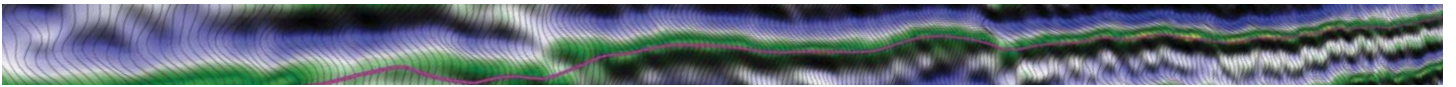


# 2010 Third Quarter Report



From the Ground Up



Divestco

**FROM THE**

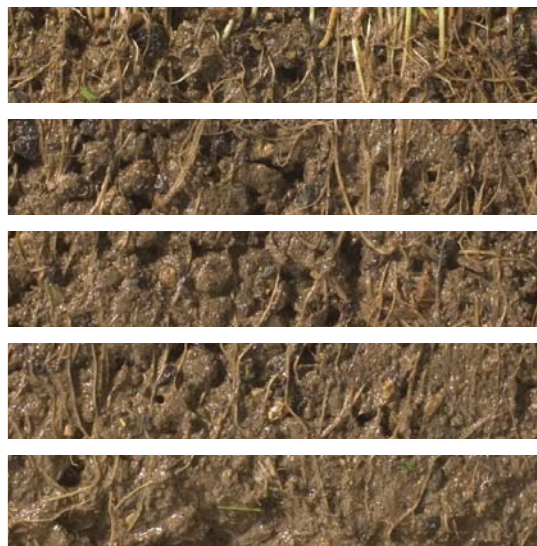
**OUR VISION IS TO BE THE LEADING  
GEO-SERVICES COMPANY IN  
CANADA, PROVIDING A FOCUSED  
OFFERING OF DATA, SOFTWARE AND  
SERVICES THROUGH INNOVATION AND  
TECHNICAL EXPERTISE, TO THE OIL  
AND GAS INDUSTRY WORLDWIDE.**

# GROUND UP



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Notes to Consolidated Financial Statements	38
Corporate Information	52





# FINANCIAL HIGHLIGHTS

## [ FINANCIAL RESULTS ]

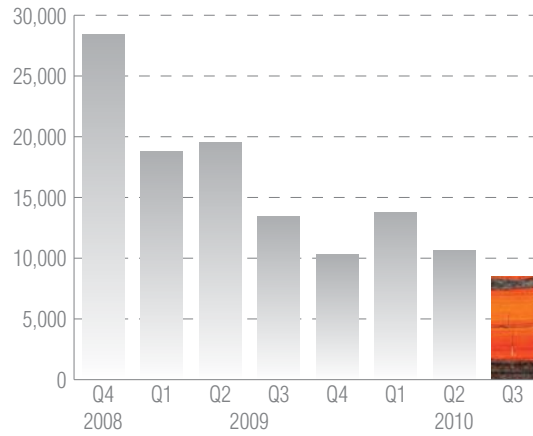
(Thousands, Except Per Share Amounts)

	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2010	2009	% Change	2010	2009	% Change
Revenue	\$8,516	\$13,411	-36%	\$32,904	\$51,707	-36%
EBITDA <sup>(1)</sup>	(9,009)	5,903	-253%	(1,379)	24,738	-106%
Operating Loss <sup>(1)</sup>	(17,995)	(2,740)	557%	(28,551)	(5,172)	452%
Net Income (Loss)	(49,883)	(1,245)	3907%	(57,503)	1,094	-5356%
Per Share – Basic	(1.19)	(0.03)	3867%	(1.37)	0.03	-4667%
Per Share – Diluted	(1.19)	(0.03)	3867%	(1.37)	0.03	-4667%
Funds from Operations <sup>(1)</sup>	(6,970)	9,984	-170%	(1,857)	24,130	-108%
Per Share – Basic	(0.17)	0.24	-171%	(0.04)	0.58	-107%
Per Share – Diluted	(0.17)	0.24	-171%	(0.04)	0.58	-107%
Shares Outstanding	43,113	41,958	3%	43,113	41,958	3%
Weighted Average Shares Outstanding						
Basic	41,971	41,958	0%	41,962	41,958	0%
Diluted	41,971	41,958	0%	41,962	41,958	0%

(1) See the Non-GAAP measures section

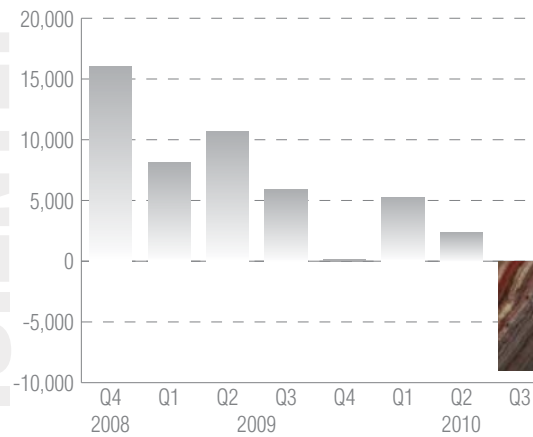
[ REVENUE ]

(Thousands)



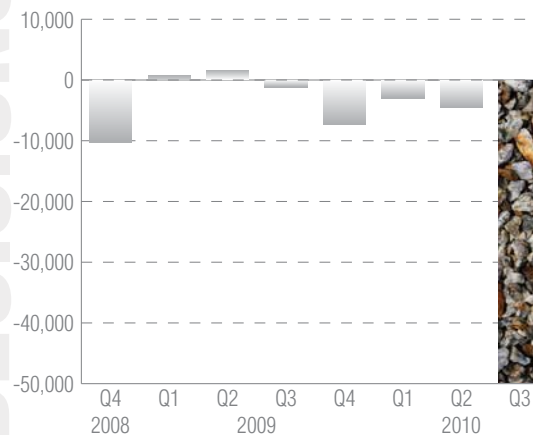
[ EBITDA<sup>(1)</sup> ]

(Thousands)



[ NET INCOME (LOSS) ]

(Thousands)



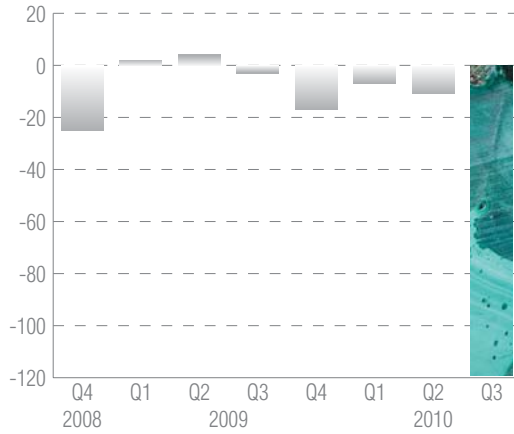
DECISIVE IN OUR ACTIONS  
 AND STRIVE TO MAKE  
 DECISIONS EFFICIENTLY



(1) See the Non-GAAP measures section

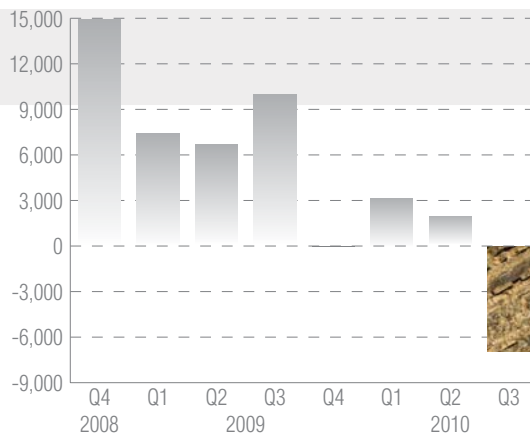
[ NET INCOME (LOSS) PER SHARE (DILUTED) ]

(Cents)



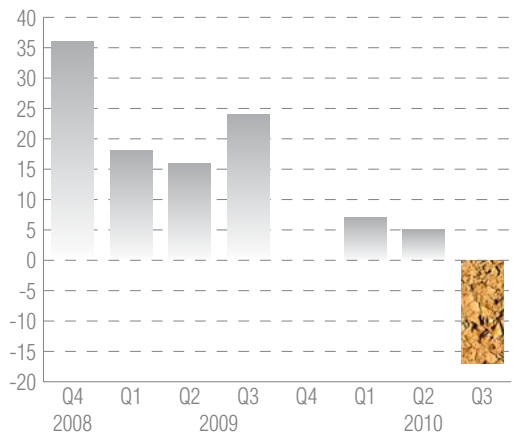
[ FUNDS FROM OPERATIONS<sup>(1)</sup> ]

(Thousands)



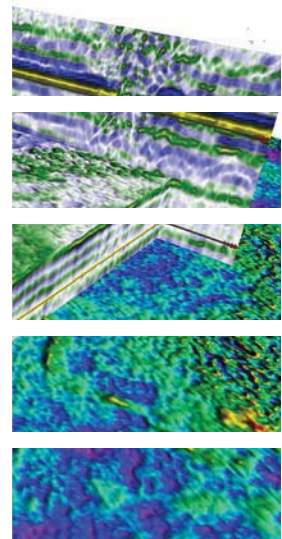
[ FUNDS FROM OPERATIONS PER SHARE (DILUTED)<sup>(1)</sup> ]

(Cents)



(1) See the Non-GAAP measures section

REACT NIMBLY TO  
CHANGES WITHIN  
OUR INDUSTRY



# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Divestco Inc. ("Divestco" or the "Company"), dated November 10, 2010, should be read in conjunction with the interim consolidated financial statements for the three and nine months ended September 30, 2010 and the audited consolidated financial statements and notes for the years ended December 31, 2009 and 2008. All financial information in this section has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and is reported in Canadian dollars unless otherwise specified.

## Divestco's Business

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

- Software and Data – provides and is responsible for development, maintenance and support of over 20 geological, geophysical and land applications used by oil and gas professionals, including geologists, geophysicists, engineers, land agents and land administrators worldwide. The Company offers customized software and data bundles to clients depending on their needs. It also offers the market over 120 datasets including drilling data and a full suite of exploration and production data (well, land, drilling, log and mapping). Data also provides ancillary document management services such as high-quality technical document digitizing and rasterizing and scanning services for customers' data management needs.
- Services – offers geomatics (seismic survey audit and custom mapping), seismic processing and database services to customers who require data quality assurance, processing and data management services for geophysical and geological information. It also offers land management services through Cavalier Land Ltd.
- Seismic Data – although the Company divested of its seismic assets in September 2010, Divestco plans to rebuild its seismic data library and offer the market proprietary seismic data. The segment also continues to provide seismic brokerage services through the largest division of its kind in Canada with 16 independent brokers.
- Corporate and Other – responsible for setting Divestco's overall strategic plan and allowing the segments to operate which includes providing finance, accounting, sales, marketing, human resources (HR) and information technology (IT) services to the Company. The segment is discussed under the "Results of Operations by Segment" section of the MD&A.

## Business Strategy

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

Divestco is an exploration services company that provides a comprehensive and integrated portfolio of data, software and services to the oil and gas industry. Through continued commitment to align and bundle products and services to generate value for customers, Divestco is creating an unparalleled set of integrated solutions and unique benefits for the marketplace. Divestco's breadth of software, services, and data solutions offers customers the ability to access and analyze the information required to make business decisions and to optimize their success in the upstream oil and gas industry.

# Future Operations and Subsequent Event

The interim consolidated financial statements for the three and nine months ended September 30, 2010, have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in the consolidated financial statements. The Company had working capital of \$14.3 million as at September 30, 2010, including deferred revenue of \$2.2 million. The divestiture of the Company's 2D and 3D seismic data library (the "Seismic Assets") closed on September 29, 2010 which resulted in the Company returning working capital to a positive position and eliminating its bank and convertible debt.

Divestco incurred losses of \$57.5 million for the nine months ended September 30, 2010, which included a loss of \$40.9 million on the disposition of the Seismic Assets. Excluding the loss on the sale of the Seismic Assets, the net loss was in part due to the Company's rental commitment for new office space that commenced on May 1, 2010. However the Company's double rent obligations will all cease through out 2011. Divestco expects to generate positive funds from operations going forward.

Management anticipates that funds generated from operations will be sufficient in the short-term for the Company to continue its activities and discharge its commitments as they become due. The Company is reviewing additional sources of capital and debt financing to manage day to day working capital and to fund anticipated capital expenditures. Despite restoring the Company's balance sheet during this interim period Management believes that the going concern assumption is appropriate for these consolidated financial statements. Adjustments to the carrying amounts of the balance sheet classifications used, assets and liabilities, and revenues and expenses, may be necessary should the going concern assumption be inappropriate. Furthermore, the Company will continue to carefully manage costs and evaluates all material capital expenditures before commencement to ensure they meet appropriate funding criteria.

