compared to \$2.2 million in 2005, an increase of \$4.9 million (225%). Revenues were \$37.7 million, an increase \$19.8 million (110%) from 2005. Funds from operations improved by \$12.2 million (161%) from \$7.5 million in 2005 to \$19.7 million (61 cents per share - diluted) in 2006.

Highlights for the six months ended June 30, 2006, were as follows:

- \$14.7 million (151%) increase in Data revenue related to the Company delivering three 3D seismic data surveys and an increase in revenue for the Company's US divisions with the acquisition of Drilling Records
- \$2.9 million in Consulting revenue from the Focus acquisition
- \$2.1 million gain on the sale of the Company's short-term investments
- \$1.2 million (21%) increase in Services revenue related mainly to the purchase of the Geo-X Processing assets
- \$0.8 million (32%) increase in Software revenue related to the acquisition of Laser Software in 2005

Outlook

On July 18, 2006, Divestco closed the acquisition of Cavalier Land Ltd. (Cavalier) and its affiliate Agadir Resources Inc. (Agadir). Cavalier is a land services business with 80 - 85% of its revenue generated from the acquisition of surface rights on behalf of its clients, and 15 - 20% generated from freehold mineral and crown acquisitions. Cavalier is expected to provide Divestco with the ability to augment its existing capabilities in the Oil and Gas Services industry and expand its existing client base. The acquisition also provides Divestco an entry into the industry with an established company, existing client base, and a platform for industry consolidation.



Selected Quarterly Information (Thousands, Except Per Share Amounts)

| | 2006 | | 2005 | | | | 2004 | |
|------------------------------|-----------|-----------|-----------|----------|----------|----------|----------|----------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Revenue | \$ 18,056 | \$ 19,605 | \$ 12,874 | \$ 7,944 | \$ 9,221 | \$ 8,715 | \$ 8,234 | \$ 5,407 |
| EBITDA | 7,914 | 12,059 | 5,288 | 2,901 | 3,814 | 4,114 | 3,168 | 1,210 |
| Operating income | 2,673 | 5,163 | 2,826 | 1,985 | 1,019 | 2,453 | 2,042 | 548 |
| Net income | 3,550 | 3,591 | 1,666 | 1,312 | 599 | 1,601 | 2,135 | 622 |
| Per share - basic | 0.11 | 0.12 | 0.06 | 0.05 | 0.02 | 0.06 | 0.08 | 0.02 |
| Per share - diluted | 0.11 | 0.11 | 0.05 | 0.05 | 0.02 | 0.06 | 0.08 | 0.02 |
| Funds from operations | 8,058 | 11,596 | 5,083 | 2,871 | 3,584 | 3,959 | 3,070 | 1,134 |
| Per share - basic | 0.26 | 0.38 | 0.17 | 0.11 | 0.15 | 0.16 | 0.12 | 0.04 |
| Per share - diluted | 0.24 | 0.36 | 0.16 | 0.10 | 0.14 | 0.16 | 0.12 | 0.04 |

The upward trend in the above table is due to Divestco's growth over the past two years, both through organic means and through acquisitions. Generally, the Company's busiest quarters are the first and fourth quarters, when significant drilling and exploration activities are underway in North America.



Management's Discussion & Analysis

Segment Review

| For the Three Months Ended June 30, 2006 (Thousands) | | | | | | |
|--|----------|----------|-----------|------------|---------------------|-----------|
| | Software | Services | Data | Consulting | Corporate and Other | Total |
| Revenue | \$ 1,752 | \$ 4,279 | \$ 10,603 | \$ 1,408 | \$ 14 | \$ 18,056 |
| EBITDA | 743 | 580 | 8,664 | (187) | (1,886) | 7,914 |
| Interest | - | - | 99 | - | 204 | 303 |
| Depreciation and amortization | 154 | 378 | 4,357 | 15 | 34 | 4,938 |
| Operating income (loss) | 589 | 202 | 4,208 | (202) | (2,124) | 2,673 |

| For the Three Months Ended June 30, 2005 (Thousands) | | | | | | |
|--|----------|----------|----------|------------|---------------------|----------|
| | Software | Services | Data | Consulting | Corporate and Other | Total |
| Revenue | \$ 1,272 | \$ 2,706 | \$ 5,243 | \$ - | \$ - | \$ 9,221 |
| EBITDA | 240 | 614 | 4,271 | - | (1,311) | 3,814 |
| Interest | - | - | - | - | 48 | 48 |
| Depreciation and amortization | 93 | 152 | 2,449 | - | 53 | 2,747 |
| Operating income (loss) | 148 | 461 | 1,822 | - | (1,412) | 1,019 |

| For the Six Months Ended June 30, 2006 (Thousands) | | | | | | |
|--|----------|----------|-----------|------------|---------------------|-----------|
| | Software | Services | Data | Consulting | Corporate and Other | Total |
| Revenue | \$ 3,428 | \$ 6,849 | \$ 24,378 | \$ 2,911 | \$ 95 | \$ 37,661 |
| EBITDA | 1,340 | 1,376 | 20,779 | (320) | (3,203) | 19,972 |
| Interest | - | - | 110 | - | 386 | 496 |
| Depreciation and amortization | 289 | 519 | 10,740 | 25 | 68 | 11,641 |
| Operating income (loss) | 1,051 | 858 | 9,930 | (346) | (3,658) | 7,835 |

| For the Six Months Ended June 30, 2005 (Thousands) | | | | | | |
|--|----------|----------|----------|------------|---------------------|-----------|
| | Software | Services | Data | Consulting | Corporate and Other | Total |
| Revenue | \$ 2,592 | \$ 5,636 | \$ 9,708 | \$ - | \$ - | \$ 17,936 |
| EBITDA | 872 | 1,532 | 7,783 | - | (2,259) | 7,928 |
| Interest | - | - | - | - | 111 | 111 |
| Depreciation and amortization | 188 | 312 | 3,735 | - | 110 | 4,345 |
| Operating income (loss) | 684 | 1,220 | 4,048 | - | (2,480) | 3,472 |



Software

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

Second Quarter Financial Results - 2006

In the second quarter of 2006, revenue in Software amounted to \$1.8 million compared to \$1.3 million for the same quarter in 2005, generating 10% (Q2 2005 - 14%) of the Company's total revenue for the three month period. The increase of \$481,000 (38%) was assisted by \$280,000 in new revenue from LandRite sales (acquired from Laser Software in 2005), and an increase in sales of GeoCarta, Synthetic Suite and WinPICS.

EBITDA for the second quarter was \$743,000 compared to \$240,000 in 2005, an increase of \$503,000 (210%). This was offset by a rise in salaries due to the acquisition of Laser Software and hiring of additional internal software developers, in addition to a rise in occupancy costs. Amortization was \$154,000 compared to \$93,000 in 2005, an increase of \$61,000 (66%) from the addition of Laser Software. Operating income for Software was \$589,000 compared to \$148,000 in 2005, an increase of \$441,000 (298%).

Year to Date Financial Results - 2006

Year to date June 2006, revenue in Software amounted to \$3.4 million compared to \$2.6 million for the same quarter in 2005, generating 9% (2005 - 14%) of the Company's total revenue for the six month period. Sales of LandRite generated \$578,000 in new revenue while sales of Oil Expert, GeoCarta, Synthetic Suite, and MapQ increased by \$290,000 from 2005. These were offset by a decrease in Software Consulting revenue and sales of GeoVista.

Year to date June 2006, EBITDA was \$1.3 million compared to \$0.9 million in 2005, an increase of \$0.4 million (54%). This was offset by a rise in salaries due to the acquisition of Laser Software and hiring of additional internal software developers, as well as a rise in occupancy costs. Amortization was \$289,000 compared to \$188,000 in 2005, an increase of \$101,000 (53%) due to the Laser Software acquisition. Operating income for Software was \$1.0 million compared to \$0.7 million in 2005, an increase of \$0.4 million (54%).

