Divestco

Quarterly Report

For the Three and Six Months Ended
June 30, 2018

Divestco

Management's Discussion & Analysis

For the Three and Six Months Ended June 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated August 23, 2018 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Divestco Inc. ("Divestco" or the "Company") as at and for the three and six months ended June 30, 2018 and with the audited consolidated financial statements and notes as at and for the years ended December 31, 2017 and December 31, 2016 (the "Annual Financial Statements" and "Annual MD&A"). All financial information in this MD&A has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") and is reported in Canadian dollars unless otherwise specified.

DIVESTCO'S BUSINESS

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 has created an unparalleled set of integrated solutions and unique benefits for the marketplace. Divestco's breadth of data, software and services 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. Divestco is headquartered in Calgary, Alberta, Canada and trades on the TSX Venture Exchange under the symbol "DVT".

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

- Software and Data: Offers the market a complete geophysical and geological software suite designed with a thorough understanding of the workflows and requirements of oil and gas professionals; as well as a full suite of exploration datasets and a library of comprehensive well log data. Software and data together provide complete solutions and have become an indispensable resource for geologists, geophysicists and engineers.

- Services: Offers geomatics services including data integrity validation, mapping, database hosting, and advisory support and consultation as well as seismic processing services, including data quality assurance, processing and data management services for geophysical and geological information.

- Seismic Data: Focused on providing the oil and natural gas industry with quick, reliable access to cost-effective, high-resolution seismic data. This includes brokering and licensing existing seismic data between data owners and licensees, managing existing seismic data for the purpose of brokering sales, and creating new seismic data inventories through recording multi-client services. The seismic brokerage division is the largest of its kind in Canada.

- Corporate and Other: Responsible for setting Divestco's overall strategic objectives and providing finance and accounting, sales and marketing, human resources (HR) and information technology (IT) services to the Company's operating segments.

GOING CONCERN

The condensed consolidated interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at June 30, 2018, the Company had an adjusted working capital deficiency of $6.5 million (December 31, 2017: $3.7 million deficiency) excluding unearned revenue of $0.5 million (December 31, 2017: $1.6 million), which does not represent a future cash outflow for the Company. In addition, the Company has contractual obligations, including $2.5 million of operating lease payments which are due within the next 12 months (see "Off Balance Sheet Arrangements" section to this MD&A). In April 2018, the Company obtained a $3.1 million term loan that was used to repay the $3 million term loan and for working capital purposes. The loan is interest-only with a cash-sweep mechanism and matures on October 2020 (see "Term Loan" in the "Capital Resources" section to this MD&A). In July 2018, Divestco received funds for a $1.4 million term loan and are in the process of finalizing the terms and conditions.

While management believes that the Company's funds from operations will provide the capital to continue to operate in the short-term, it is dependent upon future financial performance that is subject to financial, business, and other risk factors, including elements beyond the Company's control. The Company's ability continue as a going concern is dependent upon the Company's ability to meet its forecast or obtain additional sources of capital, complete asset dispositions, or finding other strategic alternatives to settle its liabilities, fund its operations, and meet its commitments until it is in a position to generate sufficient net future cash flows and profitability. The Company believes that it will be able to meet its cash flow requirements over at least the next 12 months using actions and events described above; however, the outcome of these along with the Company's ability to discharge its liabilities, fund its operations and meet its commitments, cannot be predicted at this time. As a result of the uncertainty of completing the above transactions, there is material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

FORWARD-LOOKING INFORMATION

Divestco's MD&A and consolidated financial statements contain forward-looking information and statements 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", "appears", and similar expressions and statements relating to matters that are not historical facts, constitute "forward-looking information" within the meaning applicable in 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. Except where required by law, the Company does not assume any obligation to update these forward-looking statements or forward-looking information if conditions or opinions should change.

This MD&A contains forward-looking statements pertaining to the following:

- The Company's ability to keep debt and liquidity at acceptable levels, improve/maintain its working capital position and achieve profitability
- The ability of the Company to meet is cash flow requirements over the next 12 months
- 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
- Finding requirements in respect of the cogeneration project
- Impact of Canadian federal and provincial governmental regulation on the Company
- Expected levels of operating costs, finance costs and other costs and expenses
- Future ability to execute acquisitions and dispositions of assets or businesses
- Expectations regarding the Company's ability to raise capital and to add seismic data through new seismic shoots and acquisition of existing seismic data
- The Company plans in respect of pursuing new revenue streams within existing operations and new lines of business, such as crypto currency mining and block chain
- The Company's belief that paying projects will result from political stability
- Treatment under tax laws
- 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
- Regulatory framework in respect of royalties, taxes and environmental matters applicable to the Company and its customers will not become so onerous on both the Company and its customers as to preclude the Company and its customers from viably managing, operating and financing its business and the development of its software and data
- Ability of the Company to continue to be able to identify, attract, and employ qualified staff and to 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
- Increased debt levels or changes to its debt service requirements
- Limited favourable or no access to debt or access to debt or equity capital markets
- Volatility in market prices for crude oil and natural gas
- Ability of Divestco's clients to explore for, develop and produce oil and gas
- Ability of the Company's clients to pay in a timely manner
- Availability of financing and capital
- Adverse conditions in the debt and equity markets
- Fluctuations in interest rates
- Demand for the Company's product and services
- The lack of a suitable purchaser for Divestco's non-strategic assets
- Weather and climate conditions which cause seasonal cyclicality in our business

- Competitive actions by other companies
- Availability of skilled labour
- Ability to obtain regulatory approvals in a timely manner
- Adverse conditions in the debt and equity markets
- Government actions, including changes in environment and other regulations

NON-GAAP MEASURES

The Company's condensed consolidated interim financial statements have been prepared in accordance with IFRS. Certain measures in this document do not have any standardized meaning as prescribed by IFRS and are considered non-GAAP measures. While these measures may not be comparable to similar measures presented by other issuers, they are described and presented in this MD&A to provide shareholders and other stakeholders with additional information regarding the Company's results, liquidity, and its ability to generate funds to finance its operations.

These measures include:

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

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

The following is a reconciliation of EBITDA with net loss:

	Three months ended Jun 30		Six months ended Jun 30	
(Thousands)	**2018**	2017	**2018**	2017
Net loss	**$ (2,407)**	$ (890)	**$ (5,606)**	$ (3,284)
Finance costs	**611**	421	**955**	774
Depreciation and amortization	**1,297**	1,635	**2,952**	4,738
EBITDA	**$ (499)**	$ 1,166	**$ (1,699)**	$ 2,228

Funded debt and funded debt to equity

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

The calculation is as follows:

	Balance at	
	Jun 30, 2018	**Dec 31, 2017**
Components of funded debt to equity ratio:		
Current portion of long-term debt obligations	**$ 56**	$ 534
Long-term debt obligations	**9,250**	8,448
Total funded debt	**9,306**	8,982
Shareholders' equity	**$ 857**	$ 5,609
Funded debt to equity ratio	**10.86**	1.60

Adjusted Working capital

Adjusted working capital is calculated as current assets minus current liabilities (excluding unearned revenue) which does not represent a future cash outflow for the Company. Adjusted working capital provides a measure that can be used to gauge Divestco's ability to meet its current obligations.

	Balance at	
(Thousands)	**Jun 30, 2018**	**Dec 31, 2017**
Total Current Assets	**$ 1,589**	$ 3,422
Total Current Liabilities	**(8,593)**	(8,681)
Unearned Revenue	**487**	1,591
Adjusted Working Capital (Deficit)	**$ (6,517)**	$ (3,668)

OVERALL PERFORMANCE AND OPERATIONAL RESULTS

Summary Financial Results (Thousands, Except Per Share Amounts)								
	Three months ended Jun 30				**Six months ended June 30**			
	2018	2017	*$ Change*	*% Change*	**2018**	2017	*$ Change*	*% Change*
Revenue	**$ 2,209**	$ 3,852	*$ (1,643)*	*-43%*	**$ 4,008**	$ 7,833	*$ (3,825)*	*-49%*
Operating Expenses [(1)]	**2,691**	2,670	*21*	*1%*	**5,666**	5,567	*99*	*2%*
Other Loss	**17**	16	*1*	*6%*	**41**	38	*3*	*8%*
EBITDA [(2)]	**(499)**	1,166	*(1,665)*	*N/A*	**(1,699)**	2,228	*(3,927)*	*N/A*
Finance Costs	**611**	421	*190*	*45%*	**955**	774	*181*	*23%*
Depreciation and Amortization	**1,297**	1,635	*(338)*	*-21%*	**2,952**	4,738	*(1,786)*	*-38%*
Net Loss	**$ (2,407)**	$ (890)	*$ (1,517)*	*N/A*	**$ (5,606)**	$ (3,284)	*$ (2,322)*	*N/A*
Per Share - Basic and Diluted	**(0.04)**	(0.01)	*(0.03)*	*N/A*	**(0.08)**	(0.05)	*(0.03)*	*N/A*
Funds from (used in) Operations	**$ (482)**	$ 1,338	*$ (1,820)*	*N/A*	**$ (1,693)**	$ 1,823	*$ (3,516)*	*N/A*
Per Share - Basic and Diluted	**(0.01)**	0.02	*(0.03)*	*N/A*	**(0.03)**	0.03	*(0.06)*	*N/A*
Class A Shares Outstanding	**70,058**	66,584	*N/A*	*N/A*	**70,058**	66,584	*N/A*	*N/A*
Weighted Average Shares Outstanding Basic and Diluted	**67,716**	66,781	*N/A*	*N/A*	**66,890**	66,833	*N/A*	*N/A*