# Forward-Looking Information

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

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

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

\* *These statements are included under the headings of this MD&A: "Overall Performance", "Outlook", and "Results of Operations by Segment", "Liquidity and Capital Resources", and "New Accounting Pronouncements".*

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

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

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

These risks and uncertainties are discussed in greater detail in the Business Risks and Environment section of this MD&A and in the Company's Annual Information Form for the year ended December 31, 2009, incorporated here by reference.

## Non-GAAP Measures

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

### EBITDA and Operating Income

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

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

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

(Thousands)

	THREE MONTHS ENDED SEP 30		NINE MONTHS ENDED SEP 30	
	2010	2009	2010	2009
<b>Net Income (Loss)</b>	\$(49,883)	\$(1,245)	\$(57,503)	\$ 1,094
Income Tax Expense (Reduction)	(9,612)	(1,526)	(12,454)	(1,874)
Other Income (Loss) <sup>(1)</sup>	(41,500)	(31)	(41,406)	4,392
<b>Operating Income (Loss)</b>	\$(17,995)	\$(2,740)	\$(28,551)	\$(5,172)
Interest	1,233	676	2,325	2,468
Depreciation and Amortization	7,753	7,967	24,847	27,442
<b>EBITDA</b>	\$ (9,009)	\$ 5,903	\$ (1,379)	\$24,738

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

## Funds from Operations

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

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

(Thousands)

	THREE MONTHS ENDED SEP 30		NINE MONTHS ENDED SEP 30	
	2010	2009	2010	2009
<b>Cash Flows from Operating Activities</b>	\$ 3,789	\$3,540	\$ 12,218	\$19,281
Changes in Non-Cash Working Capital Balances related to operating activities	(10,679)	6,733	(13,837)	4,875
Decrease in Non-Current Deferred Revenue	—	—	—	263
Decrease in Long-Term Prepaid Expenses	(80)	(289)	(238)	(289)
<b>Funds from Operations</b>	\$ (6,970)	\$9,984	\$ (1,857)	\$24,130

# Business Risks and Environment

## Demand for Products and Services

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

Prior to the divestiture of its seismic assets In Q3 2010, Divestco historically received a significant portion of its revenue from the licensing of seismic data. It is anticipated the Company will rebuild its seismic library. The Company spends a considerable amount of time determining the optimal location to conduct a seismic survey, which includes using its contacts in the oil and gas exploration and production industry. In order to minimize capital risk, the Company routinely pre-sells data licenses in advance of committing to a capital outlay. For larger seismic programs, the Company may rely on third parties to share in the cost and these parties are also susceptible to the risks and uncertainties associated with the oil and gas industry.

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

## Seasonality

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

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

Other segments of the Company, such as Services, normally exhibit a noticeable reduction in sales from mid-April through to the end of September and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. Divestco tries to minimize these fluctuations by performing specific types of contract work appropriate for lower-activity months. The Software segment typically experiences a slowdown during July and August, which is generally a slower period for the oil and gas industry in western Canada.

## Competition

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

## Skilled Labour

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

## Government Regulations and Safety

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

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

# Overall Performance

## FINANCIAL RESULTS

(Thousands, Except Per Share Amounts)

	THREE MONTHS ENDED SEPTEMBER 30				NINE MONTHS ENDED SEPTEMBER 30			
	2010	2009	\$ Change	% Change	2010	2009	\$ Change	% Change
Revenue	\$ 8,516	\$13,411	\$ (4,895)	-36%	\$ 32,904	\$51,707	\$ (18,803)	-36%
Operating Expenses	17,525	7,508	10,017	133%	34,283	26,969	7,314	27%
EBITDA <sup>(1)</sup>	(9,009)	5,903	(14,912)	-253%	(1,379)	24,738	(26,117)	-106%
Interest	1,233	676	557	82%	2,325	2,468	(143)	-6%
Depreciation and Amortization	7,753	7,967	(214)	-3%	24,847	27,442	(2,595)	-9%
Operating Income (Loss) <sup>(1)</sup>	(17,995)	(2,740)	(15,255)	557%	(28,551)	(5,172)	(23,379)	452%
Other Income (Loss)	(41,500)	(31)	(41,469)	133771%	(41,406)	4,392	(45,798)	-1043%
Income Tax Expense Reduction	(9,612)	(1,526)	(8,086)	530%	(12,454)	(1,874)	(10,580)	565%
Net Income (Loss)	\$(49,883)	\$ (1,245)	\$(48,638)	3907%	\$(57,503)	\$ 1,094	\$(58,597)	-5356%
Per Share – Basic	(1.19)	(0.03)	(1.16)	3867%	(1.37)	0.03	(1.40)	-4667%
Per Share – Diluted	(1.19)	(0.03)	(1.16)	3867%	(1.37)	0.03	(1.40)	-4667%
Funds from Operations <sup>(1)</sup>	\$ (6,970)	\$ 9,984	\$(16,954)	-170%	\$ (1,857)	\$24,130	\$(25,987)	-108%
Per Share – Basic <sup>(1)</sup>	(0.17)	0.24	(0.41)	-171%	(0.04)	0.58	(0.62)	-107%
Per Share – Diluted <sup>(1)</sup>	(0.17)	0.24	(0.41)	-171%	(0.04)	0.58	(0.62)	-107%
Shares Outstanding	43,113	41,958	N/A	3%	43,113	41,958	N/A	3%
Weighted Average Shares Outstanding								
Basic	41,971	41,958	N/A	0%	41,962	41,958	N/A	0%
Diluted	41,971	41,958	N/A	0%	41,962	41,958	N/A	0%

## FINANCIAL POSITION

(Thousands)

	BALANCE AS AT		
	Sep 30, 2010	Dec 31, 2009	Dec 31, 2008
Total Assets	\$54,098	\$175,923	\$209,735
Working Capital <sup>(2)</sup>	16,464	(6,250)	(9,737)
Long-Term Debt Obligations	692	30,504	48,085

(1) See the Non-GAAP Measures section.

(2) Excluding the current portion of deferred revenue of \$2.2 million, the Company's working capital was \$16.5 million as at September 30, 2010, compared to a deficit of \$6.3 million at December 31, 2009 which excluded deferred revenue of \$5.5 million and \$9.7 million as at December 31, 2008 which excluded deferred revenue of \$11.2 million. The increase in working capital from the end of 2009 was mainly due to the cash proceeds received from sale of the seismic data library which closed in September 2010.

## Earnings Variance Analysis

### Q3 2010 Versus Q3 2009

Divestco incurred a net loss of \$49.9 million (\$1.19/share (basic and diluted)) for the third quarter of 2010 compared with a net loss of \$1.2 million (3 cent/share (basic and diluted)) in Q3 2009. The increase in the net loss was primarily due to an accounting loss of \$40.9 million incurred on the sale of the Company's Seismic Assets to Pulse Seismic Inc. ("Pulse"), a decline in revenue by \$4.9 million (36%) and increase in operating costs by \$10 million (133%) including an increase in bad debt expense of \$2.9 million and \$4 million in occupancy costs and related expenses on the Company's new office space.

Operating highlights included:

- Divestco completed the divestiture of the Seismic Assets for \$55.7 million in cash (excluding a purchase price adjustment of \$0.5 million and transaction costs of \$1.8 million) and 14,285,000 shares of Pulse. All the shares of Pulse received as part of the divestiture were distributed to the shareholders of Divestco.
- Retired bank debt and convertible debentures totalling \$29.2 million with proceeds of the sale of the Seismic Assets

## Nine Months Ended September 30, 2010 Versus Nine Months Ended September 30, 2009

Divestco incurred a net loss of \$57.5 million (\$1.37/share (basic and diluted)) for the first nine months of 2010 compared with net income of \$1.1 million (3 cent/share (basic and diluted)) in the first nine months of 2009. The increase in net loss was primarily due to a loss of \$40.9 million incurred on the sale of the Company's Seismic Assets, a decline in revenue of \$18.8 million (36%) and an increase in operating costs of \$7.3 million (27%) including an increase in bad debt expense of \$2.9 million and \$5 million in occupancy costs and related expenses on the Company's new office space.

Operating highlights included:

- Divestco completed the divestiture of the Seismic Assets for \$55.7 million in cash (excluding a purchase price adjustment of \$0.5 million and transaction costs of \$1.8 million) and 14,285,000 shares of Pulse. All the shares of Pulse received as part of the divestiture were distributed to the shareholders of Divestco.
- Retired bank debt and convertible debentures totalling \$29.2 million with proceeds of the sale of the Seismic Assets

## Outlook and Future Operations

On, September 29, 2010, Divestco closed the sale of the Seismic Assets. The purchase price was \$55.7 million cash (excluding a purchase price adjustment of \$0.5 million and transaction costs of \$1.8 million) plus 14,285,000 Pulse common shares. The effective date of the transaction was July 1, 2010, but the benefits of certain pending seismic data transactions were retained by Divestco or will be shared by Divestco and Pulse. Divestco has relentlessly focused its efforts to improve its balance sheet since the fall of 2008. This divestiture eliminated Divestco's bank and convertible debt and restored the Company working capital to a positive position. Furthermore, it also provides the Company's shareholders the opportunity to participate in the combined upside of one of the largest and most successful seismic data libraries in Western Canada. A recapitalized Divestco will allow its shareholders to take part in a well focused software, data and service company going forward.

# Selected Quarterly Information

(Thousands, Except Per Share Amounts)

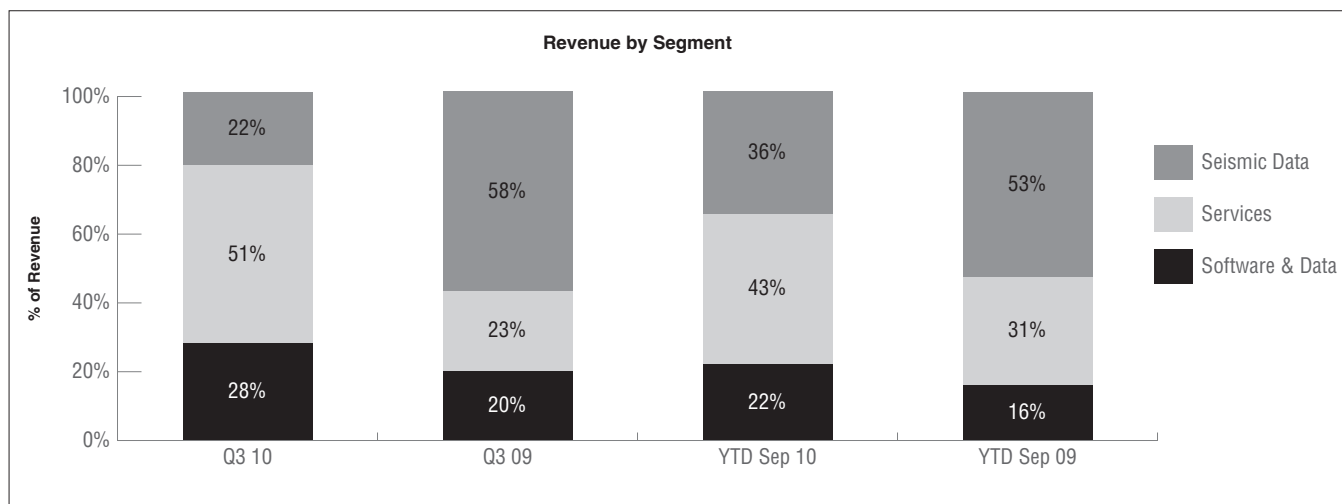
	2010				2009			2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$ 8,516	\$10,648	\$13,741	\$10,268	\$13,411	\$19,532	\$18,765	\$ 28,404
EBITDA <sup>(1)</sup>	(9,009)	2,389	5,239	122	5,903	10,683	8,152	16,046
Operating Income (Loss) <sup>(1)</sup>	(17,995)	(5,991)	(4,566)	(8,714)	(2,740)	1,818	(4,250)	(12,106)
Net Income (Loss)	(49,883)	(4,577)	(3,043)	(7,291)	(1,245)	1,558	781	(10,277)
Per Share – Basic	(1.19)	(0.11)	(0.07)	(0.17)	(0.03)	0.04	0.02	(0.25)
Per Share – Diluted	(1.19)	(0.11)	(0.07)	(0.17)	(0.03)	0.04	0.02	(0.25)
Funds from Operations <sup>(1)</sup>	(6,970)	1,970	3,143	(47)	9,984	6,719	7,427	14,905
Per Share – Basic	(0.17)	0.05	0.07	0.00	0.24	0.16	0.18	0.36
Per Share – Diluted	(0.17)	0.05	0.07	0.00	0.24	0.16	0.18	0.36

(1) See the Non-GAAP Measures section.