Outlook

Divestco has a number of software releases planned throughout the months ahead:

- GeoCarta Tools v1.9 is currently in final testing and will be released Mid-Q3. This release will include a variety of functional improvements, including DGI gridding and contouring support, integration with Divestco's user tops system, and enhanced NAD83 support.
- GeoVista will see a minor release in the third quarter in support of the delivery of improved formation tops and freehold data sets.
- OeX v4.0 development continues with this major release slated for early 2007.
- LandRite v9.0 development continues. This release will provide improved royalty management as well as support for automated generation of rental payment history.
- DataStore v1.3 will be released in mid-August. The release includes an exciting new Electronic Data Download feature, allowing customers to download basic data directly from Divestco's remote Archiving centre. Future versions will expand access to further information.
- MapQ v3.1.1 will be released this fall, providing customers with on-line secure access to their remotely hosted proprietary seismic databases (managed by our Survey Audit team) through the Internet. This system requires no specialized, dedicated connection, or VPN configuration.
- Major releases are planned in the future for WinPICS, GeoVista and EarthTools product lines.

Divestco is dedicated to providing on-going enhancements and additions to its current product lines, and is equally committed to ensuring research and development activities for future product lines continues to be a high priority. The release of WinPICS v5.4 along with EnvisionVSX v2.1 represents a maturing of the Company's 3-D Visualization and Interpretation efforts into an incredibly powerful software suite through which Geophysicists are provided with an advanced set of tools to accelerate and improve exploration practices. Internally, new product teams have begun work on several new tool sets which complement our current product lines and will allow Divestco to fully exploit all the natural synergies that are present between its Software, Services and Data segments. Integration at a technical level continues to be a driver for innovation within the Company.



Management's Discussion & Analysis

Services

The Services segment offers quality assurance as well as transactional and data management services for geophysical and geological related information. Services provides seismic survey audit, seismic processing, rig activity maps, custom mapping, archiving, seismic brokerage and geophysical/geological services.

Second Quarter Financial Results - 2006

In the second quarter of 2006, revenue in Services amounted to \$4.3 million compared to \$2.7 million for the same quarter in 2005, generating 24% (Q2 2005 - 29%) of the Company's total revenue for the three month period. The increase of \$1.6 million (58%) was due to \$1.8 million in new revenue from the Processing division (purchased from Geo-X in May 2006) and \$0.2 million in survey audit revenue related to the completion of a 3D survey. This was offset by a decrease in Seismic Brokerage revenue as the Company was focussed on acquiring new data during the quarter.

EBITDA for the second quarter was \$580,000 compared to \$614,000 in 2005. The decrease of \$34,000 (6%) was primarily due to a one-time adjustment related to the Geo-X Processing acquisition. Amortization increased by 226,000 (148%) from 2005 due to the addition of the Geo-X Processing assets. Operating income for Services was \$202,000 compared to \$461,000 in 2005, a decrease of \$260,000 (56%).

Year to Date Financial Results - 2006

For the first six months of 2006, revenue in Services amounted to \$6.9 million compared to \$5.6 million for the same period in 2005, generating 18% (2005 - 31%) of the Company's total revenue for the period. The increase of \$1.2 million (21%) was primarily due to the purchase of Geo-X Processing. This was offset by lower Brokerage revenue due to the focus on acquiring new data during the quarter.

Year to date, EBITDA was \$1.4 million compared to \$1.5 million in 2005. The decrease of \$0.1 million (10%) was due to the one-time adjustments related to the Geo-X purchase. Amortization increased by 207,000 (66%) from 2005 due to the addition of the Geo-X Processing assets. Operating income for Services was \$0.9 million compared to \$1.2 million in 2005, a decrease of \$0.3 million (30%).

Outlook

As discussed in the first quarter, Divestco is currently responding to

increased customer demand for NAD83 and Dominion Land Surveys (DLS) Consulting services. A June 2008 deadline set by the Canadian Association of Petroleum Producers (CAPP) has prompted many companies to begin compliancy initiatives. Attendance at Divestco's educational seminars and other public forums has substantially increased, indicating a greater urgency by the industry to respond to CAPP's recommendations. Several customers have engaged Divestco to perform NAD83/Grid upgrade impact analysis, with the goal of developing strategies to assist them in operating in a mixed-datum environment. The completed impact evaluations have spawned ancillary assessment projects and interest in moving forward with many DLS upgrades and NAD83 migration projects. Over the next several months, Divestco expects many clients to proceed with subsequent project phases in compliancy preparation.

During the second quarter of 2006, Divestco completed its portion of a major seismic data reprocessing project began in 2005. The remaining geophysical processing component of the project is being carried out by a third party and the Company expects it to be complete by the end 2006.

The Company is currently reprocessing a 2D seismic data library it acquired in February 2006. The Audit Division is performing the quality assurance and then will pass it onto the Processing Division. The entire project is expected to take six to eight months.

Data

The Data segment acquires, licenses, and maintains Divestco's proprietary seismic data and full suite of support data layers (log, well, and drilling data). Data also provides log digitizing, rasterizing services, and document scanning.

| Seismic Library | Jun 30 2006 | Jun 30 2005 | Dec 31 2005 |
|-------------------------------|----------------|----------------|----------------|
| 2D in gross kilometres | 58,273 | 52,244 | 52,244 |
| 2D in net kilometres | 46,273 | 40,244 | 40,244 |
| 3D in gross square kilometres | 4,995 | 4,258 | 4,359 |
| 3D in net square kilometres | 3,485 | 2,748 | 2,849 |



Second Quarter Financial Results - 2006

In the second quarter of 2006, revenue in Data amounted to \$10.6 million compared to \$5.2 million for the same quarter in 2005, generating 59% (Q2 2005 - 57%) of the Company's total revenue for the three month period. The increase of \$5.4 million (102%) was primarily due to a \$4.5 million rise in 2D and 3D seismic data sales, driven by the delivery of a 3D seismic program, a \$0.2 million increase in Log Data revenue due to the addition of Drilling Records (Canada), and a \$0.5 million increase related to the acquisitions of PDS and Drilling Records (USA) in 2005.

EBITDA for the second quarter was \$8.7 million compared to \$4.3 million in 2005, an increase of \$4.4 million (103%). This was offset by an increase in operating costs. Salaries rose by \$467,000, while general and administrative costs rose by \$358,000 due mainly to acquisitions. However, Log Data realized cost reductions from continuing to outsource its digitizing services. Amortization increased by \$1.9 million (78%) from 2005 due to the addition of new seismic data. Operating income was for Data \$4.2 million compared to \$1.8 million in 2005, an increase of \$2.4 million (131%).

Year to Date Financial Results - 2006

For the first six months of 2006, revenue in Data amounted to \$24.4 million compared to \$9.7 million for the same period in 2005, generating 65% (2005 - 54%) of the Company's total year to date revenue. Data increased its revenues by \$14.7 million (151%), primarily due to a \$13.3 million rise in seismic data revenue related to the delivery of a number of 3D seismic programs and growth in sales of existing data, a \$0.2 million increase on Log Data revenue related to an increase in raster subsections, a \$0.3 million increase in Support Data revenue related to the acquisitions of Drilling Records (Canada), and \$1.0 million increase in revenue from Divestco's U.S. operations related to the acquisitions of PDS and Drilling Records (USA) in 2005.

Year to date June 2006, EBITDA was \$20.8 million compared to \$7.8 million in 2005, an increase of \$13.0 million (167%). This was due to further cost reductions in Log Data from the outsourcing of digitizing, which was offset by additional operating costs related to the acquisitions of PDS and Drilling Records. Amortization increased by 7.0 million (188%) from 2005 due to the addition of new seismic data. Operating income for Data was \$9.9 million compared to \$4.1 million in 2005, an increase of \$5.9 million (145%).

Outlook

By the end of third quarter of 2006, Divestco expects to complete and deliver a number of 3D seismic programs covering more than 1,800 square kilometres. This will bring Divestco's total 3D library to approximately 6,100 gross square kilometres by the end of September 2006.

Divestco's Logs division will continue to focus on increasing sales while controlling expenses to gain maximum profitability for the remainder of 2006. Some critical initiatives include:

- Revamped Log pricing and promotions (rasters and digits)
- Examining software changes to better suit market needs for Logs
- Continued work on enhancing the quality and coverage of Logs
- Continued streamlining of operations to reduce costs

The Company's U.S. operations will focus their sales and marketing efforts in third and fourth quarters on their offset well data and newly acquired Public Land Survey System (PLSS) 1:24,000 USA grid. Development continues on a new integrated web-based mapping and query tool for all of Divestco's U.S. data which will be completed in 2006. The new tool will improve functionality and is expected to increase sales of U.S. data products. Two new U.S. account managers will be hired in the third quarter, which is expected to result in increased sales for all products. The additional costs for these new staff will be partially offset by reduced operational costs resulting from ongoing improvements in data acquisition and production.