(1) *Includes salaries and benefits, general and administrative expenses and shared-based payments but excludes depreciation and amortization and other loss (income).*
(2) *See the "Non GAAP Measures" section.*

Q2 2018 vs. Q2 2017

Divestco generated revenue of $2.2 million in Q2 2018 compared to $3.9 million in Q2 2017, a decrease of $1.6 million (43%) and revenue in the Seismic Data segment ($0.1 million) decreased by $2.7 million (95%) mainly due to low exploration activity levels. Revenue in the Services segment ($0.8 million) increased by $0.5 million as the Company was awarded several contracts in Q3 2017. Revenue in the Software & Data segment ($1.3 million) increased by $0.5 million (73%).

Operating expenses slightly increased by $0.1 million (1%) to $2.7 million in Q2 2018 from $2.6 million in Q2 2017.

Finance costs increased by $0.2 million (45%) to $0.6 million in Q2 2018 from $0.4 million in Q2 2017 due to unchanged debt levels (see “Term Loan” under the “Capital Resources” section to this MD&A for further discussion).

Depreciation and amortization was $1.3 million in Q2 2018 compared to $1.6 million in Q2 2017, a decrease of $0.3 million (21%) as no seismic surveys were completed.

Six Months Ended June 30, 2018 vs. Six Months Ended June 30, 2017

Divestco generated revenue of $4.0 million in the first six months of 2018 compared to $7.8 million for the same period in 2017, a decrease of $3.8 million (49%) mainly due to significantly lower Seismic Data segment revenue, lack of data library sales, and low exploration activity levels within the Western Canadian basin. Revenue in the Seismic Data segment ($0.6 million) decreased by $4.9 million (90%). Revenue in the Software & Data segment ($2.1 million) increased by $0.6 million (41%). Revenue in the Services segment ($1.4 million) increased by $0.4 million (47%) to due the Company’s increased focus on international projects. The Company is seeking to receive additional international services project contracts in the second half of 2017.

Operating expenses increased slightly by $0.1 million (2%) to $5.7 million in the first six months of 2018 from $5.6 million for the same period in 2017.

Finance costs increased by $0.2 million (23%) to $1.0 million for the first six months of 2018 from $0.8 million for the same period in 2017 due to higher debt levels as the Company entered into a new term loan agreement in April 2018 (see “Term Loan” under the “Capital Resources” section to this MD&A for further discussion).

Depreciation and amortization was $3.0 million for the first six months of 2018 compared to $4.7 million in 2017, a decrease of $1.7 million (38%) due to the lack of new seismic surveys.

Business Seasonality

Although the Company’s Software & Data segment has relatively constant recurring revenue throughout the year from its license and subscription sales, some of the Company’s other segments experience revenue fluctuations due to seasonal influences in oil and gas industry activities.

Seismic data acquisitions are usually completed in the winter season when the ground is frozen allowing access by heavy equipment with minimal surface disruption. This affects the timing of revenue recognition in the Seismic Data segment. Additionally, the Services segment normally exhibits a noticeable reduction in sales in the spring and summer months and an increase in sales during the fall and winter months when under normal circumstances, significant drilling and exploration activities are underway in North America. To the extent possible, Divestco minimizes these fluctuations by performing specific types of contract work appropriate for lower-activity months.

Financial Position

As at June 30, 2018, Divestco had an adjusted working capital deficiency of $6.5 million (December 31, 2017: $3.7 million deficiency). The increase in the adjusted working capital deficit from the end of 2017 was due to the reclassification of Divestco's $3 million term loan from long-term debt to current liabilities. In April 2018, this term loan was repaid and replaced with a long-term non-revolving bond facility that matures in the fall of 2020, which decreased the adjusted working capital deficiency (see "Term Loan" under the "Capital Resources" section to this MD&A for further discussion). In July 2018, Divestco received funds for a $1.4 million term loan and are in the process of finalizing the terms and conditions.