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

# Results of Operations by Segment

## Financial Summary by Segment



(Thousands)

### FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010

	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$ 2,359	\$ 4,319	\$ 1,838	\$ –	\$ 8,516
EBITDA <sup>(1)</sup>	599	290	(2,416)	(7,482)	(9,009)
Interest (Net of Interest Revenue)	–	(1)	–	1,234	1,233
Depreciation and Amortization	648	341	6,604	160	7,753
Operating Income (Loss) <sup>(1)</sup>	(49)	(50)	(9,020)	(8,876)	(17,995)

(Thousands)

### FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009

	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$2,616	\$ 3,051	\$7,744	\$ –	\$13,411
EBITDA <sup>(1)</sup>	1,286	(556)	6,826	(1,653)	5,903
Interest (Net of Interest Revenue)	6	–	1	669	676
Depreciation and Amortization	865	634	6,293	175	7,967
Operating Income (Loss) <sup>(1)</sup>	415	(1,190)	532	(2,497)	(2,740)

(Thousands)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$7,083	\$14,148	\$ 11,673	\$ –	\$ 32,904
EBITDA <sup>(1)</sup>	2,428	2,154	5,559	(11,520)	(1,379)
Interest (Net of Interest Revenue)	–	–	–	2,325	2,325
Depreciation and Amortization	2,076	1,244	20,893	634	24,847
Operating Income (Loss) <sup>(1)</sup>	352	910	(15,334)	(14,479)	(28,551)

(Thousands)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	\$8,137	\$16,089	\$27,481	\$ –	\$51,707
EBITDA <sup>(1)</sup>	3,415	1,733	25,255	(5,665)	24,738
Interest (Net of Interest Revenue)	17	(1)	20	2,432	2,468
Depreciation and Amortization	1,906	2,174	22,237	1,125	27,442
Operating Income (Loss) <sup>(1)</sup>	1,492	(440)	2,998	(9,222)	(5,172)

(1) See the Non-GAAP Measures section.

# Software and Data

(Thousands)

	THREE MONTHS ENDED SEP 30				NINE MONTHS ENDED SEP 30			
	2010	2009	\$ Change	% Change	2010	2009	\$ Change	% Change
Revenue	\$2,359	\$2,616	\$(257)	-10%	\$7,083	\$8,137	\$(1,054)	-13%
EBITDA <sup>(1)</sup>	599	1,286	(687)	-53%	2,428	3,415	(987)	-29%
Interest (Net of Interest Revenue)	—	6	(6)	-100%	—	17	(17)	-100%
Depreciation and Amortization	648	865	(217)	-25%	2,076	1,906	170	9%
Operating Income (Loss) <sup>(1)</sup>	(49)	415	(464)	N/A	352	1,492	(1,140)	-76%

(1) See the Non-GAAP Measures section.

## Q3 2010 Versus Q3 2009

In the third quarter of 2010, Software recorded operating loss of \$49,000, compared with operating income of \$415,000 in the third quarter of 2009.

The decrease in revenue of \$257,000 (10%) is due to declines in software development and data revenue. In general, declines are limited to product lines that have a high level of non-recurring (lease) revenue associated with them (these product lines typically generate larger one-time consulting-type revenue). This includes software as well as our key service areas such as document imaging, digitizing and development consultancy. Overall, the majority of the core recurring revenue line items for the segment remain strong and have weathered the last two years of uncertainty well.

The \$687,000 (53%) decrease in EBITDA was mainly attributable to the decrease in revenue and increase in salaries and benefits of \$360,000 (38%) compared to Q3 2009 due to one-time salary adjustments related to austerity measures that had been in place till August 2010. The austerity measures were mainly unpaid leave-of-absence (LOA) days (suspended in August 2010), a 5% cut in salary (suspended in January 2010) and reduction of staff. General and administrative (G&A) expenses were up by \$83,000 (32%) due primarily due to the recognition of bad debts as well as a decrease in deferred salaries as there was less development activity compared to 2009. Amortization of deferred development costs increased by 10% due to the completion of some major projects in late 2009.

## Nine Months Ended September 30, 2010 Versus Nine Months Ended September 30, 2009

In the first nine months of 2010, Software recorded operating income of \$352,000, compared with operating income of \$1.5 million in the first nine months of 2009.

The decrease in revenue of \$1.1 million (13%) is primarily related to large one-time consulting projects that were completed in 2009 as well as non-recurring (lease) software revenue lines. These should naturally be expected to decrease over the course of a downturn.

The \$987,000 (29%) decrease in EBITDA was mainly attributable to the decrease in revenue offset by an increase in salaries and benefits by \$145,000 (4%) as compared to Q3 2009 due to one-time salary adjustments related to austerity measures that had been in place till August 2010. The austerity measures were mainly unpaid leave-of-absence (LOA) days (suspended in August 2010), a 5% cut

in salary (suspended in January 2010) and reduction of staff. General and administrative (G&A) expenses were down by \$140,000 (14%) due to cost-cutting measures, as well as reduced requirements for external consultants. Amortization of deferred development costs increased by 33% due to the completion of some major projects in late 2009.

## Outlook

Though 2010 has been slower for Software and Data, we have recently been encouraged by increased activity on the services side of the business. Though we don't expect activity levels to return to their historical averages in the short-term, we are encouraged to see increased activity in the E&P and service companies sectors which could translate into new opportunities.

Divestco released new versions of its GeoCarta product line in Q3 2010, introducing a new standalone map module as well as a bundled offering of Divestco Data for use in the product. We expect that this will begin to generate a new revenue stream for the Company. However its impact will not be immediately felt due to the nature of the sales cycles in play.

In Q4 2010, we expect to release an improved WinPICS product, focusing on performance improvements in enterprise environments. Landrite continues its evolution and is on track to meet its release date in early 2011.

In Q3 2010, we also introduced improvements to our Drilling Records and EnerGISite web portals. Customers will find improved displays and enhanced querying capabilities.

# Services

(Thousands)

	THREE MONTHS ENDED SEP 30				NINE MONTHS ENDED SEP 30			
	2010	2009	\$ Change	% Change	2010	2009	\$ Change	% Change
Revenue	\$4,319	\$ 3,051	\$1,268	42%	\$14,148	\$16,089	\$(1,941)	-12%
EBITDA <sup>(1)</sup>	290	(556)	846	-152%	2,154	1,733	421	24%
Interest (Net of Interest Revenue)	(1)	—	(1)	N/A	—	(1)	1	-100%
Depreciation and Amortization	341	634	(293)	-46%	1,244	2,174	(930)	-43%
Operating Income (Loss) <sup>(1)</sup>	(50)	(1,190)	1,140	-96%	910	(440)	1,350	-307%

(1) See the Non-GAAP Measures section.

## Q3 2010 Versus Q3 2009

In the third quarter of 2010, Services recorded an operating loss of \$50,000, compared to an operating loss of \$1.2 million in the third quarter of 2009.

Geomatics revenue in Q3 2010 is ahead of Q3 2009 by \$123,000 mainly due to increases in Audit Services, DLS and Consulting areas as industry levels increased. Spatial Data continues to suffer and shows a shortfall of \$116,000 compared to Q3 2009. Processing revenue increased by \$1 million (108%) even during conditions of low natural gas prices due to optimism in the market and the benefits of a strong sales campaign. Land management services revenue was up \$563,000 (72%) due to an increase in land acquisition activity over the comparative quarter.

In addition to increases in revenue, salaries and benefits increased by \$323,000 (14%) due to one-time salary adjustments related to austerity measures that had been in place till August 2010. The austerity measures were mainly unpaid leave-of-absence (LOA) days (suspended in August 2010), a 5% cut in salary (suspended in January 2010) and reduction of staff. The decrease in amortization was the result of the segment's intangible assets being fully amortized by the end of 2009.

## Nine Months Ended September 30, 2010 Versus Nine Months Ended September 30, 2009

In the first nine months of 2010, Services recorded operating income of \$910,000 compared with operating loss of \$440,000 in the first nine months of 2009.

Overall, Geomatics revenue for the nine months ended September 30, 2010 is line with 2009 revenue for the same period. An increase of \$300,000 being shown in Audit Services area was offset by a shortfall in Spatial Data Services. Processing revenue decreased by \$431,000 (6%) mainly due to low natural gas prices and continued economic uncertainty which restricted clients' budgets early on in the year. Archive and technical records revenue was down \$468,000 due to the sale of the divisions at the end of Q1 2009. Business consulting revenue was down \$1.4 million (72%) as the division was sold on March 4, 2010. Land management services revenue was up \$617,000 (19%) largely due to more focused sales and marketing efforts which is resulting in increased market share.

Offsetting the decline in revenue, salaries and benefits decreased \$1.6 million (17%) due to staff and temporary salary reductions and the disposition of the Archive and Technical Records divisions at the end of Q1 2009 offset by one-time salary adjustments related to austerity measures that had been in place till August 2010. The austerity measures were mainly unpaid leave-of-absence (LOA) days (suspended in August 2010), a 5% cut in salary (suspended in January 2010) and reduction of staff. Reductions in consulting expenses and the sale of the Archive and Technical Records divisions and careful management of expenses decreased G&A expenses by \$635,000 (14%). The decrease in amortization was the result of the segment's intangible assets being fully amortized by the end of 2009.

## Outlook

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

Geomatics experienced stronger results in Q3 2010 compared to Q3 2009. Q3 is typically a softer quarter due to the summer season as well as customers are preparing for the upcoming winter season. However, results are not expected to return to pre-2009 levels as the overall economic environment has not yet returned to these levels. Dominion land survey (DLS) and consulting activity is currently underway for two major clients and is expected to come to a close in mid Q4. The Geomatics SynerGISite product is nearing completion of its next release which will include ArcGis map. This should help bolster future sales of the SynerGISite product. Q4 will see the launch of 2 new marketing campaigns for our Oil Sands products and other Player Map regions.

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

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

# Seismic Data

(Thousands)

	THREE MONTHS ENDED SEP 30				NINE MONTHS ENDED SEP 30			
	2010	2009	\$ Change	% Change	2010	2009	\$ Change	% Change
Revenue	\$ 1,838	\$7,744	\$(5,906)	-76%	\$ 11,673	\$27,481	\$(15,808)	-58%
EBITDA <sup>(1)</sup>	(2,416)	6,826	(9,242)	-135%	5,559	25,255	(19,696)	-78%
Interest (Net of Interest Revenue)	—	1	(1)	-100%	—	20	(20)	-100%
Depreciation and Amortization	6,604	6,293	311	5%	20,893	22,237	(1,344)	-6%
Operating Income (Loss) <sup>(1)</sup>	(9,020)	532	(9,552)	-1795%	(15,334)	2,998	(18,332)	-611%

(1) See the Non-GAAP Measures section.

## SEISMIC DATA LIBRARY

	BALANCE AS AT		
	Sep 30, 2010	Dec 31, 2009	Dec 31, 2008
2D in Gross KM	49	103,848	103,848
2D in Net KM	49	82,802	82,802
3D in Gross KM <sup>2</sup>	—	16,319	15,961
3D in Net KM <sup>2</sup>	—	15,122	14,764

## Q3 2010 Versus Q3 2009

In the third quarter of 2010, Seismic Data recorded an operating loss of \$9 million, compared with operating income of \$532,000 in the third quarter of 2009. Total seismic revenue in Q3 2010 was \$1.8 million compared to \$7.7 million in Q3 2009. Due to the publically announced seismic database divestiture, these results were expected by management. Seismic revenue includes seismic data library sales and participation survey revenue. Brokerage revenue was \$836,000 in Q3 2010 compared to \$518,000 in Q3 2009. The increase (61%) in the current quarter was due to two large sales which accounted for more than \$250,000 of revenue.

Seismic data library sales were \$1 million in Q3 2010 compared to \$7.2 million in Q3 2009, a decrease of \$6.2 million (86%) due to a large one time sale in Q3 2009. There was no participation survey revenue in Q3 2010 or in Q3 2009. Again, due to the publically announced seismic database divestiture, these results were expected by management.

Salaries and benefits increased by \$326,000 (121%) due to one-time salary adjustments related to austerity measures that had been in place till August 2010. The austerity measures were mainly unpaid leave-of-absence (LOA) days (suspended in August 2010), a 5% cut in salary (suspended in January 2010) and reduction of staff. G&A expenses increased by \$3 million (496%) mainly due to a bad debt expense of \$2.9 million. Amortization of data libraries increased by \$408,000 (7%) due the straight-line portion of amortization commencing in 2010 on a participation survey that was completed in 2009. Amortization of intangibles decreased by \$74,000 (100%) as these assets were fully amortized at the end of 2009.