Consulting

The Consulting segment offers end-to-end solutions, ranging from business consulting services, ERP systems implementations and CRM systems implementations, to custom software development, hardware devices, and network infrastructure.

Second Quarter Financial Results - 2006

In the second quarter of 2006, revenue in Consulting amounted to \$1.4 million, generating 8% of the Company's total revenue for the



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three month period. EBITDA was a negative \$187,000 attributed to significant investments in personnel and infrastructure to position the segment for growth. The return on these investments started to materialize in productivity of new staff late in the second quarter with the signing of three large system implementation projects in June. As a result, revenues from these initiatives are expected to be realized in the third and fourth quarters of 2006. Amortization was \$15,000. This amounted to an operating loss of \$202,000 for the segment. As this segment was added in the fourth quarter of 2005 with the Focus acquisition, there are no comparative figures to report.

Year to Date Financial Results - 2006

Year to date June 2006, revenue in Consulting amounted to \$2.9 million, generating 8% of the Company's total revenue for the six month period. EBITDA was a negative \$320,000 attributed to the focus on bringing on addition staff. Amortization was \$25,000. This amounted to an operating loss of \$346,000 for the segment. As this segment was added in the fourth quarter of 2005 with the Focus acquisition, there are no comparative figures to report.

Outlook

- Divestco Consulting remains a leader in oilfield service data capture system implementations through Microsoft Dynamics and Spira products
- NAD83 consulting projects and proposals have increased as the CAPP deadline for datum conversion draws nearer in 2008
- Corporate Records Management presents solid opportunity for the remainder of 2006 for Divestco Consulting

Corporate and Other

The Corporate segment contains costs associated with corporate general and administrative functions associated primarily with setting the overall strategic plan of the Company including operations, finance, accounting, human resources (HR), and information technology (IT) functions. Salaries, legal, travel, investor relations, stock compensation and interest expenses are also included as part of the Corporate segment.

Second Quarter Financial Results - 2006

Revenue is related to income earned from the Company's short-

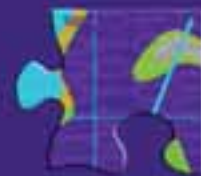
term investments. Salaries and wages decreased by \$78,000 (9%), from \$696,000 in 2005 to \$618,000 in 2006 due to the addition new staff from acquisitions, were offset by one-time charges in 2005. General and administrative costs (G&A) were \$1.3 million in 2006, compared to \$0.6 million in 2005, an increase of \$0.7 million (116%). The rise in G&A costs was mainly due to fees related to Divestco's graduation to the Toronto Stock Exchange from TSX Venture Exchange in June 2006. There were also increases in stock compensation expense, professional fees, and occupancy costs due to the overall growth of the Company since the previous year. Interest costs were \$204,000 in 2006 compared to \$48,000 in 2005 and increase of \$156,000 (325%) from \$10 million in long-term debt obtained in 2005. Amortization was \$34,000 in 2006 compared to \$53,000 in 2005, a decrease of \$19,000 (36%). This amounted to a \$2.1 million in net expenditures compared to \$1.4 million in 2005, an increase of \$0.7 million.

Year to Date Financial Results - 2006

Revenue is related to income earned from the Company's short-term investments. Salaries and wages increased by \$0.1 million (12%), from \$1.1 million 2005 to \$1.2 million in 2006. The rise was due to the addition of new accounting staff from Drilling Records, Focus, and Laser Software, and a new hire in HR. G&A costs were \$2.0 million in 2006 compared to \$1.3 million in 2005. The increase of \$0.7 million (53%) was principally due to the fees related to Divestco's Toronto Stock Exchange graduation in June 2006. There were also increases in stock compensation expense, professional fees, and occupancy costs due to the overall growth of the Company since the previous year. Interest costs were \$386,000 in 2006 compared to \$111,000 in 2005, an increase of \$275,000 (247%). The increase was due to new long-term debt obtained in September 2005. Amortization was \$68,000 in 2006 compared to \$110,000 in 2005, a decrease of \$42,000 (38%). This amounted to a \$3.7 million in net expenditures compared to \$2.5 million in 2005, an increase of \$1.2 million.

Outlook

As Divestco continues to grow organically and through acquisitions, corporate costs are expected to increase throughout 2006, but will decrease as a percentage of revenue. Additional staff will be required to effectively and efficiently carry out the corporate functions of the Company. Five additional accounting staff were added through the acquisition of Cavalier.



Depreciation and Amortization

Depreciation and amortization for the second quarter of 2006 was \$4.9 million compared to \$2.7 million in the same period in 2005, an increase of \$2.2 million (80%). The increase was primarily due to:

- Purchase of the Geo-X Processing assets (\$10.2 million of the purchase price was allocated to tangible and intangible assets [excluding goodwill of \$1.8 million, which is not amortized])
- \$8.7 million incurred to complete a multi-client 3D seismic survey (part of the costs were incurred in the first quarter of 2006, however no depreciation is recorded until the data is delivered)
- \$221,000 in computer equipment and software purchases
- \$176,000 related to the purchase of software code
- Amortization of purchase price allocations of tangible and intangible assets related to the four share acquisitions completed in 2005

Depreciation and amortization for the first six month period ended June 30, 2006 was \$11.7 million compared to \$4.3 million for the same period in 2005, an increase of \$7.3 million (168%). The increase was primarily due to:

- Purchase of the Geo-X Processing assets.
- \$22.5 million incurred to complete three 3D multi-client seismic surveys (part of the costs were incurred in 2005, however no depreciation is recorded until the data is delivered)
- \$393,000 in computer equipment and software purchases
- \$103,000 in leasehold improvements related to an additional floor being added to the Company's head office
- \$176,000 related to the purchase of software code
- Amortization of purchase price allocations of tangible and intangible assets related to the four share acquisitions completed in 2005

Income Taxes

Divestco recorded a current tax recovery of \$0.2 million in the second quarter of 2006. A future tax provision of \$1.2 million was also recorded compared to \$0.4 million in the same period in 2005 as a significant portion of the Company's income was earned through a partnership. The Company applied the Alberta Corporate tax reduction of 1.5% (fully effective by April 2007) in the quarter resulting in a \$92,000 reduction to its future tax provision.

As at June 30, 2006, the Company had the following tax pools in Canada:

- \$2.5 million of non-capital losses
- \$9.2 million in undepreciated capital cost pools
- \$3.3 million of Federal Scientific Research and Development (SR&ED) expenditures
- \$0.3 million of SR&ED Investment Tax Credits
- Nominal amount of U.S. tax pools available to reduce future taxable income in the Company's wholly owned U.S. subsidiary.

Major Transactions

Seismic Related

During the second quarter of 2006, Divestco completed a 3D seismic survey covering an approximate area of 206 square kilometres. The Company's portion of the acquisition costs amounted to \$8.7 million.

During the first six months of 2006, Divestco completed three 3D seismic surveys covering an approximate area of 636 square kilometres. The Company's portion of the acquisition costs amounted to \$22.5 million. Divestco acquired an existing 2D seismic data library containing approximately 5,000 kilometres of data in Manitoba for \$637,000.



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Corporate

On May 1, 2006, the Company closed the purchase of the Processing Division business of Calgary based Geo-X Systems Ltd. ("Geo-X") for consideration of \$12.7 million. The difference from the previously announced purchase price of \$11.5 million was due to a purchase price adjustment of \$859,000 (calculated in accordance with the acquisition agreement), and the value of the Divestco common shares issued was calculated using a price of \$5.62 for accounting purposes (based on the trading value around the closing date and applying a 20% discount due to a four-month holding period on the shares).

On July 18, 2006, Divestco acquired all of the issued and outstanding shares of Cavalier Land Ltd. for total consideration of \$7.5 million. \$4.4 million was paid in cash at closing and \$1.9 million was paid in shares of the Company at a deemed price of \$5.09 per share. The shares are subject to a four month hold period expiring on November 17, 2006. The remaining \$1.2 million will be paid out in cash over a two-year period subject to terms in the acquisition agreement.

Liquidity and Capital Resources

Working Capital

As previously discussed, Divestco had a \$8.1 million working capital deficiency at June 30, 2006, compared to a positive working capital of \$3.5 million at December 31, 2005. This is directly related to \$45 million of 3D seismic participation surveys which were in-progress at the end of the second quarter. There was approximately \$8.9 million in bank indebtedness, \$18.8 million of accounts payables and \$23.4 million in deferred revenue (offset by \$5.7 million in accounts receivable) related to these in-progress surveys. Two large and two smaller surveys are expected to be delivered in the third quarter reducing deferred revenue by \$23.4 million.