	Balance at		
Financial Position (Thousands)	**Jun 30, 2018**	**Dec 31, 2017**	**Dec 31, 2016**
Total Assets	**$ 20,240**	$ 24,398	$ 35,524
Adjusted Working Capital (Deficit) (1)	**(6,517)**	(3,668)	(3,872)
Long-Term Financial Liabilities (2)	**10,411**	10,133	10,548

(1) *See the "Non GAAP Measures" section.*
(2) *Includes debt obligations, deferred rent obligations, grant liability and deferred grant income.*

SELECTED QUARTERLY INFORMATION

	2018		2017				2016	
(Thousands, Except Per Share Amounts)	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	**$ 2,209**	**$ 1,799**	$ 3,323	$ 1,599	$ 3,852	$ 3,981	$ 7,679	$ 2,015
EBITDA (1)	**(499)**	**(1,200)**	229	(370)	1,166	1,062	5,160	(424)
Income (loss) before Income Taxes	**(2,407)**	**(3,199)**	(1,784)	(2,474)	(890)	(2,394)	3,297	(2,426)
Net Income (Loss)	**(2,407)**	**(3,199)**	(1,784)	(2,474)	(890)	(2,394)	3,297	(2,426)
Per Share - Basic and Diluted	**(0.04)**	**(0.05)**	(0.03)	(0.04)	(0.01)	(0.04)	0.05	(0.04)
Funds from (used in) Operations (1)	**(482)**	**(1,211)**	253	(978)	1,338	485	4,136	(453)
Per Share - Basic and Diluted	**(0.01)**	**(0.02)**	0.00	(0.01)	0.02	0.01	0.06	(0.01)

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

While oil prices have improved in 2018, conventional exploration activity levels in Western Canada remain low along with natural gas prices. The largest impact of this has been on the Company's domestic seismic-related services including geomatics, processing, seismic acquisition and seismic brokerage and to a lesser extent on software revenues. International revenue has partially offset the fall in domestic revenue.

The main reason for the cyclical nature of revenues relates to the Seismic Data segment. Typically, a significant amount of revenue is generated when seismic data is acquired. In the second quarter of 2018, the Company did not commence or complete any seismic surveys.

Revenues in the Company's Software and Data segment are more evenly distributed throughout the year due to the annual licencing model subscribed to by most customers.

As a result of falling activity levels, Divestco implemented several salary austerity measures commencing in 2015 and continuing throughout 2018.

OUTLOOK

Despite healthy world oil prices, Divestco remains impacted by delays of significant amounts of capital expenditure spending from the industry. The Company has been awarded several new international projects, and revenues have increased in the Services segment as a result of this. Divestco joint ventures: a cogeneration energy project and a project to leverage its substantial infrastructure into cryptocurrency mining, are well into the commercialization ramp up stage. We have begun full engineering design and regulatory permitting on the cogeneration project. We will be required to fund approximately $250,000, which represents 1/3rd of the expected capital cost. With respect to the Company's 50% interest in the cryptocurrency mining joint venture, the joint venture partner will be funding 100% of the required capital spending. Returns on this joint venture will be split 80/20 until the joint venture partner has received its capital investment returned at which time the returns will be split 50/50. The cogeneration power project is now projected to come onstream by the first quarter of 2019 (due to regulatory delays). The cryptocurrency mining joint venture continues to scale up and Divestco and its partners are now constructing a mobile mining system to be deployed in the field in advance of the power generation. We have also commenced a blockchain scoping project in the seismic industry and look forward to presenting this to our clients for full industry review and adoption. We continue to see interest in our existing products and services; however, many of our clients have delayed spending on exploration given the current environment, which is causing a significant impact on our seismic database sales. If the Western Canadian industry can secure the political stability it needs to grow, this backlog (which continues to grow) is expected to quickly convert into paying projects and substantially grow our existing business lines. We remain optimistic that the governments will start to reduce the burdens on our industry and allow for additional growth.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized on the statement of financial position when the Company becomes a party to the instrument's contractual obligations. The Company's financial assets include cash and cash equivalents, restricted cash, accounts receivable and its financial liabilities primarily comprise accounts payable and accrued liabilities, and debt obligations.

Fair Value

The fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate their carrying amount largely due to the short-term maturities of these instruments. The fair value of the long-term debt approximates its carrying value as it is at a market rate of interest and accordingly the fair market value approximates the carrying value.