## Nine Months Ended September 30, 2010 Versus Nine Months Ended September 30, 2009

In the first nine months of 2010, Seismic Data recorded an operating loss of \$15.3 million, compared with operating income of \$3 million in the first nine months of 2009. Total seismic data segment revenue in the first nine months of 2010 was \$11.7 million compared to \$27.5 million in the first nine months of 2009. Seismic revenue includes seismic data library sales and participation survey revenue. Brokerage revenue was \$2.2 million in the nine months ended September 2010 compared to \$902,000 in the comparative period. The increase (144%) in the current quarter was due to a bounce back in the brokerage market, maintaining a large staff of brokers and two large sales in the quarter which accounted for more than \$250,000 of revenue.

Seismic data library sales were \$9.5 million for the nine months ended September 30, 2010 compared to \$26.6 million for the same the period of 2009, a decrease of \$17.1 million (64%). The decrease in seismic library revenue was due to a large one-time sale that was recognized in 2009 with no similar sale in 2010.

Participation survey revenue was \$2 million for the first nine months of 2010 compared to \$5.7 million for the same period of 2009, a decrease of \$3.7 million (65%). This was due to a smaller survey being shot in 2010 compared to the survey that was shot in 2009. In addition, demand for new data was down as clients did not have the budget funds available to participate in any new programs.

The increase in brokerage revenue of \$1.3 million (144%) was due in part to the addition of four seismic brokers in 2009, changes to the Alberta royalty regime and strengthening commodity prices.

Salaries and benefits increased by \$360,000 (39%) due to one-time salary adjustments related to austerity measures that had been in place till August 2010. The austerity measures were mainly unpaid leave-of-absence (LOA) days (suspended in August 2010), a 5% cut in salary (suspended in January 2010) and reduction of staff. G&A expenses increased by \$3.5 million (288%) mainly due to bad debt expense of \$2.9 million (net of provision previously made) and due to higher commissions associated with higher brokerage revenue and third party archive costs as the Company sold its archive division and therefore had to outsource this service. Amortization of data libraries decreased by \$499,000 (2%) due to a decrease in the amount of new seismic data acquired while amortization of intangibles decreased by \$830,000 as these assets were fully amortized at the end of 2009.

## Outlook

On, September 30, 2010, the Company announced that it has successfully closed the disposition of the Seismic Assets to Pulse. The purchase price for Divestco's seismic data library was \$55.7 million cash (excluding a purchase price adjustment of \$0.5 million and transaction costs of \$1.8 million) plus 14,285,000 Pulse common shares. The effective date of the transaction was July 1, 2010, but the benefits of certain pending seismic data transactions were been retained by Divestco or will be shared by Divestco and Pulse.

Divestco has relentlessly focused its efforts to improve its balance sheet since the fall of 2008. The asset divestiture eliminated Divestco's bank and convertible debt and restored the Company working capital to a positive position. Furthermore, it also provides the Company's shareholders the opportunity to participate in the combined upside of one of the largest and most successful seismic data libraries in Western Canada. A recapitalized Divestco allows its shareholders to take part in a well focused software, data and service company going forward.

Although the Company divested of its seismic assets in September 2010, Divestco plans to rebuild its seismic data library and offer the market proprietary seismic data. The segment continues to provide seismic brokerage services through the largest division of its kind in Canada with 16 independent brokers.

# Corporate and Other

(Thousands)

	THREE MONTHS ENDED SEP 30				NINE MONTHS ENDED SEP 30			
	2010	2009	\$ Change	% Change	2010	2009	\$ Change	% Change
Revenue	\$ –	\$ –	\$ –	N/A	\$ –	\$ –	\$ –	N/A
EBITDA <sup>(1)</sup>	(7,482)	(1,653)	(5,829)	353%	(11,520)	(5,665)	(5,855)	103%
Interest (Net of Interest Revenue)	1,234	669	565	84%	2,325	2,432	(107)	-4%
Depreciation and Amortization	160	175	(15)	-9%	634	1,125	(491)	-44%
Operating Income (Loss) <sup>(1)</sup>	(8,876)	(2,497)	(6,379)	255%	(14,479)	(9,222)	(5,257)	57%

(1) See the Non-GAAP Measures section.

## Q3 2010 Versus Q3 2009

Salaries and benefits increased by \$762,000 (83%) due to restoring salaries to pre-non austerity levels earlier in the year and certain one-time salary adjustments and retention incentives granted to key employees. The austerity measures were mainly unpaid leave-of-absence (LOA) days (suspended in August 2010), a 5% cut in salary (suspended in January 2010) and reduction of staff. G&A expenses increased by \$5.2 million (500%) mainly due to an increase in occupancy costs as Divestco's new building lease commenced on May 1, 2010 and increased stock compensation costs due to all of the outstanding stock options vesting as part of the sale of the Seismic Assets. In addition, \$2.1 million related to an estimated loss on subleasing unused office in the Company's new premises which was included in G&A expenses for the quarter. Interest expense was up by \$565,000 (84%) due mainly to the balance of deferred finance charges being expensed in the quarter due to the repayment of the related debt. Amortization decreased by \$15,000 (9%) due to a reduction in overall capital spending.

## Nine Months Ended September 30, 2010 Versus Nine Months Ended September 30, 2009

Salaries and benefits increased \$481,000 (15%) due to restoring salaries to pre-non austerity levels earlier in the year, and certain one-time salary adjustments and retention incentives granted to key employees. The austerity measures were mainly unpaid leave-of-absence (LOA) days (suspended in August 2010), a 5% cut in salary (suspended in January 2010) and reduction of staff. G&A expenses increased by \$5.3 million (154%) mainly due to an increase in occupancy costs as the Divestco's new building lease commenced on May 1, 2010 and increased stock compensation costs due to all of the outstanding stock options vesting as part of the sale of the Seismic Assets. In addition, \$2.1 million related to an estimated loss on subleasing unused office in the Company's new premises which was included in G&A expenses for the quarter. Interest expense was down by \$107,000 (4%) due to a reduction of overall debt levels and lower effective interest rates. Amortization decreased by \$491,000 (44%) due to a reduction in overall capital spending.

## Outlook

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

# Depreciation and Amortization

(Thousands)

	THREE MONTHS ENDED SEP 30				NINE MONTHS ENDED SEP 30			
	2010	2009	\$ Change	% Change	2010	2009	\$ Change	% Change
Depreciation and Amortization	\$7,753	\$7,967	\$(214)	-3%	\$24,847	\$27,442	\$(2,595)	-9%

In the third quarter of 2010, depreciation and amortization was \$7.8 million, compared with \$8 million of depreciation and amortization in the third quarter of 2009, a decrease of \$215,000 (3%). Amortization of deferred development costs decreased marginally by \$19,000 (4%) due to some projects being fully amortized during Q3 2010. Amortization of data libraries increased by \$385,000 (6%) due to the straight-line portion of amortization commencing in 2010 on a participation survey completed in 2009. Amortization of property and equipment (PP&E) and intangibles was down by \$336,000 (46%). For PP&E, overall capital expenditures were down due to reductions in spending. With the exception of software code, the Company's remaining intangibles were fully amortized by the end of 2009.

In the first nine months of 2010, depreciation and amortization was \$24.8 million, compared with \$27.4 million in depreciation and amortization in the first nine months of 2009, a decrease of \$2.6 million (9%). Amortization of deferred development costs increased \$261,000 (19%) due to some large projects that were completed in 2009 while amortization of data libraries, PP&E and intangibles decreased \$2.9 million (11%). The decrease in amortization of data libraries was due to a smaller participation program completed in 2010 compared to 2009 and less existing data was purchased<sup>(1)</sup>. For PP&E, overall capital expenditures were down. For amortization of intangible assets, with the exception of software code, the Company's remaining intangibles were fully amortized by the end of 2009.

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

# Income Taxes

(Thousands)

	THREE MONTHS ENDED SEP 30				NINE MONTHS ENDED SEP 30			
	2010	2009	\$ Change	% Change	2010	2009	\$ Change	% Change
Current	(34)	(4,630)	4,596	-99%	(112)	(4,468)	4,356	-97%
Future (Reduction)	(9,578)	3,104	(12,682)	-409%	(12,342)	2,594	(14,936)	-576%
Income Taxes (Reduction)	\$(9,612)	\$(1,526)	\$ (8,086)	530%	\$(12,454)	\$(1,874)	\$(10,580)	565%

In the third quarter of 2010, the Company recorded a current tax recovery of \$34,000 and a future tax reduction of \$9.6 million as the Company recorded a valuation allowance for the full amount of its tax pools.

In the first nine months of 2010, the Company recorded a current tax recovery of \$112,000 and a future tax reduction of \$12.3 million as the Company recorded a valuation allowance for the full amount of its tax pools.

As at September 30, 2010, Divestco and its Canadian subsidiaries had \$2.7 million in undepreciated capital cost pools, \$38.4 million in Federal and \$23.6 million in Alberta non-capital loss carry-forwards (\$2.7 million was assumed through various acquisitions in 2007) which begin to expire in 2027. In addition the Company had \$1.1 million in federal scientific research and experimental development investment tax credits to reduce taxes payable in the future which expire in 2029.

# Major Transactions

## Seismic Related

No seismic data was acquired in Q3 2010.

In the first nine months of 2010, Divestco completed a 3D seismic participation survey for \$2.6 million covering an approximate area of 41 km<sup>2</sup> and acquired 140 km of 2D and 145 km<sup>2</sup> of existing 3D seismic for \$1.9 million. Except for \$144,000, the existing data was acquired by way of a data exchange whereby the Company sold \$2.5 million of seismic data licenses and related services in exchange for the seismic data. In addition the Company recorded favourable adjustments to its reclamation cost accruals for certain surveys.

On September 29, 2010, the Company completed the sale of the Seismic Assets to Pulse for total consideration of \$73.4 million including \$53.4 million in cash (net of purchase price adjustments of \$0.5 million and transaction costs of \$1.8 million) and 14,285,000 shares of Pulse valued at \$1.40 per share or \$20 million for accounting purposes. This resulted in an accounting loss on the transaction of \$40.9 million. All the shares of Pulse received as part of the divestiture were distributed to the shareholders of Divestco. Prior to the sale to Pulse and excluded from the deal, a client exercised a right to acquire the ownership interest in a 3D seismic data set that was shot by Divestco for the client and as a result, the Company received a \$1 million. An accounting loss of \$591,000 was recognized on the transaction.

# Liquidity And Capital Resources

## SUMMARY OF FINANCIAL POSITION

(Thousands, except as otherwise indicated)

	BALANCE AS AT		
	Sep 30, 2010	Dec 31, 2009	Dec 31, 2008
Current Assets	\$35,893	\$ 21,151	\$ 32,120
Current Liabilities <sup>(1)</sup>	19,429	27,401	41,857
Working Capital (Deficiency)	16,464	(6,250)	(9,737)
Funded Debt <sup>(2)</sup>	692	30,504	48,085
Shareholders' Equity	30,369	106,350	111,973
Funded Debt to Equity <sup>(3)</sup> – %	2%	29%	43%

(1) Excludes deferred revenue

(2) Current and long-term portion of debt obligations and convertible debentures

(3) Funded debt divided by shareholders' equity

## Working Capital

Divestco's working capital at the end of September 2010, excluding deferred revenue of \$2.2 million was \$16.5 million, compared to a deficit of \$6.3 million at the end of 2009, excluding deferred revenue of \$5.5 million. The improvement was due to the sale of the Company's seismic data library. Of the proceeds received on sale, Divestco used \$29.2 million to repay its bank loans and convertible debentures and \$5.5 million to pay vendors and for transaction costs.

Subsequent to September 30, 2010, the Company paid a special cash dividend of \$8.6 million and a further \$10 million to vendors.

In addition, the Company has focused on collection of its receivables, especially those that are greater than 90 days old. The Company records an allowance for doubtful accounts of 20% of balances over 120 days old. The Company recorded an additional \$2.9 million (50%) allowance on two large receivables totalling \$5.9 million which were over 120 days. The Company continues with its collections efforts, however there are indications that legal action may be required which could further delay the process.

To mitigate further economic pressure the Company remains committed to limiting capital expenditures unless they are well funded (mainly seismic participation surveys) and implemented further cost-cutting measures to reduce aggregate labour costs.