Operating Activities

Funds from operations for the second quarter of 2006 were \$8.1 million (24 cents per share - diluted) compared to \$3.6 million (14 cents per share - diluted) in 2005, an increase of \$4.5 million (125%). For the first six months of 2006, funds from operations were \$19.7 million (61 cents per share - diluted) compared to \$7.5 million (30

cents per share - diluted) in 2005, an increase of \$12.2 million (161%). The increases were primarily due to a rise in seismic data revenue related to 3D surveys completed and delivered to the clients, and the addition of Laser Software in 2005. This was offset by a rise in operating costs and one-time adjustments related to the Geo-X asset purchase.

Financing Activities

The Company's financing activities for the period ended June 30, 2006 are highlighted as follows:

- \$12.1 million in gross proceeds from a public offering of 2.3 million common shares (\$11.2 million net proceeds)
- \$8.9 million drawn on a \$10.0 million temporary credit facility obtained to assist the Company with its on-going seismic activities
- \$2.7 million in proceeds received from the exercise of stock options, broker compensation options and share purchase warrants (second quarter 2006 - \$0.3 million)
- \$1.4 million repayment of capital lease obligations, promissory notes and term debt (second quarter 2006 - \$0.7 million)

Investing Activities

The Company's investing activities for the six months ended June 30, 2006 are highlighted as follows:

- \$22.9 million to complete various seismic data surveys and \$42.2 million spent on in-progress surveys (second quarter 2006 - \$9.1 million spent on total seismic data additions, with \$19.4 million spent on in-progress surveys)
- \$11.5 million spent to acquire the Geo-X Processing assets (excluding \$1.2 million worth to shares issued)
- Proceeds of \$7.8 million related to the sale the Company's remaining short-term investments (second quarter 2006 - \$6.6 million)
- \$0.7 million in spent on property and equipment and software code (second quarter 2006 - \$0.4 million)



Debt Instruments

Divestco has the following credit facilities in place with HSBC Bank Canada (HSBC):

- \$4.0 million operating line, bearing interest at bank prime plus 0.75%. This was increased from \$3.0 million effective May 8, 2006. The aggregate borrowing under this facility cannot exceed 75% of the Company's accounts receivable balance. As at June 30, 2006, no amount was drawn on this facility (December 31, 2005 - \$Nil).
- In February 2006, the Company secured a \$10 million short term revolving demand loan to assist in the completion of a number of its seismic surveys. As at June 30, 2006, \$8.8 million was drawn on this facility. Any amounts drawn in the temporary loan must be repaid by August 31, 2006. The Company is currently in negotiations with HSBC to have this facility expanded and extended.
- \$150,000 corporate credit card facility reserved for senior management and officers. A nominal amount was drawn on this facility as at June 30, 2006.

These facilities are secured by a general security agreement creating a first-priority security interest in all present and after-acquired personal property of the Company, and by a floating charge over all of the Company's present and after-acquired real property of up to \$5.0 million. The short-term revolving demand loan is secured with certain seismic data sales contracts, and at no time can this loan exceed 50% of the remaining payments under the seismic data sale contracts which have been assigned to the bank. The facilities are also subject to the Company meeting certain covenants. As at June 30, 2006, the Company was in violation of its working capital covenant. HSBC has provided Divestco with a waiver of the covenant breach as at June 30, 2006.

The Company also has a term loan with Roynat Capital Inc., bearing interest at their floating base rate plus 3.00%. The loan is payable in monthly instalments of \$165,500 plus interest, with a final instalment of \$235,500. \$8.9 million of the loan was outstanding as at June 30, 2006 (December 31, 2005 - \$9.8 million).

This facility is secured by a first charge on all fixed assets now owned and hereafter acquired by the Company, and by a floating charge on all other assets, subject to a prior charge (both fixed and floating) to the operating lender of approximately \$5.0 million. In addition, the facilities are subject to the Company meeting certain covenants. As at June 30, 2006, the Company was in violation of its working capital covenant. Roynat has acknowledged the breach and is the process of providing Divestco with waiver of the covenant breach as at June 30, 2006.

Given the growth the Company experienced over the past year, it is in negotiations with its financial institutions to moderately increase its credit facilities. Expectations are that the expanded credit facilities and funds from operations will be sufficient in the short and long-term to maintain the Company's current requirements, to meet planned growth, and to fund future capital expenditures.



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Outstanding Share Data

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

The following table provides details of the Company's equity instruments for the period ended June 30, 2006:

| | Balance as at | | |
|------------------------------------|----------------|----------------|----------------|
| | Aug 4, 2006 | Jun 30, 2006 | Dec 31, 2005 |
| Common shares | | | |
| Outstanding | 34,201,097 | 33,811,894 | 29,874,400 |
| Weighted average outstanding | | | |
| Basic | | 31,406,888 | 26,520,656 |
| Diluted | | 33,537,627 | 27,045,527 |
| Stock options | | | |
| Outstanding | 2,482,288 | 2,502,855 | 2,219,403 |
| Exercise price range | \$ 0.83 - 6.10 | \$ 0.83 - 6.10 | \$ 0.83 - 3.00 |
| Warrants | | | |
| Outstanding | 1,678,750 | 1,678,750 | 2,500,000 |
| Exercise price | \$ 2.50 | \$ 2.50 | \$ 2.50 |
| Broker compensation options | | | |
| Outstanding | 227,553 | 227,553 | 349,342 |
| Exercise Price | \$ 2.00 | \$ 2.00 | \$ 2.00 |

Common Shares

On June 10, 2005, the Company received approval to renew its normal course issuer bid (NCIB) to repurchase up to 1,425,000 of its common shares at prevailing market prices during the twelve-month period ending June 14, 2006. No repurchases were made under this NCIB and it was not renewed.

During the six months ended June 30, 2006, 821,250 warrants were exercised for total proceeds of \$2.1 million, and 122,447 broker compensation options were exercised for total proceeds of \$244,894.



Stock Options

As at June 30, 2006 there were 3,147,035 common shares authorized for grants of stock options. The increase from 2,650,000 was due to a change to a floating from a fixed stock option plan.

During the six months ended June 30, 2006:

- 677,405 stock options were granted with exercise prices ranging from \$3.23-\$6.10, including 50,000 to an officer
- 321,321 stock options were exercised at exercise prices ranging from \$0.83 to \$1.40
- 72,632 stock options were forfeited with exercise prices ranging from \$1.25 to \$6.10

Subsequent to June 30, 2006:

- 20,567 options were exercised with exercise prices ranging from of \$1.00 to \$1.50

Commitments and Contingencies

Under the terms of the agreement to reprocess a portion of Divestco's seismic library, the Company is required to pay royalties on future sales of the reprocessed seismic data library to the third party that shared in the cost of the project. The royalties will be recorded as incurred when the data is sold and delivered. The maximum royalty on sales of the entire database is limited to \$600,000. Royalties of individual line sales are limited to a period of five years from the date reprocessing was completed for each segment of the seismic data.

Related Party Transactions

Divestco had the following related party transactions:

- For the six months ended June 30, 2006 the Company earned \$32,000 (June 30, 2005 - \$19,000) in revenue related to data loading, workstation rentals, and leasing of office space from companies with common directors. Included in accounts

receivable as at June 30, 2006 was \$20,000 (June 30, 2005 - \$Nil) related to this revenue

- For the six months ended June 30, 2006, the Company paid \$228,000 (June 30, 2005 - \$170,000) in brokerage commissions to a company controlled by a director. Included in accounts payable as at June 30, 2006 was \$Nil (June 30, 2005 - \$37,000) related to these commissions
- For the six months ended June 30, 2006, the Company paid \$197,000 (June 30, 2005 - \$154,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at June 30, 2006 was \$103,000 (June 30, 2005 - \$77,000) related to these legal fees
- During the six months ended June 30, 2006, a promissory note due from an officer of the Company in the amount of \$22,000 was repaid

Critical Accounting Estimates

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

The fair value of share options, broker compensation options, and warrants were estimated using the Black Scholes option pricing model with the following assumptions: an expected volatility of 60% (2005 - 60%), a risk free interest rate of 5.0%, and an expected life of 5 years for the stock options and 2 years for the broker compensation options and warrants. The value of the stock options



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is recorded in contributed surplus at the date of grant and recognized as a compensation expense over the 2-year vesting period. In October 2005, the Company changed the vesting period of stock options granted going forward to three years. The value for the broker compensation options is recorded in contributed surplus and is reduced as the broker options are exercised. The value of the warrants has been recorded as a separate line item under equity instruments and is reduced as the warrants are exercised.