LIQUIDITY AND FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in connection with the collection of its revenues and on the cash received. The Company controls its credit risk by assessing each customer's creditworthiness prior to transacting, subsequently monitoring and making efforts to collect its outstanding accounts receivable and investing cash balances in chartered Canadian banks. The Company also factors certain of its accounts receivable.

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

The Company has a wide customer base in the energy sector ranging from large multinational public entities to small private companies. As at June 30, 2018, 20% (December 31, 2017: 22%) of the Company's consolidated accounts receivables were due from two customers (December 31, 2017: two customers). These receivables have been collected subsequently. Currently there are no significant economic dependencies on any other particular customers. The carrying amount of account receivables and cash represents the maximum credit exposure.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions.

The Company had a net loss of $5.6 million for the six months ended June 30, 2018, and as at June 30, 2018, had an adjusted working capital deficiency of $6.5 million, excluding unearned revenue of $0.5 million. In addition, Divestco has future operating lease commitments of $2.5 million over the next 12 months (see the "Contractual Obligations" section of this MD&A). In April 2018, the Company repaid its $3 million term loan with the proceeds from a new loan. The new loan is interest-only with a cash-sweep mechanism and matures in October 2020 (see "Term Loan" under the "Capital Resources" section to this MD&A for further discussion). In July 2018, Divestco received funds for a $1.4 million term loan and are in the process of finalizing the terms and conditions.

In response to the sharp decline in oil prices and persistently low natural gas prices since late 2014, the Company sold a portion of its assets, implemented several salary austerity measures and reduced discretionary spending commencing in Q1 2015. In addition, Divestco recently announced two new joint arrangements with another oil and gas company, which are in the commercialization stage. Engineering design and regulatory permitting have begun. This is expected to generate future positive cash flows and Divestco continues to seek out additional sources of capital to fund these as well as other growth objectives.

Foreign Currency Exchange Risk

As a result of the international investments, the Company has exposure to foreign currency exchange rate risk. Foreign exchange risk is the risk that fluctuations in the Canadian/United States dollar foreign exchange rate may impact the Company's cash flows and net profit (loss). The Company's realized commodity prices are based upon United States dollar denominated commodity prices. Fluctuations in the Canadian/United States dollar foreign exchange rate may impact commodity prices received by the Company. The Company may utilize foreign exchange derivative contracts to manage foreign exchange risks in order to maintain cash flow stability.

As at June 30, 2018, the Company had the following foreign exchange purchase contracts outstanding:

Number of Outstanding Contracts	Type	Value Date	Notional Amount (USD)	Foregin Exchange Rate	Settlement (CDN)
22	Fixed	June 29, 2018 - March 29, 2019	$ 973	$ 1.2226	$ 1,189

Funded Debt to Equity

Divestco had a funded debt to equity ratio of 10.86:1 as at June 30, 2018 (December 31, 2017: 1.60:1). Equity decreased by $4.8 million due to the net loss for the first six months of 2018 which was primarily due to lower revenues. The Company's previous practice was to utilize an appropriate mix of debt and equity to finance its current capital expenditures and growth initiatives. The current strategy of the Board of Directors and management is to try to operate the Company with the lowest possible debt load in reaction to the volatility of the industry, while maintaining a lower cost structure. This is to ensure adequate financial flexibility to meet the financial obligations concurrently, both current and long-term and as part of the Company's effort to maintain a healthy statement of financial position. While the Company's strategy is to maintain a funded debt to equity ratio of less than 1:1, management took on additional debt to provide some necessary liquidity. Management continues to search for additional sources of capital and revenue to reduce debt and increase earnings to reduce its funded debt to equity ratio to below 1:1.

Contractual Obligations

Below is a summary of Divestco's contractual obligations as at June 30, 2018, including principal and interest:

As at June 30, 2018	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	Thereafter	Total
Accounts payable and accrued liabilities	$ 7,733	$ 7,733	$ 7,733	$ -	$ -	$ -	$ 7,733
Debt obligations (1)	9,188	11,988	935	6,601	4,452	-	11,988
Finance lease obligations	118	134	62	59	13	-	134
Government grant liability	406	406	-	153	253	-	406
Operating leases (2)	N/A	20,577	1,908	2,731	9,068	6,870	20,577
Total	$ 17,445	$ 40,838	$ 10,638	$ 9,544	$ 13,786	$ 6,870	$ 40,838

(1) Includes term loan, shareholder loans and debentures but excludes finance lease obligations.
(2) See "Off Balance Sheet Arrangements" section.