Divestco's debt summary for fiscal 2010:

	BALANCE AS AT JANUARY 1, 2010	PAYMENTS (NET OF ADVANCES)	BALANCE AS AT SEP 30, 2010	EXPECTED PAYMENTS	FORECASTED BALANCE AS AT DECEMBER 31, 2010
Term Loans	10,786	(10,786)	–	–	–
Committed Revolver	15,759	(15,759)	–	–	–
Promissory Notes	67	–	67	(67)	–
Capital Leases	718	(93)	625	(132)	493
	27,330	(26,638)	692	(199)	493

## Commitments

On May 1, 2010, the Company's lease for its new premises commenced. The lease term is 15 years. The monthly commitment is approximately \$612,000 including operating costs for the first year. The annual square foot rate increases in years 3, 6, 9, 11 and 14. The May to September 2010 rent (excluding operating costs) was paid by the Company on October 1, 2010 as the landlord agreed to defer the payments until close of the sale of the Seismic Assets (Note 3). A significant portion of the Company's current leases which were to expire by December 31, 2010 were extended to February 2011 due to the delay in moving to the new premises.

At as September 30, 2010, Management determined that the Company does not expect to occupy all of the space it is leasing in the new premises and as such is negotiating with various subtenants. In accordance with the Emerging Issues Committee Abstract EIC-135, Accounting for Costs Associated with Exit and Disposal Activities, although nothing has been formalized and based on current day market conditions, a liability of \$2.1 million has been accrued, net of estimated current day sublease rental rates that could be reasonably obtained for the property.

Below is a summary of the new building lease commitment combined with the Company's commitment on its current premises until the leases expire:

2010 (3 months)	\$ 2,418
2011 (12 months)	8,131
2012 (12 months)	7,905
2013 (12 months)	8,219
2014 +	112,631
<b>Total</b>	<b>\$139,304</b>

## Selected Cash Flow Items

(Thousands)

	THREE MONTHS ENDED SEP 30		NINE MONTHS ENDED SEP 30	
	2010	2009	2010	2009
<b>Operating Activities</b>				
Funds from operations <sup>(1)</sup>	\$ (6,970)	\$ 9,984	\$ (1,857)	\$ 24,130
Non-Cash Working Capital Change (Current and Long-Term Portions)	10,759	(6,444)	14,075	(4,849)
<b>Cash Flows From Operating Activities</b>	<b>3,789</b>	<b>3,540</b>	<b>12,218</b>	<b>19,281</b>
<b>Financing Activities</b>				
Long-Term Debt Obligations	(26,558)	(1,520)	(30,706)	(13,121)
Other – Net	(50)	–	(50)	(75)
<b>Cash Flows From (Used in) Financing Activities</b>	<b>(25,880)</b>	<b>(1,520)</b>	<b>(30,028)</b>	<b>(13,196)</b>
<b>Investing Activities</b>				
Acquisition of Data Libraries	451	(55)	(2,196)	(7,188)
Surveys in Progress	153	(1)	2,134	4,500
Additions to Property, Plant and Equipment	(257)	(49)	(699)	(1,421)
Other – Net	43,149	(1,666)	40,286	(2,437)
<b>Cash Flows From (Used in) Investing Activities</b>	<b>43,496</b>	<b>(1,771)</b>	<b>39,525</b>	<b>(6,546)</b>
Foreign Exchange Gain on Cash Held in a Foreign Currency	2	1	2	1
<b>Change in Cash</b>	<b>\$ 21,407</b>	<b>\$ 250</b>	<b>\$ 21,717</b>	<b>\$ (460)</b>

(1) See the Non-GAAP Measures section.

## Operating Activities

In Q3 2010, funds from operations were \$(7) million ((17) cents/share (basic and diluted)), compared with \$10 million (24 cents/share (basic and diluted)) in Q3 2009. The \$4.9 million (36%) decrease in revenue was primarily due to the drop in services and seismic data revenue as clients did not have budgeted funds available for their winter exploration programs as they would have normally had in prior years. The \$10 million (133%) increase in operating expenses mainly resulted from lease on the Company's new premises which commenced in May 2010, an additional bad debt provision of \$2.9 million and from an estimated sublease loss accrual of \$2.1 million.

In the first nine months of 2010, funds from operations were \$(1.9) million ((4) cents/share (basic and diluted)), compared with \$24.1 million (58 cents/share (basic and diluted)) in the first nine months of 2009. The \$18.8 million (36%) decrease in revenue was primarily due to the drop in services and seismic data revenue as clients did not have budgeted funds available for their winter exploration programs as they would have normally had in prior years. The \$7.3 million (27%) increase in operating expenses resulted

mainly from the lease on the Company's new premises which commenced in May 2010, an additional bad debt provision of \$2.9 million and from an estimated sublease loss accrual of \$2.1 million offset by the cost reduction strategies which remained in place until August 2010 (except for salary roll-backs that were reversed on January 1, 2010).

## Financing Activities

At the end of Q3 2010, the Company paid off the term loan and committed revolving credit facilities with the proceeds from the sale of its 2D and 3D library.

## Investing Activities

On September 29, 2010, the Company completed the sale of its 2D and 3D seismic data library to Pulse with net proceeds of \$73.4 million. This included cash of \$53.4 million after taking into consideration purchase price adjustments of \$0.5 million and transaction costs of \$1.8 million. The Company also received 14.285 million Pulse shares valued at \$20 million on the closing date.

During Q3 2010, the Company acquired \$239,000 of property, plant and equipment (excluding \$62,000 in computer equipment acquired under capital lease). The Company did not acquire any seismic data in Q3 2010. In addition the Company recorded favourable adjustments to its reclamation cost accruals for certain surveys.

During the first nine months of 2010, the Company acquired \$648,000 of property, plant and equipment (excluding \$318,000 in computer equipment acquired under capital lease). In addition, the Company completed a 3D seismic participation survey for \$2.6 million covering an approximate area of 41 km<sup>2</sup> and acquired 140 km of 2D and 145 km<sup>2</sup> of existing 3D seismic for \$1.9 million. Except for \$144,000, the existing data was acquired by way of a data exchange.

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

## Outstanding Share Data

As a result of the sale of its seismic data library, Divestco's shares were delisted from the Toronto Stock Exchange (TSX) on October 5, 2010. Divestco's Class A shares were listed on the TSX Venture Exchange (TSXV) on October 6, 2010 and trade under the symbol DVT. The Company is authorized to issue an unlimited number of voting Class A shares.

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

	(Thousands)		
	<b>BALANCE AS AT</b>		
	<b>Nov 10, 2010</b>	<b>Sep 30, 2010</b>	<b>Dec 31, 2009</b>
<b>Class A shares</b>			
Outstanding	43,113	43,113	41,958
Weighted Average Outstanding			
Basic		43,113	41,958
Diluted <sup>(1)</sup>		43,113	41,958
<b>Stock Options</b>			
Outstanding	980	1,060	2,137
Exercise Price Range	\$0.60 to \$6.10	\$0.60 to \$6.10	\$0.60 to \$6.10

(1) In calculating diluted weighted average outstanding shares, conversion or exercise of equity instruments is assumed only if the effect is dilutive. For the nine months ended September 30, 2010, options to purchase 1,060,000 Class A common shares have been excluded from the calculation of diluted weighted average outstanding shares as they were anti-dilutive.

## Stock Options

As at September 30, 2010, there were 4,311,509 Class A common shares reserved for grants of stock options.

During the nine months ended September 30, 2010:

- 615,000 options were granted with exercise prices ranging from \$0.68 to \$0.78
- 537,000 options were forfeited with exercise prices ranging from \$0.60 to \$6.10
- 1,155,000 options were exercised with exercise prices ranging from \$0.60 to \$0.78

From October 1, 2010 to November 10, 2010:

- 80,000 options were forfeited with exercise prices ranging from \$1.30 to \$4.70

## Related Party Transactions

Divestco had the following related party transactions for the nine months ended September 30, 2010:

- \$221,000 (2009 – \$46,000) was earned in consulting fees and brokerage commissions by a company controlled by a Director for providing seismic data consulting and seismic brokerage services.
- \$378,000 (2009 – \$118,000) was earned in legal fees by the law firm that provides the Company general legal counsel and employs the Company's Corporate Secretary.

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

## Critical Accounting Estimates

### Seismic Data Libraries

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

### Stock-Based Compensation

The fair value of share options granted in 2010 were estimated using the Black-Scholes option pricing model, with the following assumptions: an average expected volatility of 92%, an average risk free interest rate of 2.2%, no dividend rate and an expected life of five years. The value of the stock options is recognized as a compensation expense over the three-year vesting period.

# New Accounting Pronouncements

## Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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

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

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

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

## International Financial Reporting Standards (IFRS)

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

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

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

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

The Company commenced an opening IFRS balance sheet audit with their auditors and a small portion of this is yet to be completed as of this MD&A date. The Company has also commenced certain portions of the last phase, implementation. The Company will execute the required changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting. The implementation phase will continue for the remainder of 2010.

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

## **IFRS 1 – First-time Adoption of IFRS**

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

## **International Accounting Standard (IAS) 36 – Impairment of Assets**

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

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

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

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

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

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

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

## **International Accounting Standard (IAS) 38 – Intangible Assets**

The Company currently shows its Data Library as a separate asset on the balance sheet. The Company will account for its data libraries as an intangible asset using the historical cost model which is similar to Canadian GAAP. The Company is analyzing its current amortization methods and rates for its data libraries to determine if they will be compliant under IFRS. Depending on the methods and

rates chosen, there could be an impact on the Company's financial statements. The decision on methods and rates is expected to be completed once the Company's IFRS opening balance sheet audit has been completed.

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

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

## **International Financial Reporting Standards (IFRS) 3 – Business Combinations**

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

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

## **Internal Controls over Financial Reporting and Disclosure Controls and Procedures**

Commencing in Q4 2010, the Company will prepare internal controls documentation related to the preparation of the IFRS opening balance sheet, including controls related to the completeness of the adjustments.

## **Information Technology (IT)**

In Q3 2010, the Company completed a high-level review of its IT systems to ensure they are able to adequately support conversion to IFRS and ongoing financial reporting. The Company has identified a method to generate GAAP and IFRS financial reports in parallel and this is currently being implemented. This will be completed by year end 2010. On January 1, 2010, the Company implemented a new accounting system which will make the changeover to IFRS easier than under the previous systems that were being used.

## **Business Policy Assessment**

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

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

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

KEY ACTIVITY (SELECTED ELEMENTS ONLY)	PROPOSED DEADLINES	STATUS AS OF THE DATE OF THIS MD&A
<b>Financial Statement Preparation</b>		
Identification of differences between Canadian GAAP and IFRS accounting policies and choices that are applicable to the Company	Completed	Significant accounting policy choices identified and their impact is being evaluated in conjunction with the opening IFRS balance sheet audit.
Selection of entity's continuing IFRS policies	Q4 2010	The Company has selected its accounting policies and is currently quantifying the effect.
Selection of IFRS 1 policy choices	Completed	The Company has selected its IFRS 1 policies.
Financial statement format including alternative performance measures	Q4 2010	Work commenced and expected to continue for the remainder of 2010.
Changes in note disclosure	Upon completion of opening balance sheet	Sources of information indentified. Company has commenced building new tables and gathering addition information to populate the tables. Expected to be complete after opening IFRS balance sheet audit completed.
Quantification of IFRS 1 disclosure for 2010	Q4 2010	Work commenced and expected to be completed once the opening IFRS balance sheet audit is completed.
<b>Infrastructure: IFRS expertise</b>		
IFRS expertise and identification and development at all levels (including Board level)	On-going	Expert resources identified – use of external auditors and industry peer groups, key in-house personnel trained with additional training being provided as needed.
<b>Infrastructure: Information technology (IT)</b>		
Systems are capable of processing transactions, generating reports and maintaining IT controls under GAAP and IFRS, during and after transition.	Q4 2010	ERP system capable of parallel processing transactions. Parallel processing method and report creation method identified in Q2 2010 and will be tested during Q4 2010.
<b>Business Policy Assessment:</b>		
Renegotiate bank covenants	N/A	No longer applicable as the Company does not currently does have any bank debt. In the event that the Company secures new bank debt, any debt covenants will take IFRS into account.
Customer and supplier contract evaluation	Completed	Review of customer/supplier contracts against IFRS related to revenue/cost recognition completed.
<b>Control Environment:</b>		
ICFR and DC&P	ICFR and DC&P	ICFR and DC&P
(i) Accounting policy determination, documentation and implementation	(i) Q4 2010	(i) Review and sign off by management, and review by the Audit Committee, all accounting policy changes by Q4 2010; implementation by Q4 2010;
(ii) CEO/CFO certification process	(ii) Q4 2010	(ii) Update CEO/CFO certification process by end of Q4 2010

# Securities Regulations Update

## Disclosure Controls and Procedures

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

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

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

## Internal Control Over Financial Reporting

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

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

# Consolidated Balance Sheets

(Thousands – Unaudited)

	AS AT	
	Sep 30, 2010	Dec 31, 2009
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 22,485	\$ 768
Funds held in trust	11	17
Accounts receivable	13,123	19,267
Prepaid expenses, supplies and deposits	274	708
Income taxes receivable	–	391
	35,893	21,151
<b>Long-term prepaid expense</b>	–	846
<b>Investment in affiliated company</b>	104	88
<b>Data libraries (Note 4)</b>	5,163	138,712
<b>Participation surveys in progress</b>	52	2,186
<b>Property and equipment (Note 5)</b>	2,202	2,747
<b>Deferred development costs (Note 6)</b>	7,699	6,699
<b>Intangible assets (Note 7)</b>	2,985	3,494
	\$ 54,098	\$175,923
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 18,429	\$ 21,184
Income taxes payable	349	–
Current portion of deferred revenue	2,152	5,543
Current loss on sublease (Note 16)	175	–
Current portion of long-term debt obligations (Note 8)	476	6,217
	21,581	32,944
<b>Long-term debt obligations (Note 8)</b>	216	20,685
<b>Sublease loss (Note 16)</b>	1,932	–
<b>Convertible debentures (Note 9)</b>	–	3,602
<b>Future income taxes</b>	–	12,342
	23,729	69,573
<b>Shareholders' Equity</b>		
Equity instruments (Note 10(b))	71,801	70,518
Contributed surplus (Note 10(c))	5,767	5,473
Equity portion of convertible debentures (Note 9)	–	56
Retained earnings (deficit)	(47,199)	30,303
	30,369	106,350
<b>Future operations (Note 1)</b>		
<b>Commitment (Note 16)</b>		
<b>Contingencies (Note 17)</b>		
<b>Subsequent Event (Note 18)</b>		
	\$ 54,098	\$175,923

See notes to consolidated financial statements.