New Accounting Pronouncements

Non-Monetary Transactions

In June 2005, the Accounting Standards Board ("AcSB") issued Section 3831, Non-Monetary Transactions, which replaces Section 3830 and requires all non-monetary transactions to be measured at fair value unless:

- the transaction lacks commercial substance;
- the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange;
- neither the fair value of the assets or services received nor the fair value of the assets or services given up is reliably measurable;
- the transaction is a non-monetary, non-reciprocal transfer to owners that represent a spin-off or other form of restructuring or liquidation.

The new requirements apply to non-monetary transactions initiated in periods beginning on or after January 1, 2006. Earlier adoption is permitted beginning on or after July 1, 2005. The Company does not expect that the adoption of this standard will have any material impact on its results of operations or financial position.

Financial Instruments

The AcSB has issued three sections on financial instruments; Section 1530, Comprehensive Income, Section 3855, Financial Instruments - Recognition and Measurement, and Section 3865, Hedges. These three sections will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

They will require the following:

- all trading financial instruments will be recognized on the balance sheet and will be fair valued through the income statement;
- all remaining financial assets will be recorded at cost and amortized through the financial statements;
- a new statement for comprehensive income that will include certain gains and losses on translation of assets and liabilities;
- an update to Accounting Guideline 13 to incorporate the fair value changes currently recorded in the income statement to be recorded through the comprehensive income statement.

Management has not assessed the future impact on the financial statements of the Company at this time.

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) to ensure that material information relating to the Company is communicated to them by others in the organization as it becomes known and 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, 2005, by and under the supervision of Divestco's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined in the Canadian Securities Administrators' Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", are effective to ensure that information required to be disclosed in reports that the Company files or submits under Canadian securities legislation is recorded, processed, summarized, and reported within the time periods specified in those rules and forms.

Consolidated Balance Sheets

| As at (Thousands) | June 30, 2006 | December 31, 2005 |
|--|---------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 9,023 | \$ 1,382 |
| Short-term investments | - | 5,512 |
| Accounts receivable | 18,383 | 27,053 |
| Prepaid expenses, supplies and deposits | 936 | 427 |
| Investment tax credits recoverable | 322 | - |
| | 28,664 | 34,374 |
| Long-term accounts receivable | 960 | 960 |
| Investment in affiliated company | 69 | 79 |
| Data libraries (Note 3) | 41,167 | 28,740 |
| Participation surveys in progress | 44,992 | 2,719 |
| Property and equipment (Note 4) | 5,856 | 3,495 |
| Deferred development costs (Note 5) | 2,395 | 1,863 |
| Deferred finance costs | 366 | 409 |
| Intangibles (Note 6) | 11,489 | 4,128 |
| Goodwill (Note 2) | 5,225 | 3,431 |
| | \$ 141,183 | \$ 80,198 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Bank indebtedness (Note 7) | \$ 8,870 | \$ - |
| Accounts payable and accrued liabilities | 29,256 | 17,624 |
| Current portion of deferred revenue | 25,662 | 10,355 |
| Current portion of long-term debt obligations (Note 8) | 2,943 | 2,880 |
| | 66,731 | 30,859 |
| Deferred revenue | 1,768 | 402 |
| Long-term debt obligations (Note 8) | 7,291 | 8,724 |
| Future income taxes | 5,323 | 2,989 |
| | 81,113 | 42,974 |
| Shareholders' Equity | | |
| Equity instruments (Note 9(b)) | 42,852 | 27,195 |
| Contributed surplus (Note 9(f)) | 1,317 | 1,269 |
| Retained earnings | 15,901 | 8,760 |
| | 60,070 | 37,224 |
| | \$ 141,183 | \$ 80,198 |
| Subsequent event (Note 14) | | |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income and Retained Earnings

| (Thousands, except per share amount - unaudited) | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---------------------------------------|----------|-------------------------------------|-----------|
| | 2006 | 2005 | 2006 | 2005 |
| Revenue | \$ 18,056 | \$ 9,221 | \$ 37,661 | \$ 17,936 |
| Operating expenses | | | | |
| Salaries and benefits | 6,067 | 4,148 | 10,763 | 7,450 |
| General and administrative | 3,718 | 1,040 | 6,307 | 2,231 |
| Research and development | 135 | 105 | 268 | 170 |
| Stock compensation expense (Note 9(f)) | 222 | 114 | 351 | 157 |
| | 10,142 | 5,407 | 17,689 | 10,008 |
| Earnings before interest, taxes, depreciation and amortization | 7,914 | 3,814 | 19,972 | 7,928 |
| Interest expense | 303 | 48 | 496 | 111 |
| Depreciation and amortization | 4,938 | 2,747 | 11,641 | 4,345 |
| Operating income | 2,673 | 1,019 | 7,835 | 3,472 |
| Other income (loss) | | | | |
| Foreign exchange loss | (23) | (8) | (16) | (12) |
| Gain on sale of investment securities | 1,852 | - | 2,132 | - |
| Equity investment income | (2) | (6) | (10) | (9) |
| | 1,827 | (14) | 2,106 | (21) |
| Income before income taxes | 4,500 | 1,005 | 9,941 | 3,451 |
| Income taxes | | | | |
| Current (reduction) | (228) | - | 177 | - |
| Future | 1,178 | 406 | 2,623 | 1,251 |
| | 950 | 406 | 2,800 | 1,251 |
| Net income for the period | 3,550 | 599 | 7,141 | 2,200 |
| Retained earnings, beginning of period | 12,351 | 5,519 | 8,760 | 3,918 |
| Purchase price of common shares repurchased in excess of book value | - | (336) | - | (336) |
| Retained earnings, end of period | \$ 15,901 | \$ 5,782 | \$ 15,901 | \$ 5,782 |
| Earnings per share | | | | |
| Basic | \$ 0.11 | \$ 0.02 | \$ 0.23 | \$ 0.09 |
| Diluted | \$ 0.11 | \$ 0.02 | \$ 0.22 | \$ 0.09 |
| Weighted average number of shares | | | | |
| Basic | 31,407 | 24,503 | 30,857 | 24,617 |
| Diluted | 33,538 | 24,718 | 32,435 | 24,743 |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

| (Thousands - unaudited) | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---------------------------------------|---------|-------------------------------------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| Cash flows from operating activities | | | | |
| Net income for the period | \$ 3,550 | \$ 599 | \$ 7,141 | \$ 2,200 |
| Items not affecting cash: | | | | |
| Equity investment loss | 2 | 6 | 10 | 9 |
| Depreciation and amortization | 4,938 | 2,747 | 11,641 | 4,345 |
| Future income taxes | 1,178 | 406 | 2,623 | 1,251 |
| Investment tax credits utilized | - | (292) | - | (425) |
| Gain on sale of investment securities | (1,852) | - | (2,132) | - |
| Unrealized foreign exchange loss | 20 | 4 | 18 | 7 |
| Stock compensation expense | 222 | 114 | 351 | 157 |
| Funds from operations | 8,058 | 3,584 | 19,652 | 7,544 |
| Changes in non-cash working capital balances (Note 10) | 8,356 | 1,559 | 24,205 | 534 |
| Increase (decrease) in non-current deferred revenue | 1,435 | 434 | 1,366 | 744 |
| Decrease in long-term accounts receivable | - | 63 | - | 250 |
| | 17,849 | 5,640 | 45,223 | 9,072 |
| Cash flows from financing activities | | | | |
| Bank indebtedness | 8,004 | 156 | 8,870 | 319 |
| Issue of common shares, net of related expenses (Note 9(b)) | 11,426 | 74 | 13,866 | 129 |
| Repayment of long-term debt obligations | (710) | (339) | (1,370) | (775) |
| Deferred financing costs | 22 | - | 43 | - |
| Proceeds received from long-term debt obligations | - | 446 | - | 783 |
| Repurchase of common shares | - | (194) | - | (822) |
| | 18,742 | 143 | 21,409 | (366) |
| Cash flows from investing activities | | | | |
| Purchase of data libraries | (9,069) | (5,591) | (22,869) | (7,758) |
| (Increase) decrease in participation surveys in progress | (19,482) | 3,103 | (42,273) | (38) |
| Purchase of property and equipment | (221) | (130) | (527) | (657) |
| Purchase of intangibles | (176) | - | (176) | - |
| Aquisition - Geo-X Processing (Note 2) | (11,487) | - | (11,487) | - |
| Aquisition - Petro Data Source Inc. | - | (343) | - | (343) |
| Purchase of investment securities | - | - | (109) | - |
| Proceeds on sale of investment securities | 6,644 | - | 7,753 | - |
| Deferred development costs | (296) | (254) | (532) | (594) |
| Changes in non-cash working capital balances (Note 10) | 4,146 | (2,563) | 11,254 | 689 |
| | (29,941) | (5,778) | (58,966) | (8,701) |
| Foreign exchange loss on cash held in a foreign currency | (20) | (5) | (25) | (5) |
| Increase in cash and cash equivalents | 6,630 | - | 7,641 | - |
| Cash and cash equivalents, beginning of period | 2,393 | - | 1,382 | - |
| Cash and cash equivalents, end of period | \$ 9,023 | \$ - | \$ 9,023 | \$ - |