Selected Cash Flow Items

	Six months ended Jun 30	
(Thousands)	**2018**	2017
Operating Activities		
Funds From (Used in) Operations	**$ (1,693)**	$ 1,823
Changes in Non-Cash Working Capital Balances	**1,373**	(1,556)
Interest Paid	**(910)**	(690)
Income Taxes Refunded	**66**	-
Cash From (Used in) Operating Activities	**(1,164)**	(423)
Financing Activities		
Repayment of Long-Term Debt Obligations	**(3,037)**	(3,558)
Proceeds from Long-Term Debt Obligations	**3,150**	5,000
Government grant received	**-**	52
Cash restricted by Lender	**750**	(3,100)
Normal-Course Issuer Bid	**569**	-
Deferred Finance Costs	**169**	(384)
Cash From (Used in) Financing Activities	**1,601**	(1,990)
Investing Activities		
Additions to Intangible Assets	**(263)**	(3,958)
Participation Surveys in Progress	**-**	2,751
Additions to Property, Plant and Equipment	**(164)**	(14)
Advances from Equity-Accounted Investees	**-**	(74)
Deferred Development Costs	**(261)**	(263)
Changes in Non-Cash Working Capital Balances	**(23)**	1,374
Cash From (Used in) Investing Activities	**(711)**	(184)
Change in Cash	**$ (274)**	$ (2,597)

Operating Activities

During the six months ended June 30, 2018, funds used in operations were $1.7 million ($0.01/share – basic and diluted), compared to $1.8 million ($0.03/share (basic and diluted)) for the same period in 2017, a decrease of $3.5 million. This was mainly due to lower revenue.

Financing Activities

During the six months ended June 30, 2018, the Company repaid a portion of its capital leases and issued shares as part of the new term loan.

Investing Activities

During the six months ended June 30, 2018, Divestco did not complete any seismic surveys compared to the second quarter of 2017. The Company also incurred $0.3 million in deferred development costs.

CAPITAL RESOURCES

Share capital

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

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

	Balance as at		
(Thousands)	**Aug 23, 2018**	**Jun 30, 2018**	**Dec 31, 2017**
Class A shares			
Outstanding	70,058	**70,058**	66,133
Weighted Average Outstanding			
Basic – YTD	N/A	**66,890**	66,565
Diluted – YTD [(1)]	N/A	**66,890**	66,565
Stock Options			
Outstanding	4,050	**4,050**	4,150
Exercise Price Range	$0.08	**$0.08**	$0.85
Warrants			
Outstanding	2,675	**2,675**	2,675
Exercise Price	$0.05	**$0.05**	$0.05

(1) Basic net loss per share is computed using the weighted-average number of Class A shares outstanding during the six months ended June 30, 2018 66,890,000 (June 30, 2017 – 66,883,000). In computing diluted net loss per share, no shares were added to the weighted average number of Class A shares outstanding during the six months ended June 30, 2018 as the stock options were out of the money and there was a net loss for the period, so the warrants were also excluded.

Normal course issuer bid

On May 2, 2017, the Company commenced a normal course issuer bid (the "Bid"), whereby certain of the issued and outstanding Class A shares of Divestco were purchased through the TSX Venture Exchange and cancelled. The Bid terminated on May 1, 2018. Purchases of Class A shares under the Bid occurred at the market price at the time of purchase. From May 2, 2017 to May 1, 2018, 851,000 Class A shares were repurchased at an average cost of $0.07 per share and 851,000 Class A shares were cancelled and returned to treasury.

Stock options

During the six months ended June 30, 2018, 100,000 stock options were terminated with an exercise price of $0.08 as a result of employee departures.

Private Placement

On March 6, 2018, the Company announced its intent to complete a non-brokered private placement of up to a maximum of 20,000,000 Class A shares of Divestco at a price of $0.10 per share for gross proceeds of up to a maximum of $2,000,000. The funds advanced to Divestco were used for expansion of existing business lines, development of new business lines, capital expenditures and transaction expenses. In connection with the private placement, no finders, brokers or other agents are entitled to receive either shares or cash consideration. Subsequent to March 31, 2018, the Company closed the first and second tranche of the private placement and issued 4,025,000 Class A shares of Divestco at a price of $0.10 per share for gross proceeds of $402,500.

Warrants

On March 21, 2017, the Company issued 2,675,344 Class A share purchase warrants in conjunction with obtaining a new term loan facility (see Note 7). The warrants are exercisable for the same number of Class A shares at a price of $0.05 per share until the maturity of the loan, notwithstanding early prepayment (see "Term Loan" under the "Capital Resources" section to this MD&A for further discussion).