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

(Thousands, Except Per Share Amounts – Unaudited)

	THREE MONTHS ENDED SEP 30		NINE MONTHS ENDED SEP 30	
	2010	2009	2010	2009
<b>Revenue</b>	\$ 8,516	\$13,411	\$ 32,904	\$51,707
<b>Operating expenses</b>				
Salaries and benefits	6,276	4,453	16,224	16,801
General and administrative	8,514	2,956	15,159	9,677
Sublease loss (Note 16)	2,107	–	2,107	–
Stock compensation expense (Note 10(c))	628	99	793	491
	17,525	7,508	34,283	26,969
<b>Interest expense</b>	1,233	676	2,325	2,468
<b>Depreciation and amortization</b>	7,753	7,967	24,847	27,442
<b>Other income (loss) (Note 3)</b>	(41,500)	(31)	(41,406)	4,392
<b>Income (loss) before income taxes</b>	(59,495)	(2,771)	(69,957)	(780)
<b>Income taxes</b>				
Current (recovery)	(34)	(4,630)	(112)	(4,468)
Future (reduction)	(9,578)	3,104	(12,342)	2,594
	(9,612)	(1,526)	(12,454)	(1,874)
<b>Net income (loss) and comprehensive income (loss) for the period</b>	(49,883)	(1,245)	(57,503)	1,094
Retained earnings, beginning of period	22,683	38,839	30,303	36,500
Distribution of Pulse shares to Divestco shareholders (Note 3)	(19,999)	–	(19,999)	–
<b>Retained earnings (deficit), end of period</b>	\$(47,199)	\$37,594	\$(47,199)	\$37,594
<b>Net income (loss) per share (Note 10(e))</b>				
Basic and Diluted	\$ (1.19)	\$ (0.03)	\$ (1.37)	\$ 0.03
<b>Weighted average number of shares</b>				
Basic and Diluted	41,971	41,958	41,962	41,958

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

(Thousands – Unaudited)

	THREE MONTHS ENDED SEP 30		NINE MONTHS ENDED SEP 30	
	2010	2009	2010	2009
<b>Cash flows from operating activities</b>				
Net income (loss) for the period	\$(49,883)	\$(1,245)	\$(57,503)	\$ 1,094
Items not affecting cash:				
Equity investment gain	(16)	(15)	(16)	(14)
Depreciation and amortization of data libraries, property and equipment and intangible assets	7,245	7,440	23,214	26,070
Amortization of deferred development costs	508	527	1,633	1,372
Amortization of deferred finance costs	413	74	478	279
Amortization of deferred finance costs and accretion of liability portion of convertible debentures	110	–	148	–
Sublease loss (Note 16)	2,107	–	2,107	–
Future income taxes (reduction)	(9,578)	3,104	(12,342)	2,594
Data exchanges (Note 4)	–	–	(1,775)	(3,321)
Loss on sale of data libraries (Note 3)	41,496	–	41,496	–
Gain on sale of property and equipment (Note 3)	–	–	(90)	(4,435)
Stock compensation expense (Note 10(c))	628	99	793	491
	(6,970)	9,984	(1,857)	24,130
Changes in non-cash working capital balances (Note 12)	10,679	(6,733)	13,837	(4,875)
Decrease in non-current deferred revenue	–	–	–	(263)
Decrease in long-term prepaid expense	80	289	238	289
	3,789	3,540	12,218	19,281
<b>Cash flows from (used in) financing activities</b>				
Issue of common shares, net of related expenses	728	–	728	–
Repayment of long-term debt obligations	(25,563)	(137)	(28,691)	(8,756)
Repayment of debentures	(3,750)	–	(3,750)	–
Deferred financing costs	(50)	–	(50)	(75)
Proceeds received from long-term debt obligations (net of committed revolver repayments)	2,755	(1,383)	1,735	(4,365)
	(25,880)	(1,520)	(30,028)	(13,196)
<b>Cash flows from (used in) investing activities</b>				
Purchase of data libraries	451	(55)	(2,196)	(7,188)
Decrease (increase) in participation surveys in progress	153	(1)	2,134	4,500
Purchase of property and equipment	(257)	(49)	(699)	(1,421)
Proceeds on sale of data libraries	54,434	–	54,434	–
Proceeds on sale of property and equipment	–	–	93	3,340
Deferred development costs	(1,617)	(470)	(2,633)	(1,481)
Changes in non-cash working capital balances (Note 12)	(9,668)	(1,196)	(11,608)	(4,296)
	43,496	(1,771)	39,525	(6,546)
<b>Foreign exchange gain on cash held in a foreign currency</b>	2	1	2	1
<b>Increase (decrease) in cash and cash equivalents</b>	21,407	250	21,717	(460)
Cash and cash equivalents, beginning of period	1,078	1,101	768	1,811
<b>Cash and cash equivalents, end of period</b>	\$ 22,485	\$ 1,351	\$ 22,485	\$ 1,351

See notes to consolidated financial statements.

# Divestco Inc.

## Notes to Consolidated Financial Statements

September 30, 2010

(Tabular amounts in thousands, unless otherwise stated)

Divestco Inc. (Divestco or the Company) is incorporated under the Business Corporations Act of Alberta and is a publicly traded company on the TSX Venture Exchange (TSXV) under the symbol "DVT". The Company offers its customers the ability to access and analyze information and make business decisions to optimize their success in the upstream oil and gas industry through three operating segments which include Software and Data, Services, and Seismic Data. The Corporate and Other segment provides support services to the operating segments.

### 1. Basis of Presentation and Future Operations

These consolidated financial statements have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in these consolidated financial statements. The Company had working capital of \$14.3 million as at September 30, 2010, including deferred revenue of \$2.2 million. As a result of the divestiture of the Company's 2D and 3D seismic data library (the "Seismic Assets" – Note 3) which closed on September 29, 2010, a positive working capital position was restored. A portion of the proceeds were used to retire all bank debt and convertible debentures and attend to overdue vendor accounts. Subsequent to September 30, 2010, the Company used a portion of the proceeds to pay a one time special cash dividend of \$8.6 million (20 cents a share).

The Company incurred losses of \$57.5 million for the nine months ended September 30, 2010, which included a loss of \$40.9 million on the disposition of the Seismic Assets (Note 3). Excluding the loss on the sale of the Seismic Assets, the net loss was in part due to the Company's lease for its new office space that commenced on May 1, 2010 (Note 16). However, the Company's double rent obligations will all cease through out 2011. The Company expects to generate positive funds from operations going forward.

Management anticipates that funds generated from operations will be sufficient in the short-term for the Company to continue its activities and discharge its commitments as they become due. The Company is reviewing additional sources of capital and debt financing to manage day to day working capital and to fund anticipated capital expenditures. Despite restoring the Company's balance sheet during this interim period Management believes that the going concern assumption is appropriate for these consolidated financial statements. Adjustments to the carrying amounts of the balance sheet classifications used, assets and liabilities, and revenues and expenses, may be necessary should the going concern assumption be inappropriate. Furthermore, the Company will continue to carefully manage costs and evaluate all material capital expenditures before commencement to ensure they meet appropriate funding criteria.

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

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

The results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of results to be expected for the entire year ending December 31, 2010. The Company records seismic data revenue related to its shot seismic programs, which are carried out primarily during the winter months. Revenue is recognized upon completion of a program after the related data has been delivered. Therefore, a significant portion of the Company's revenue for its shot seismic data is recognized in the winter and spring seasons. In addition, the sale of the Seismic Assets will have an impact on the revenues and expenses for the fourth quarter of 2010.

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

## 2. Future Accounting Pronouncements

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

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

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

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

## 3. Dispositions

On September 29, 2010, the Company closed the sale of the Seismic Assets to Pulse Seismic Inc. ("Pulse"). The cash proceeds were used to repay bank debt, retire the convertible debentures and reduce overdue payables. The disposition is summarized below:

<b>ASSETS DISPOSED OF:</b>	
Prepaid expenses <sup>(1)</sup>	\$ 908
Accrued liabilities <sup>(2)</sup>	(1,351)
Seismic data library	114,781
	<b>\$114,338</b>

**CONSIDERATION:**

Cash on closing <sup>(3)</sup>	\$ 55,249
Transaction costs <sup>(5)</sup>	(1,815)
<b>Net cash consideration</b>	<b>53,434</b>
<b>Common shares of Pulse<sup>(4)</sup></b>	<b>19,999</b>
	<b>\$ 73,433</b>
<b>Loss on sale</b>	<b>\$(40,905)</b>

(1) Related to pre-paid archive credits

(2) Related to revenue sharing agreements assumed by Pulse

(3) Net of a \$0.5 million purchase price adjustment related to revenue credited to Pulse from July 1 to September 30, 2010

(4) Closing price of \$1.40 per Pulse share on September 29, 2010. The Pulse shares were distributed by the Company to its shareholders as part of the plan of arrangement completed in conjunction with the sale of the Seismic Assets.

(5) Includes professional fees, severance costs related to a change of control provision in the employment agreement of the CEO and President and a change of control repayment fee on the convertible debentures (Note 9)

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

In addition, during the nine months ended September 30, 2010, the Company sold the following assets:

	BUSINESS CONSULTING DIVISION	SEISMIC DATA <sup>(1)</sup>
<b>Assets Disposed of:</b>		
Computer hardware and software	\$ 3	\$ —
Data libraries	—	1,591
<b>Consideration:</b>		
Cash (including disposition costs)	\$93	\$1,000
<b>Gain (loss) on sale</b>	<b>\$90</b>	<b>\$ (591)</b>

(1) This seismic data set was excluded from the sale of the Seismic Assets to Pulse and was sold prior to the close of the disposition to Pulse.

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

## 4. Data Libraries

	BALANCE AS AT			
	September 30, 2010		December 31, 2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Seismic data library	\$ 62	\$ —	\$253,040	\$119,765
Datasets	632	511	632	486
Log and drilling library	7,209	2,368	7,209	2,098
Reference library	445	445	445	416
Map library	239	100	239	88
	\$8,587	\$3,424	\$261,565	\$122,853
<b>Net book value</b>		<b>\$5,163</b>		<b>\$138,712</b>

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

## 5. Property and Equipment

	BALANCE AS AT			
	September 30, 2010		December 31, 2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	\$ 7,384	\$ 6,622	\$ 6,921	\$ 5,556
Office furniture and equipment	1,286	1,118	1,744	1,461
Leasehold improvements	2,135	1,226	1,492	1,032
Assets under capital lease	3,839	3,506	3,521	2,912
Land	30	–	30	–
	\$14,674	\$12,472	\$13,708	\$10,961
Net book value		\$ 2,202		\$ 2,747

## 6. Deferred Development Costs

	BALANCE AS AT	
	Sep 30, 2010	Dec 31, 2009
Balance, beginning of period	\$ 6,699	\$ 6,201
Additions <sup>(1)</sup>	2,633	1,979
Amortization <sup>(2)</sup>	(1,633)	(1,481)
<b>Balance, end of period</b>	<b>\$ 7,699</b>	<b>\$ 6,699</b>

(1) Includes a valuation allowance of \$1.2 million taken against previously accrued Scientific Research and Experimental Development investment tax credits

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

## 7. Intangible Assets

	BALANCE AS AT			
	September 30, 2010		December 31, 2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Proprietary software and code	8,256	5,271	8,256	4,762
Net book value		\$2,985		\$ 3,494

## 8. Long-Term Debt Obligations

	BALANCE AS AT	
	Sep 30, 2010	Dec 31, 2009
Term loans and committed revolver (a)	\$ —	\$26,545
Promissory notes (b)	67	67
Capital lease obligations (c)	625	718
Current portion	692 (476)	27,330 (6,217)
Deferred finance charges (d)	—	(428)
Long-term portion	\$ 216	\$20,685

(a) Term loans and committed revolver

On September 30, 2010 the Company fully repaid its term loans and committed revolver using the proceeds from the sale of the Seismic Assets to Pulse (Note 3).