At June 30, 2006, the Company held \$87,000 (2005 - \$Nil) of cash and cash equivalents which were denominated in a foreign currency.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

June 30, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

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

1 Significant Accounting Policies

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

These interim consolidated financial statements do not include the entire note disclosures required for the annual consolidated financial statements, and therefore, should be read in conjunction with audited consolidated financial statements as at and for the year ended December 31, 2005. 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, 2006 are not necessarily indicative of results to be expected for the entire year ending December 31, 2006. The Corporation 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 Corporation's revenue for its shot seismic data is recognized in the winter and spring seasons.

Certain figures with respect to the three and six months ended June 30, 2005 have been reclassified to conform to the current period's presentation.

2 Acquisition

On May 1, 2006, the Company acquired the processing division of Geo-X Systems Ltd. ("Geo-X Processing"). The allocation of the purchase price for the acquisition has not yet been finalized. The preliminary allocation of the purchase price, based on management's estimates, is as follows:

| | Amount (\$CDN) |
|---|----------------|
| Allocation of purchase price | |
| Working capital | \$ 679 |
| Property and equipment | 2,461 |
| Intangible assets | 7,752 |
| Goodwill | 1,794 |
| | \$ 12,686 |
| Consideration for the acquisition | |
| Cash (including acquisition costs) ⁽¹⁾ | \$ 11,487 |
| 213,220 Common Shares | 1,199 |
| | \$ 12,686 |

⁽¹⁾ \$859,000 was paid subsequent to closing as a purchase price adjustment in accordance with the acquisition agreement.

3 Data Libraries

| | Balance as at | | | |
|--------------------------|---------------|--------------------------|--------------|--------------------------|
| | Jun 30, 2006 | | Dec 31, 2005 | |
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Seismic data library | \$ 45,449 | \$ 15,959 | \$ 22,918 | \$ 5,863 |
| Data sets | 632 | 306 | 632 | 275 |
| Log and drilling library | 12,007 | 1,071 | 11,670 | 788 |
| Reference library | 445 | 237 | 445 | 214 |
| Map library | 239 | 32 | 239 | 24 |
| | \$ 58,772 | \$ 17,605 | \$ 35,903 | \$ 7,164 |
| Net book value | | \$ 41,167 | | \$ 28,740 |

4 Property and Equipment

| | Balance as at | | | |
|--------------------------------|---------------|--------------------------|--------------|--------------------------|
| | Jun 30, 2006 | | Dec 31, 2005 | |
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Computer hardware and software | \$ 5,834 | \$ 1,927 | \$ 2,980 | \$ 1,570 |
| Office furniture and equipment | 1,555 | 677 | 1,512 | 608 |
| Leasehold improvements | 412 | 211 | 309 | 171 |
| Assets under capital lease | 1,746 | 876 | 1,746 | 703 |
| | \$ 9,547 | \$ 3,691 | \$ 6,547 | \$ 3,052 |
| Net book value | | \$ 5,856 | | \$ 3,495 |

5 Deferred Development Costs

| | Balance as at | |
|---|---------------|--------------|
| | Jun 30, 2006 | Dec 31, 2005 |
| Balance, beginning of year | \$ 1,863 | \$ 1,151 |
| Salaries and benefits (net of investment tax credits) | 654 | 875 |
| General and administrative | 146 | 197 |
| | 800 | 1,072 |
| Amortization (included in research and development expense) | (268) | (360) |
| Balance, end of year | \$ 2,395 | \$ 1,863 |

Notes to Consolidated Financial Statements

June 30, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

6 Intangibles Assets

| | Balance as at | | | |
|---------------------------------|---------------|--------------------------|--------------|--------------------------|
| | Jun 30, 2006 | | Dec 31, 2005 | |
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Non-competition agreements | \$ 1,000 | \$ 24 | \$ - | \$ - |
| Customer related intangibles | 3,785 | 1,006 | 2,456 | 731 |
| Proprietary software and code | 5,865 | 1,183 | 2,943 | 1,033 |
| Office lease below market value | 2,677 | 56 | - | - |
| Well logs licence agreement | 750 | 319 | 750 | 257 |
| | \$ 14,077 | \$ 2,588 | \$ 6,149 | \$ 2,021 |
| Net book value | | \$ 11,489 | | \$ 4,128 |

7 Bank Indebtedness

The Company has a revolving demand loan bearing interest at bank prime rate plus 0.75%, with a maximum credit available of \$4.0 million. This was increased in May 2006 from \$3.0 million. There was no amount drawn on this facility as at June 30, 2006 (December 31, 2005 - \$3.0 million). The line is used for daily operating requirements. The terms of this facility remain unchanged from those reported in the December 31, 2005 financial statements.

In February 2006, the Company secured a \$10 million short-term revolving demand loan to assist it with the completion of a number of seismic surveys. The loan bears interest at bank prime rate plus 0.75% and is secured with certain seismic data sales contracts and at no time can this loan exceed 50% of the remaining payments under the seismic data sale contracts which have been assigned to the bank. There was \$8.9 million drawn on this facility as at June 30, 2006. The loan must be repaid in full by August 31, 2006. The Company is negotiating with HSBC to have this credit facility restructured and extended.

The facilities are subject to the Company meeting certain debt covenants. As at June 30, 2006, the Company was in violation of its working capital covenant. HSBC has provided Divestco with a waiver of the covenant breach as at June 30, 2006.

8 Long-Term Debt Obligations

| | Balance as at | |
|------------------------------|---------------|--------------|
| | Jun 30, 2006 | Dec 31, 2005 |
| Capital lease obligation (a) | \$ 914 | \$ 1,181 |
| Promissory notes (b) | 455 | 643 |
| Term loan (c) | 8,865 | 9,780 |
| | 10,234 | 11,604 |
| Current portion | (2,943) | (2,880) |
| | \$ 7,291 | \$ 8,724 |

A Capital lease obligations

The Company has capital lease obligations, which have a term of three years and bear interest 5.8% to 8.56% per annum. Minimum annual lease payments are as follows:

| | |
|-----------------------|--------|
| 2006 (Apr 1 to Dec31) | \$ 248 |
| 2007 | 519 |
| 2008 | 147 |
| | \$ 914 |

The terms of the capital lease obligations remain substantially unchanged from those reported in the December 31, 2005 financial statements.

B Promissory notes

The Company has promissory notes, which bear interest at 7% to 8% per annum. Principal payments are as follows:

Principal payments are as follows:

| | |
|-------------------------|--------|
| 2006 (Apr 01 to Dec 31) | \$ 246 |
| 2007 | 209 |
| | \$ 455 |

C Term loan

The terms of the term loan remain unchanged from those reported in the December 31, 2005 financial statements. As at June 30, 2006, the Company was in violation of its working capital covenant. Roynat Capital Inc. has acknowledged the breach and is in the process of providing the Company with a waiver of the covenant breach as at June 30, 2006.