Term Loan

As at June 30, 2018, the Company had obtained a senior secured bond facility of $3.15 million ("term loan"). The loan bears interest at 15%, is interest-only with a 50% cash-sweep mechanism triggered on on significant future transactions over $3 million and otherwise matures in October 2020. The first six months of interest was prepaid. Proceeds of the loan were used to repay a $3.0 million secured loan. The term loan ranks senior to the Company's other indebtedness and is secured by a general security agreement over all present and after acquired personal property of the Company. $1.2 million of the loan is held by three directors and a company controlled by one of the directors. The loan does not have a minimum cash requirement (see "Warrants" under the "Capital Resources" section to this MD&A for further discussion).

Shareholder Loans

As at June 30, 2018, the Company had $5.2 million of shareholder loans that bear interest at rate of 12% per annum, are secured by way of registered security pursuant to the *Personal Property Security Act (Alberta)* and subordinated to the Company's senior lender. Principal payments have been postponed until the term loan is repaid.

Debentures

The debentures bear interest of 8% per annum. Principal payments are calculated at 50% of net revenues generated by certain of the Company's seismic data (the "Seismic Data"), multiplied by $1.2 million (debenture proceeds raised) divided by $5 million. The balance of the revenue is retained by the Company. Net revenues equal 90% of the gross revenues generated by the Seismic Data. The Seismic Data is comprised of the seismic surveys acquired by the Corporation prior to July 1, 2012. There was $0.7 million in principal payments owing to the debenture holders based on revenues generated by the Seismic Data up to and including June 30, 2018.

Upon full repayment of the principal amount of the debentures and all accrued interest, a royalty interest becomes effective and will be paid as a royalty indefinitely. Royalty payments are to be calculated at 25% of the net revenues generated by the Seismic Data multiplied by $1.2 million divided by $5 million. The balance of the revenue is retained by the Company.

The principal amount of the debentures and accrued interest, but not the royalty interest, is secured against the Seismic Data by way of a registered security interest pursuant to the *Personal Property Security Act (Alberta)* but is subordinated to the Company's senior debt. This security interest ranks pari passu with the security interest for the shareholder loans. Principal payments have been postponed until the term loan is repaid.

OFF-BALANCE SHEET ARRANGEMENTS

The Company's main office lease has a term of 15 years expiring in 2025. Excluding subleases, the commitment is approximately $155,000 per month for 2018 (including operating costs and property taxes). The annual square foot rate increases in 2020 and 2023. The Company also leases approximately 15,000 square feet of office space in another location with the lease expiring in 2025. The monthly commitment is approximately $69,000 per month for 2018 (including operating costs and property taxes). The annual square foot rate increases in 2020 and 2022. A portion of the current space is subleased on a month-to-month basis. Sublease payments totaling $19,000 per month are expected to be received for 2018.

Summary of non-cancellable building lease (net of any subleases) commitments until expiry:

	Balance at	
	Jun 30, 2018	**Dec 31, 2017**
Less than one year	**$ 1,908**	$ 2,481
Between one and five years	**11,799**	11,782
More than five years	**6,870**	7,769
	$ 20,577	$ 22,032

CONTINGENCIES

Notwithstanding management's belief in the merit of the Company's tax filing positions, it is possible that the final outcome of any audits by taxation authorities may differ from estimates and assumptions used in determining the Company's consolidated tax provision and accruals, which could result in a material effect on the consolidated income tax provision and net income (loss) for the period in which determinations are made. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. In particular, the tax treatment of seismic data is largely based on Canada Revenue Agency's ("CRA") policy which is subject to change at any time. The Company is currently deducting certain seismic data costs over a period of 4 years. This approach is consistent with CRA's administrative policy; however, CRA may change the existing policy. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could result in material adjustments to the Company's income tax calculations, carry-forward balances or consolidated net income (loss) in the period a change is communicated.

RELATED PARTY TRANSACTIONS

Loans from directors and shareholders

As at June 30, 2018, the Company had $5.2 million in secured loans from two directors and $0.7 million of the debentures was subscribed for by three directors who are also shareholders. $1.2 million of the new term loan is held by three directors and a company controlled by one of these directors (see the "Capital Resources" section of the MD&A).

The above was transacted on terms equivalent to those that prevail in arm's length transactions.

Key management personnel and director transactions

Directors and officers of the Company control 36% percent of the issued and outstanding shares of the Company. A director controls 13% and the CEO (also a director) controls 14%.