(b) Promissory notes

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

(c) Capital lease obligations

The Company has capital lease obligations, which have terms of four years and bear interest from 1.9% to 8.8% per annum. Minimum annual lease payments are as follows:

<b>Oct 2010 to Sep 2011</b>	\$409
<b>Oct 2011 to Sep 2012</b>	167
<b>Oct 2012 to Sep 2013</b>	45
<b>Oct 2013 to Sep 2014</b>	4
	<b>\$625</b>

(d) Deferred finance charges

	BALANCE AS AT	
	Sep 30, 2010	Dec 31, 2009
Balance, beginning of period	\$ 428	\$ 699
Additions	50	75
Amortization <sup>(1)</sup>	(478)	(346)
<b>Balance, end of period</b>	<b>\$ –</b>	<b>\$ 428</b>

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

## 9. Convertible Debentures

	BALANCE AS AT	
	Sep 30, 2010	Dec 31, 2009
Balance, beginning of period	\$ 3,602	\$ –
Additions	–	3,750
Equity component	–	(56)
Accretion of liability portion to face value	54	2
Deferred finance charges	–	(98)
Amortization of deferred finance charges	94	4
Repayment	(3,750)	
<b>Balance, end of period</b>	<b>\$ –</b>	<b>\$3,602</b>

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

One of the events triggering a change of control in the indenture agreement is any direct or indirect conveyance, transfer, sale, lease or other disposition (other than by way of merger, amalgamation, statutory arrangement, or consolidation) in one or a series of related transactions of all or substantially all of the Company’s properties and assets (“Change of Control”). If a Change of Control occurs prior the Maturity Date, the Company must make an offer to the Debentureholders to repurchase for cash the entire outstanding principal amount of the Debentures of such Debentureholder at the change of Control Repurchase Price (the “Repurchase Offer”) on the Change of Control Repurchase Date. The Change of Control Repurchase Price is 118% of the principal amount of the Debenture to be purchased plus accrued and unpaid interest, if any, up to November 15, 2010, and (ii) 110% of the principal amount of the Debenture to be purchased plus accrued and unpaid interest, if any, up to but excluding the Change of Control Repurchase Date. The Change of Control Repurchase Date is the effective date of the transaction causing the Change of Control. The Debentureholders may exercise their rights upon delivery of a written notice (the “Change of Control Repurchase Notice”). Debentures in respect of which a Change of Control Repurchase Notice has been given by the Debentureholder thereof may not be converted into Divestco Class A Shares on or after the date of the delivery of such Change of Control Repurchase Notice unless such Change of Control Repurchase Notice has first been validly withdrawn in with respect to the Debentures to be converted.

The Company determined the sale of the Seismic Assets (Note 3) to be a Change of Control. As a result, the Company delivered the Change of Control Repurchase Notice to the Debentureholder required in the indenture agreement. The Debentureholders elected to be paid out in cash prior to September 29, 2010.

## 10. Equity Instruments

(a) Authorized

An unlimited number of voting Class A common shares.

(b) Issued

	BALANCE AS AT			
	Sep 30, 2010		Dec 31, 2009	
	Number of Shares	Amount	Number of Shares	Amount
<b>Common shares</b>				
<b>Balance, beginning of period</b>	41,958	\$70,518	41,958	\$70,518
Cash consideration received on exercise of stock options	1,155	728	–	–
Reclassification to common shares on exercise of options	–	555	–	–
<b>Balance, end of period</b>	43,113	\$71,801	41,958	\$70,518

(c) Contributed surplus

	BALANCE AS AT	
	Sep 30, 2010	Dec 31, 2009
Balance, beginning of period	\$5,473	\$4,955
Stock compensation expense	793	518
Reclassification to common shares on exercise of options	(555)	–
Equity component of convertible debentures	56	–
<b>Balance, end of period</b>	\$5,767	\$5,473

(d) Stock options

The Company has established a stock option plan whereby the Company may grant options to purchase common shares to directors, officers, employees and consultants. The options have a five-year term and are exercisable pursuant to a vesting schedule of one-third following the first anniversary of the grant date, one-third following the second anniversary of the grant date, and the remaining one-third following the third anniversary of the grant date. 4,311,509 common shares of the Company have been reserved under the Plan.

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

	NUMBER OF OPTIONS	OPTION PRICE	WEIGHTED AVERAGE PRICE
Options outstanding, December 31, 2008	2,487	\$1.00-\$6.10	\$2.90
Granted	975	\$0.60	\$0.60
Forfeited	(1,325)	\$1.00-\$6.10	\$2.67
Options outstanding, December 31, 2009	2,137	\$0.60-\$6.10	\$1.99
<b>Granted</b>	<b>615</b>	<b>\$0.68-\$0.78</b>	<b>\$0.69</b>
<b>Exercised</b>	<b>(1,155)</b>	<b>\$0.60-\$0.78</b>	<b>\$0.63</b>
<b>Forfeited</b>	<b>(537)</b>	<b>\$0.60-\$6.10</b>	<b>\$1.63</b>
<b>Options outstanding, September 30, 2010</b>	<b>1,060</b>	<b>\$0.60-\$6.10</b>	<b>\$2.90</b>

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

OPTIONS OUTSTANDING	OPTION PRICE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF OPTIONS CURRENTLY EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE OF OPTIONS CURRENTLY EXERCISABLE
510	\$0.60-\$1.99	\$1.08	3.48	510	\$1.08
147	\$2.00-\$3.49	\$2.95	0.61	147	\$2.95
194	\$3.50-\$4.99	\$4.24	1.14	194	\$4.24
209	\$5.00-\$6.10	\$6.02	0.58	209	\$6.02
<b>1,060</b>	<b>\$0.60-\$6.10</b>	<b>\$2.90</b>	<b>2.08</b>	<b>1,060</b>	<b>\$2.90</b>

The per share weighted average fair value of the stock options granted for the nine months ended September 30, 2010, was \$0.56. This was estimated using the Black-Scholes option pricing model with the following assumptions: an average expected volatility of 92%, an average risk free interest rate of 2.2%, no dividend rate and an expected life of five years. The compensation expense is recognized evenly over the three-year vesting period of the stock options. No options were granted during the nine months ended September 30, 2009.

The plan of arrangement completed in conjunction with the sale of Seismic Assets (Note 3) resulted in all of the outstanding stock options vesting on September 29, 2010. Therefore, an additional stock based compensation expense of approximately \$550,000 was recorded during the nine months ended September 30, 2010.

(e) Net loss per share

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

	FOR THE THREE MONTHS ENDED SEPT 30		FOR THE NINE MONTHS ENDED SEPT 30	
	2010	2009	2010	2009
<b>Numerator</b>				
Net income (loss)	\$(49,883)	\$ (1,245)	\$(57,503)	\$ 1,094
<b>Denominator</b>				
Weighted average number of shares outstanding for basic earnings per share	41,971	41,958	41,962	41,958
Weighted average number of shares outstanding for diluted earnings per share	41,971	41,958	41,962	41,958
<b>Basic and diluted net loss per share</b>	<b>\$ (1.19)</b>	<b>\$ (0.03)</b>	<b>\$ (1.37)</b>	<b>\$ 0.03</b>

*Options to purchase 1,060,000 (2009 – 2,087,000) common shares have been excluded from the calculations of diluted net loss per share due to their anti-dilutive effect for the nine months ended September 30, 2010.*

## 11. Management of Capital

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

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

- shareholders' equity
- long-term debt obligations, including the current portion
- convertible debentures (repaid on September 29, 2010)

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

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

In connection with the sale of the Seismic Assets (Note 3), the Company elected to fully retire its bank debt (Note 8). In addition, the convertible debenture holders elected to be repaid in cash due to a change of control triggered (Note 9) by the sale of the Seismic Assets (Note 3). Therefore, the Company is significantly below the targets it had set at the beginning of 2010. The Company intends to operate with minimum debt going forward.

Total funded debt to equity ratio as at September 30, 2010 is as follows:

	BALANCE AS AT	
	Sep 30, 2010	Dec 31, 2009
Components of funded debt to equity ratio:		
Current portion of long-term funded debt obligations	\$ 476	\$ 6,217
Long-term funded debt obligations	216	20,685
Convertible Debentures	—	3,602
Total funded debt	692	30,504
Shareholders' equity	\$30,369	\$106,350
	Company Target	
Total funded debt to equity	<b>20% to 50%</b>	2%

## 12. Statement of Cash Flows

	THREE MONTHS ENDED SEP 30		NINE MONTHS ENDED SEP 30	
	2010	2009	2010	2009
Interest and income taxes paid				
Income taxes paid	\$ 30	\$ 15	\$ 132	\$ 361
Income taxes refunded	\$ –	\$ –	\$ 401	\$ 1,126
Interest paid (net of interest revenue)	\$ 1,233	\$ 779	\$ 2,325	\$ 2,468
Changes in non-cash working capital balances				
Funds held in trust	\$ 4	\$ 7	\$ 6	\$ 14
Accounts receivable	130	(957)	6,144	10,801
Income taxes receivable	589	(4,425)	391	(4,366)
Prepaid expenses, supplies and deposits	126	127	134	916
Accounts payable and accrued liabilities	271	(1,346)	(1,404)	(8,560)
Income taxes payable	349	(543)	349	–
Deferred revenue	(458)	(792)	(3,391)	(7,976)
	\$ 1,011	\$(7,929)	\$ 2,229	\$(9,171)
Changes in non-cash working capital balances related to operating activities	\$10,679	\$(6,733)	\$ 13,837	\$ (4,875)
Changes in non-cash working capital balances related to investing activities	(9,668)	(1,196)	(11,608)	(4,296)
	\$ 1,011	\$(7,929)	\$ 2,229	\$(9,171)

During the nine months ended September 30, 2010, the Company recorded capital lease additions of \$318,000 (2009 – \$83,000). At September 30, 2010, the Company held \$160,000 (2009 – \$134,000) of cash and cash equivalents which were denominated in a foreign currency.

## 13. Related Party Transactions

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

- During the nine months ended September 30, 2010, the Company incurred \$221,000 (September 30, 2009 – \$46,000) in seismic consulting fees and brokerage commissions to a company controlled by a director. Included in accounts payable as at September 30, 2010 was \$175,000 (December 31, 2009 – \$101,000) related to these fees and commissions.
- During the nine months ended September 30, 2010, the Company incurred \$378,000 (September 30, 2009 – \$118,000) in legal fees from the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at September 30, 2010 was \$1,000 (December 31, 2009 – \$26,000) related to these legal fees.

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

## 14. Financial Instruments and Risk Management

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

(a) Credit risk

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

A significant portion of the Company's trade accounts receivable are from companies in the oil and gas industry and are exposed to normal industry credit risks. The concentration risk is mitigated primarily by the customers being large investment grade organizations. The credit worthiness of new customers is subject to review by management through consideration of the type of customer and the size of the contract. During the nine months ended September 30, 2010, five customers accounted for 26% of the Company's revenue related to sales contracts for seismic data. As at September 30, 2010, five customers accounted for 41% of the Company's total accounts receivable.

The Company reviews its accounts receivable amounts regularly and amounts are written down to their expected realizable value when outstanding amounts are determined not to be fully collectable. This generally occurs when the customer has indicated an inability to pay, the Company is unable to communicate with the customer over an extended period of time, and other methods to obtain payment have been considered and have not been successful. The increase in allowance for doubtful accounts from December 31, 2009 was due to an additional \$2.9 million allowance recorded on two large receivables totalling \$5.9 million (excluding the allowance) which were over 120 days. While the Company continues with its in-house collections efforts, there are indications that legal action may be required which could further delay the collections process. Estimates of the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date taking into consideration the following factors: the length of time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience. In addition, the Company records an allowance for doubtful accounts equal to 20% of balances that are older than 120 days. Bad debt expense is charged to net loss in the period that the account is determined to be doubtful. The carrying amount of accounts receivable represents the maximum credit exposure.