Principal payments are as follows:

| | |
|------------------------|----------|
| 2006 (Apr 1 to Dec 31) | \$ 1,016 |
| 2007 | 1,986 |
| 2008 | 1,986 |
| 2009 | 1,986 |
| 2010 | 1,891 |
| | \$ 8,865 |

Notes to Consolidated Financial Statements

June 30, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

9 Equity Instruments

A Authorized

An unlimited number of voting common shares

B Issued

| | Balance as at | | | |
|---|--------------------|------------------|--------------------|------------------|
| | Jun 30, 2006 | | Dec 31, 2005 | |
| Common Shares | Number of Shares | Amount | Number of Shares | Amount |
| Balance, beginning of period | 29,874 | \$ 25,631 | 24,985 | \$ 17,779 |
| Issued on private placement | - | - | 5,000 | 8,162 |
| Issued on public offering (Note 9(d)) | 2,300 | 12,075 | | |
| Issued on long-term debt | - | - | 100 | 289 |
| Issued on acquisition (Note 2) | 213 | 1,199 | | |
| Issued as retention bonuses on acquisition for loans receivable | 160 | 750 | | |
| Exercise of share purchase warrants - cash consideration | 821 | 2,053 | - | - |
| Exercise of share purchase warrants - reclassification from fair value | - | 514 | - | - |
| Exercise of broker compensation options - cash consideration | 122 | 244 | 1 | 1 |
| Exercise of broker compensation options - reclassification from contributed surplus | - | 95 | - | 1 |
| Exercise of stock options - cash consideration | 321 | 394 | 462 | 405 |
| Exercise of stock options - reclassification of contributed surplus | - | 208 | - | 30 |
| Repurchased for cancellation | - | - | (674) | (486) |
| Share issue costs (net of future taxes of \$289,000 (2005 - \$272,000)) | - | (611) | - | (550) |
| | 33,812 | 42,552 | 29,874 | 25,631 |
| Less share purchase loan | - | (750) | - | - |
| Balance, end of period | 33,812 | \$ 41,802 | 29,874 | \$ 25,631 |
| Share Purchase Warrants | Number of Warrants | Amount | Number of Warrants | Amount |
| Balance, beginning of period | 2,500 | \$ 1,564 | - | \$ - |
| Issued on private placement | - | - | 2,500 | 1,564 |
| Expired | (821) | (541) | - | - |
| Balance, end of period | 1,679 | \$ 1,050 | 2,500 | \$ 1,564 |
| Total Equity Instruments | | \$ 42,852 | | \$ 27,195 |

In conjunction with the acquisition of Geo-X Processing, certain key employees were granted \$750,000 in retention bonuses in the form of an interest free loan to purchase 159,914 shares from treasury of the Company at deemed price of \$4.69. The shares are being held in escrow. The shares will be released from escrow over a two-year period and the loans forgiven based on fulfilment of employment milestones. The share purchase loan receivable was presented as a deduction from shareholders' equity. Stock-based compensation is calculated based on the same variables used for stock options.

C Broker compensation options

As at June 30, 2006, outstanding broker compensation options to purchase common shares were as follows:

| | Balance as at | |
|------------------------------|---------------|--------------|
| | Jun 30, 2006 | Dec 31, 2005 |
| Balance, beginning of period | 349 | \$ - |
| Issued on private placement | - | 350 |
| Exercised | (122) | (1) |
| | 227 | 349 |

The broker compensation options entitle the option holder to acquire one common share of the Company at an exercise price of \$2.00 per share until August 18, 2007.

The fair value of the share purchase warrants and broker compensation options were estimated using the Black Scholes option pricing model with the following assumptions: an expected volatility of 60%, a risk free interest rate of 5.0%, no dividend rate and an expected life of two years.

D Public Offering

On June 22, 2006, the Company closed an offering of 2.3 million shares on a bought deal basis to a syndicate of underwriters led by TD Securities Inc. and Blackmont Capital Inc., and including FirstEnergy Capital Corp. and Northern Securities Inc. at a price of \$5.25 per share. Certain insiders of Divestco and their spouses participated in the offering and acquired an aggregate of 160,000 shares. Gross proceeds to the company were \$12.1 million. The underwriters were paid a commission equal to 6% of the gross proceeds.

E Normal course issuer bid

On June 10, 2005, the Company received approval to renew its normal course issuer bid to repurchase up to 1,425,000 of its common shares at prevailing market prices during the twelve-month period ending June 14, 2006. No repurchases were made under the new bid during the period ended June 30, 2006 and the bid was not renewed.

F Contributed surplus

| | Balance as at | |
|--|---------------|--------------|
| | Jun 30, 2006 | Dec 31, 2005 |
| Balance, beginning of period | \$ 1,269 | \$ 662 |
| Stock compensation expense | 351 | 365 |
| Reclassification to common shares on exercise of options | (208) | (30) |
| Broker compensation options issued | - | 273 |
| Reclassification to common shares on exercise of broker compensation options | (95) | (1) |
| Balance, end of period | \$ 1,317 | \$ 1,269 |

Notes to Consolidated Financial Statements

June 30, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

G Stock options

The Company has established a stock option plan (the "Plan") whereby the Company may grant options to purchase common shares to directors, officers, employees and consultants. The options have a five-year term and are exercisable pursuant to a vesting schedule of one-third following the first anniversary of the grant date, one-third following the second anniversary of the grant date, and the remaining one-third following the third anniversary of the grant date. 3,147,035 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 Exercise Price |
|--|-------------------|----------------|---------------------------------|
| Options outstanding, December 31, 2004 | 1,845 | \$ 0.54 - 1.40 | \$ 1.10 |
| Options granted | 1,062 | \$ 1.25 - 3.00 | \$ 2.00 |
| Exercised | (462) | \$ 0.54 - 1.69 | \$ 0.87 |
| Forfeited | (226) | \$ 1.00 - 3.00 | \$ 1.32 |
| Options outstanding, December 31, 2005 | 2,219 | \$ 0.83 - 3.00 | \$ 1.55 |
| Options granted ⁽¹⁾ | 677 | \$ 3.23 - 6.10 | \$ 5.33 |
| Exercised | (321) | \$ 0.83 - 1.40 | \$ 1.23 |
| Forfeited | (72) | \$ 1.25 - 6.10 | \$ 2.67 |
| Options outstanding, June 30, 2006 | 2,503 | \$ 0.83 - 6.10 | \$ 2.58 |

⁽¹⁾ Includes 50,000 options granted to an officer

Subsequent to the period ended June 30, 2006, 20,567 options were exercised with exercise prices ranging from of \$1.00 to \$1.50.

The options that were vested as at June 30, 2006, 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 |
|---------------------|----------------|---------------------------------|---|---|--|
| 612 | \$ 0.83 - 1.20 | \$ 1.10 | 2.02 | 580 | \$ 1.11 |
| 721 | \$ 1.25 - 1.40 | \$ 1.28 | 2.95 | 575 | \$ 1.28 |
| 670 | \$ 1.69 - 3.23 | \$ 2.77 | 4.29 | 172 | \$ 2.63 |
| 500 | \$ 6.00 - 6.10 | \$ 6.02 | 4.84 | - | \$ - |
| 2,503 | \$ 0.83 - 6.10 | \$ 2.58 | 3.46 | 1,327 | \$ 1.38 |

The fair value of the stock options granted in the period ended June 30, 2006, was estimated using the Black Scholes option pricing model with the following assumptions: an expected volatility of 60% (2005 - 60%), a risk free interest rate of 5.0%, no dividend rate and an expected life of five years. The compensation expense is recognized over the three-year vesting period of the stock options.

10 Statement of Cash Flows

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|------------|-------------------------------------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| Interest and income taxes paid | | | | |
| Interest paid (net of interest revenue) | \$ 273 | \$ 43 | \$ 446 | \$ 100 |
| Changes in non-cash working capital balances | | | | |
| Accounts receivable | 9,035 | 840 | 9,179 | 3,796 |
| Investment tax credits recoverable | (184) | 376 | (322) | 376 |
| Prepaid expenses, supplies, and deposits | 312 | (45) | 117 | (136) |
| Accounts payable and accrued liabilities | 6,606 | (1,268) | 11,178 | 15 |
| Deferred revenue | (3,267) | (907) | 15,307 | (2,828) |
| | \$ 12,502 | \$ (1,004) | \$ 35,459 | \$ 1,223 |
| Changes in non-cash working capital balances related to operating activities | \$ 8,356 | \$ 1,559 | \$ 24,205 | \$ 534 |
| Changes in non-cash working capital balances investing activities | 4,146 | (2,563) | 11,254 | 689 |
| | \$ 12,502 | \$ (1,004) | \$ 35,459 | \$ 1,223 |

11 Related Party Transactions

The Company had the following related party transactions:

- A** For the six months ended June 30, 2006 the Company earned \$32,000 (June 30, 2005 - \$19,000) in revenue related to data loading, workstation rentals and leasing of office space from companies with common directors. Included in accounts receivable as at June 30, 2006 was \$20,000 (June 30, 2005 - \$Nil) related to this revenue.
- B** For the six months ended June 30, 2006, the Company paid \$228,000 (June 30, 2005 - \$170,000) in brokerage commissions to a company controlled by a director. Included in accounts payable as at June 30, 2006 was \$Nil (June 30, 2005 - \$37,000) related to these commissions.
- C** For the six months ended June 30, 2006, the Company paid \$197,000 (June 30, 2005 - \$154,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at June 30, 2006 was \$103,000 (June 30, 2005 - \$77,000) related to these legal fees.
- D** During the six months ended June 30, 2006, a promissory note due from an officer of the Company in the amount of \$22,000 was repaid.

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

Notes to Consolidated Financial Statements

June 30, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

12 Segmented Information

The Company reports in five segments within the oil and gas industry: Services, Data, Software, Consulting as well as Corporate and Other. Software sells software licences and provides maintenance and support. Services provides seismic survey audit, information management, mapping, archiving services, imaging, geophysical/geological services, seismic processing, and seismic brokerage. Data provides drilling studies, Log services and a full suite of support data layers. This segment also develops and maintains the Company's Log library and seismic data libraries. Consulting offers end-to-end business solutions, ranging from business consulting services, ERP systems implementations and CRM systems implementations, to custom software development, hardware devices, network infrastructure and land management services. Corporate and Other includes accounting, finance, investor relations, and other corporate expenses including interest. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the annual financial statements. The Company eliminates inter-segment sales and transfers. Operating income (loss) is measured as profit before consideration of foreign exchange gains, equity investment income (loss) and income taxes.

As at and for the three months ended June 30, 2006

| | Software | Services | Data | Consulting | Corp & Other | Total |
|-----------------------------|----------|----------|-----------|------------|--------------|-----------|
| Revenue | \$ 1,752 | \$ 4,279 | \$ 10,603 | \$ 1,408 | \$ 14 | \$ 18,056 |
| Operating income (loss) | 589 | 202 | 4,208 | (202) | (2,125) | 2,672 |
| Depreciation & amortization | 154 | 378 | 4,357 | 15 | 34 | 4,938 |
| R&D | 135 | - | - | - | - | 135 |
| Total assets | 9,352 | 21,695 | 105,431 | 2,787 | 1,918 | 141,183 |
| Capital expenditures | 214 | 75 | 28,614 | (7) | 53 | 28,949 |
| Deferred development | 2,182 | 213 | - | - | - | 2,395 |

As at and for the three months ended June 30, 2005

| | Software | Services | Data | Consulting | Corp & Other | Total |
|-----------------------------|----------|----------|----------|------------|--------------|----------|
| Revenue | \$ 1,272 | \$ 2,706 | \$ 5,243 | \$ - | \$ - | \$ 9,221 |
| Operating income (loss) | 148 | 461 | 1,822 | - | (1,412) | 1,019 |
| Depreciation & amortization | 93 | 152 | 2,449 | - | 53 | 2,747 |
| R&D | 105 | - | - | - | - | 105 |
| Total assets ⁽¹⁾ | 5,022 | 10,946 | 24,549 | - | 720 | 41,237 |
| Capital expenditures | 19 | 47 | 2,525 | - | 27 | 2,618 |
| Deferred development | 1,745 | - | - | - | - | 1,745 |

¹⁾ Excludes future income tax asset of \$1,002,000.

As at and for the six months ended June 30, 2006

| | Software | Services | Data | Consulting | Corp & Other | Total |
|-----------------------------|----------|----------|-----------|------------|--------------|-----------|
| Revenue | \$ 3,428 | \$ 6,849 | \$ 24,378 | \$ 2,911 | \$ 95 | \$ 37,661 |
| Operating income (loss) | 1,051 | 858 | 9,930 | (346) | (3,658) | 7,835 |
| Depreciation & Amortization | 289 | 519 | 10,740 | 25 | 68 | 11,641 |
| Research and Development | 268 | - | - | - | - | 268 |
| Total assets | 9,352 | 21,695 | 105,431 | 2,787 | 1,918 | 141,183 |
| Capital expenditures | 259 | 165 | 65,306 | - | 115 | 28,949 |
| Deferred development costs | 2,182 | 213 | - | - | - | 2,395 |

As at and for the six months ended June 30, 2005

| | Software | Services | Data | Consulting | Corp & Other | Total |
|-----------------------------|----------|----------|----------|------------|--------------|-----------|
| Revenue | \$ 2,592 | \$ 5,636 | \$ 9,708 | \$ - | \$ - | \$ 17,936 |
| Operating income (loss) | 684 | 1,220 | 4,048 | - | (2,480) | 3,472 |
| Depreciation & Amortization | 188 | 312 | 3,735 | - | 110 | 4,345 |
| R&D | 170 | - | - | - | - | 170 |
| Total assets ⁽¹⁾ | 5,022 | 10,946 | 24,549 | - | 720 | 41,237 |
| Capital expenditures | 96 | 238 | 7,985 | - | 134 | 8,453 |
| Deferred development | 1,745 | - | - | - | - | 1,745 |

As at and for the three and six months ended June 30, 2006

| | Canada | U.S. | Total |
|--|-----------|----------|-----------|
| Revenue (three months ended June 30, 2006) | \$ 16,796 | \$ 1,260 | \$ 18,056 |
| Revenue (six months ended June 30, 2006) | 35,799 | 1,862 | 37,661 |
| Data libraries, property and equipment, intangibles and goodwill | 57,939 | 5,799 | 63,738 |

As at and for the three and six months ended June 30, 2005

| | Canada | U.S. | Total |
|--|----------|--------|----------|
| Revenue (three months ended June 30, 2006) | \$ 8,827 | \$ 394 | \$ 9,221 |
| Revenue (six months ended June 30, 2006) | 17,355 | 581 | 17,936 |
| Data libraries, property and equipment, intangibles and goodwill | 24,022 | 334 | 24,356 |

⁽¹⁾ Excludes future income tax asset of \$1,002,000.

Notes to Consolidated Financial Statements

June 30, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

13 Credit Risk

During the six months ended June 30, 2006, 45% of the Company's revenue was derived from three customers with a majority related to sales contacts for seismic participation surveys. As at June 30, 2006, 23% of the Company's accounts receivables was due from these customers.

14 Subsequent Event

Subsequent to June 30, 2006, the Company closed the acquisition of all of the issued and outstanding shares of Cavalier Land Ltd for C\$7.5 million. At closing, C\$4.4 million of the purchase price was paid in cash and C\$1.9 million worth of Divestco common shares were issued at a deemed price of \$5.09 per share (subject to a 4-month hold period). The share price was based on Divestco's 45-day weighted average trading price ending on the day prior to this announcement. The remaining C\$1.2 million will be paid over a two-year period subject to certain milestones.

Corporate Information

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Sales: sales@divestco.com

Processing (Geo-X)

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Calgary, Alberta, Canada T2P 5E9
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Fax: 403.264.1057

Land Services (Cavalier Land)

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Calgary, Alberta, Canada T3C 0M6
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Board of Directors

Stephen Popadynetz
John A. Brussa^{1,3}
Wade Brillon
M. Scott Ratushny^{2,4}
Edward L. Molnar^{2,3}
Brent Gough^{2,3,4}

¹ Chairman of the Board

² Member of the Audit Committee

³ Member of the Compensation Committee

⁴ Member of the Corporate Governance Committee

Officers

Stephen Popadynetz - Chief Executive Officer
Terry Barnhart - President
Roderick Chisholm - Chief Financial Officer
Steve Sinclair-Smith - Senior VP Services
Cary Sabraw - VP U.S. Operations
Kevin Ludbrook - VP Consulting
Mathew Hepton - VP Software Development
Oliver Kuhn - VP Processing
Peter Zyla - VP Strategy, Logs & Archiving
Shannon Niemi - VP Sales & Marketing

Corporate Secretary

Faralee A. Chanin

Controller

Danny Chiarastella

Stock Exchange Listing

TSX: DVT

Lending Institutions

HSBC Bank Canada
Roynat Capital Inc.

Registrar and Transfer Agent

CIBC Mellon Trust Company

Auditors

KPMG LLP

Legal Counsel

Field LLP



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