The aging of trade receivables is illustrated below:

	BALANCE AS AT			
	September 30, 2010		December 31, 2009	
	Gross	Allowance	Gross	Allowance
Not past due	\$ 3,327	\$ -	\$ 6,982	\$ -
Past due 0-30 days	4,721	-	4,057	-
Past due 31-120 days	904	-	1,189	-
More than 121 days	7,841	4,547	8,716	2,030
Total trade receivables	\$16,793	\$4,547	\$20,944	\$2,030
Accrued receivables	877	-	353	-
Allowance for doubtful accounts	(4,547)	-	(2,030)	-
Total accounts receivable	\$13,123	\$4,547	\$19,267	\$2,030

(b) Interest rate risk

The Company's short-term borrowings are based on floating rates and subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. The Company's long-term debt is based on fixed interest rates ranging from 1.9% to 8.8%. If these transactions were entered into today, the interest expense would not be materially different.

The Company's sensitivity analysis includes items bearing interest at variable rates and indicates that a 100 basis points fluctuation in interest rates would have an approximately \$97,000 impact on the net loss for the nine months ended September 30, 2010 (on a pre-tax basis). The Company does not use derivative financial instruments to reduce its interest risk exposure. The carrying amounts of the Company's term debt approximate their fair values.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. As at September 30, 2010 the Company had cash and cash equivalents balance of \$22.5 million and \$13.1 million in accounts receivable totalling \$35.6 million to settle current liabilities of \$19.4 million (excluding current deferred revenue of \$2.2 million). This represents a significant improvement over prior periods due the proceeds received from the sale of the Seismic Assets (Note 3). To manage liquidity risk on a long-term basis, the Company will strive to maintain a positive working capital position and manage debt appropriately. As part of this strategy, the Company is focused on collection of its receivables, especially those that are greater than 90 days old and managing expenses. The allowance for bad debts increased significantly in the quarter due to an additional \$2.9 million allowance made on two large receivables valued at \$5.9 million that were over 120 days. To manage short-term liquidity requirements, the Company utilizes cash forecasts to ensure it has necessary funds to fulfill its obligations. The Company has also disposed of assets and has implemented considerable expense reductions. The Company will remain committed to not undertaking any significant capital expenditures unless the project is adequately funded with cash flow and/or equity.

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

	< 1 YEAR	1-2 YEARS	>2 YEARS	TOTAL
Accounts payable and accrued liabilities	\$18,429	\$ –	\$ –	\$18,429
Income taxes payable	349	–	–	349
Loss on sublease	175	416	1,516	2,107
Long-term debt obligations	476	167	49	692
<b>Total</b>	<b>\$19,429</b>	<b>\$583</b>	<b>\$1,565</b>	<b>\$21,577</b>

## 15. Segmented Information

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

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

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

**AS AT AND FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010**

	<b>Software &amp; Data</b>	<b>Services</b>	<b>Seismic Data</b>	<b>Corporate &amp; Other</b>	<b>Total</b>
Revenue	\$ 2,359	\$ 4,319	\$ 1,838	\$ –	\$ 8,516
Inter-segment revenue	–	54	–	–	54
Operating income (loss) <sup>(1)</sup>	(49)	(50)	(9,020)	(8,876)	(17,995)
Interest expense (net of interest revenue)	–	(1)	–	1,234	1,233
Depreciation and amortization	648	341	6,604	160	7,753
Loss on sale of data libraries	–	–	(41,496)	–	(41,496)
Total assets	21,289	18,022	5,644	9,143	54,098
Capital expenditures	40	81	(525)	56	(348)
Deferred development costs	1,547	70	–	–	1,617

**AS AT AND FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009**

	<b>Software &amp; Data</b>	<b>Services</b>	<b>Seismic Data</b>	<b>Corporate &amp; Other</b>	<b>Total</b>
Revenue	\$ 2,616	\$ 3,051	\$ 7,744	\$ –	\$ 13,411
Inter-segment revenue	–	–	–	–	–
Operating income (loss) <sup>(1)</sup>	415	(1,190)	532	(2,497)	(2,740)
Interest expense (net of interest revenue)	6	–	1	669	676
Depreciation and amortization	865	634	6,293	175	7,967
Total assets	20,583	11,013	151,464	1,124	184,184
Capital expenditures	8	15	71	11	105
Deferred development costs	366	68	36	–	470

**AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

	<b>Software &amp; Data</b>	<b>Services</b>	<b>Seismic Data</b>	<b>Corporate &amp; Other</b>	<b>Total</b>
Revenue from external customers	\$ 7,083	\$14,148	\$ 11,673	\$ –	\$ 32,904
Inter-segment revenue	–	314	–	–	314
Operating income (loss) <sup>(1)</sup>	352	910	(15,334)	(14,479)	(28,551)
Interest expense (net of interest revenue)	–	–	–	2,325	2,325
Depreciation and amortization	2,076	1,244	20,893	634	24,847
Loss on sale of data libraries	–	–	(41,496)	–	(41,496)
Total assets	21,289	18,022	5,644	9,143	54,098
Capital expenditures	110	219	278	154	761
Deferred development costs	2,351	233	49	–	2,633

**AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

	<b>Software &amp; Data</b>	<b>Services</b>	<b>Seismic Data</b>	<b>Corporate &amp; Other</b>	<b>Total</b>
Revenue from external customers	\$ 8,137	\$16,089	\$ 27,481	\$ –	\$ 51,707
Inter-segment revenue	–	688	–	–	688
Operating income (loss) <sup>(1)</sup>	1,492	(440)	2,998	(9,222)	(5,172)
Interest expense (net of interest revenue)	17	(1)	20	2,432	2,468
Depreciation and amortization	1,906	2,174	22,237	1,125	27,442
Total assets	20,583	11,013	151,464	1,124	184,184
Capital expenditures	223	445	3,131	310	4,109
Deferred development costs	1,013	298	170	–	1,481

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

## 16. Commitment

On May 1, 2010, the Company's lease for its new premises commenced. The lease term is 15 years. The monthly commitment is approximately \$612,000 including operating costs for the first year. The annual square foot rate increases in years 3, 6, 9, 11 and 14. The May to September 2010 rent (excluding operating costs) was paid by the Company on October 1, 2010 as the landlord agreed to defer the payments until close of the sale of the Seismic Assets (Note 3). A significant portion of the Company's current leases which were to expire by November 30, 2010 were extended to March 31, 2011, due to the delay in moving to the new premises.

At as September 30, 2010, Management determined that the Company does not expect to occupy all of the space it is leasing in the new premises and as such is negotiating with various subtenants. Although nothing has been formalized, a liability of \$2.1 million has been accrued, net of estimated current day sublease rental rates that could be reasonably obtained for the property.

Below is a summary of the new building lease commitment combined with the Company's commitment on its current premises until the leases expire:

2010 (3 months)	\$ 2,418
2011 (12 months)	8,131
2012 (12 months)	7,905
2013 (12 months)	8,219
2014 +	112,631
Total	\$139,304

## 17. Contingencies

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

## 18. Subsequent Event

On October 5, 2010, the Board of Directors of the Company declared a special cash dividend of \$0.20 per issued and outstanding Class A share or \$8.6 million. The dividend was paid on October 25, 2010 to shareholders of record at the close of business on October 19, 2010. The proceeds received from the sale of the Seismic Assets (Note 3) were used to pay the dividend.

# Corporate Information

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## Board of Directors

Edward L. Molnar <sup>1,2,3</sup>  
Stephen Popadynetz  
Brent Gough <sup>2,3,4</sup>  
Wade Brillon  
Bill Tobman <sup>2,4</sup>

- <sup>1</sup> Chairman of the Board
- <sup>2</sup> Member of the Audit Committee
- <sup>3</sup> Member of the Compensation Committee
- <sup>4</sup> Member of the Corporate Governance Committee

## Officers

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

## Corporate Secretary

Faralee A. Chanin

## Stock Exchange Listing

TSXV: DVT

## Registrar and Transfer Agent

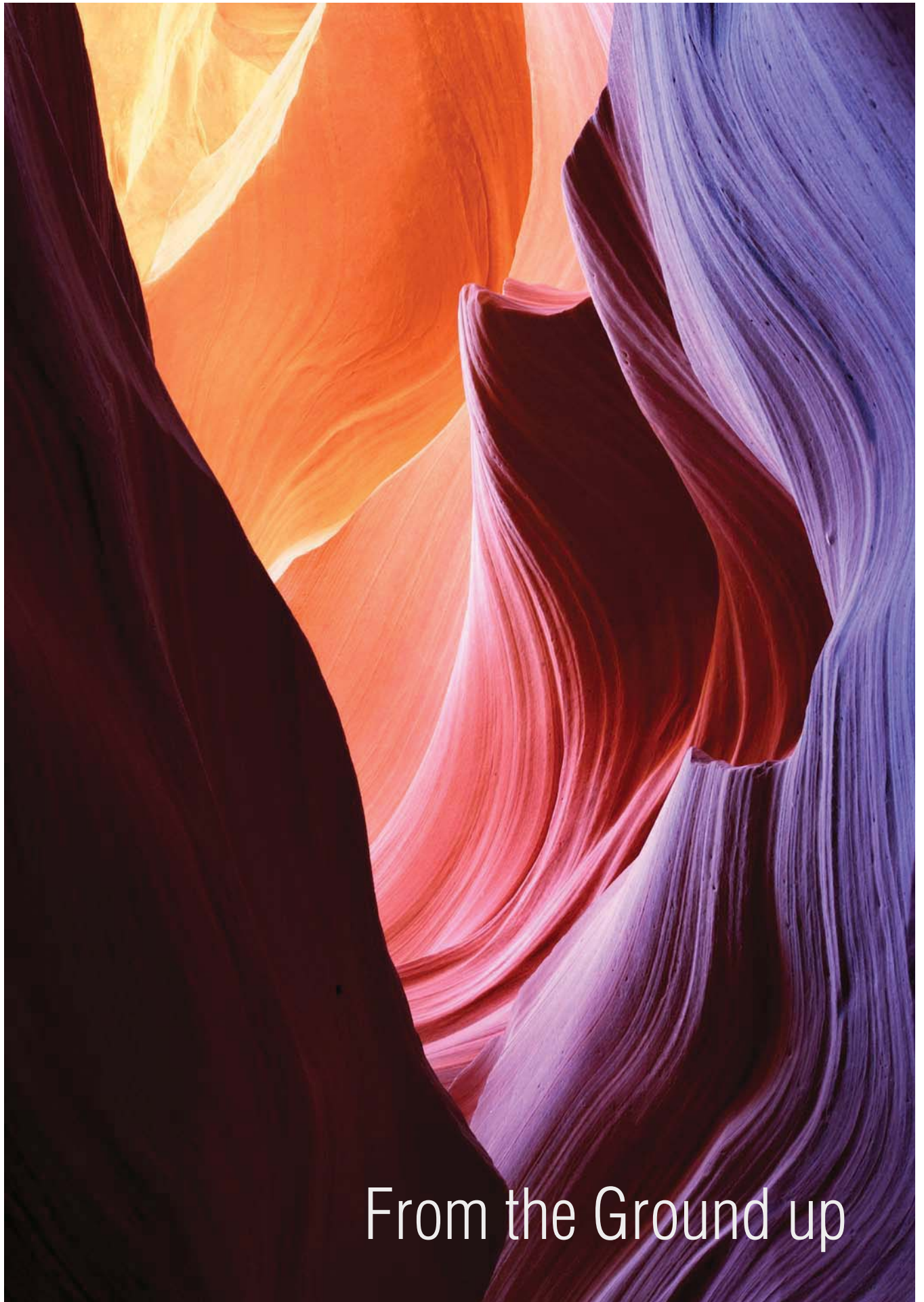
CIBC Mellon Company

## Auditors

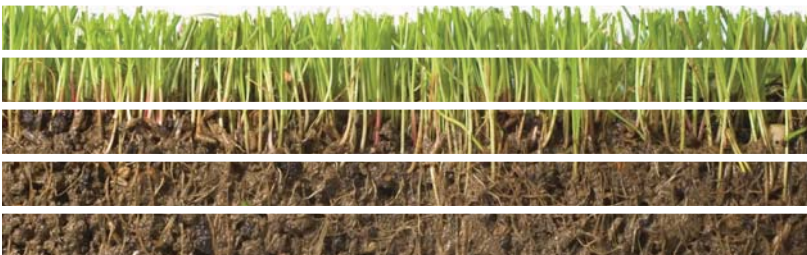
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## Legal Counsel

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