A number of key management personnel including Board members, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Two of these entities transacted with the Company during the period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to arm's length parties.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

		Transaction value for the six months ended June 30		**Balance due from (to) the related party as at Jun 30**	**Balance due from (to) the related party as at Dec 31**
Entity	**Transaction**	**2018**	**2017**	**2018**	2017
Director	Seismic brokerage commissions and factoring fees [(1)]	**$ 595**	$ 30	**$ (310)**	$ -
Affiliate (Company owns 1/3)	Software and data license fees net of expense reimbursements [(2)]	**-**	158	**-**	-

(1) The Company pays commissions for providing seismic brokerage services to a company controlled by a director for the purposes of acquiring seismic data. The Company also pays this director fees for accounts receivable factoring. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.
(2) The Company pays the affiliate for access to well data and charges the affiliate for certain corporate support services. Shares of the affiliate were sold in 2017.

ACCOUNTING POLICY CHANGES

The Company adopted *IFRS 15 Revenue from Contracts with Customers* effective January 1, 2018.

IFRS 15 supersedes *IAS 11 Construction Contracts*, IAS 18 Revenue and related interpretations and applies to all revenue arising from contracts with customers, unless those contracts are within the scope of other standards. The new standard established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contact and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective method of adoption. As a result, the cumulative effect of initially applying IFRS 15 was recognized as an adjustment to the opening balance of the deficit at January 1, 2018. Comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. The Company elected to apply IFRS 15 only to contracts that were not completed at January 1, 2018. The Company also elected to reflect the aggregate effect of all contract modifications occurring before January 1, 2018 when: identifying the satisfied and unsatisfied performance obligations in a contract, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.

The details of the significant changes and quantitative impact of the changes are described as follows:

Software and Data

- Geophysical and Geological Software: There will be a change to the timing of revenue related to software sales under the new standard. The revenue recognition for software programs being actively updated will continue to be recognized over the length of the contract. Other software sales will be recognized at the time of the sale.

Seismic Data

- Timing of revenue related to participation surveys may change in the future with revenue being recognized at key points in the contract instead of over time. The accounting policy will be determined when the next participation survey is started.

Presentation and disclosure requirements

Under IFRS 15, a right to consideration that is conditional on something other than the passage of time is presented as a contract asset including unbilled revenue. Contract assets have been included in accounts receivables and will be presented separately in future periods if the balance becomes material. As required for condensed interim financial statements, the Company disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Quantification of impact

Below is a summary of the impact on the Company's financial results of the adoption of IFRS 15 compared to the previous accounting standards, IAS 11 and IAS 18:

- Adjustments to the Company's deficit related to the Software and Data segment of $218,625 were retroactively recognized as revenue as a direct entry to deficit. Included in this adjustment is previously recognized revenue of $33,333 related to updates to Log Data that was sold to a customer which was removed from deficit and included in unearned revenue until the performance obligations have been met.
- Adjustments during the three months ended June 30, 2018 resulted in a decrease in unearned revenue and an increase in revenue by $585,348.
- Unearned revenue of $225,000 and a related receivable balance was reversed as the criteria for recognition has not yet been met.

The Company also adopted *IFRS 9 Financial Instruments* on January 1, 2018. IFRS 9 was issued by the IASB in July 2014, to replace *IAS 39 Financial Instruments: Recognition and Measurement*. The adoption did not have any impact on the Company's condensed consolidated interim financial statements.

FUTURE ACCOUNTING POLICY CHANGES

IFRS 16 Leases was issued by the IASB on January 2016, to replaces *IAS 17 Leases.* For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying *IFRS 15 Revenue from Contracts with Customers.* The Company has yet to evaluate the impact of adopting this new standard.

USE OF ESTIMATES AND JUDGEMENTS

This MD&A of the Company's financial condition and results of operations is based on the financial statements, which are prepared in accordance with IFRS. The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Further details of the nature of these estimates and assumptions may be found in the relevant notes to the consolidated financial statements as at and for the period ended June 30, 2018.

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

Divestco

Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended
June 30, 2018

Contents

Divestco Inc.
Notice of No Auditors' Review of Condensed Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the condensed interim financial statements.

The accompanying condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed are view of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

Divestco Inc.
Condensed Consolidated Interim Statements of Financial Position

		At Jun 30		At Dec 31	
(Unaudited - Thousands)	**Note**		**2018**		**2017**
Assets					
Current Assets					
Cash		**$**	**77**	$	351
Restricted Cash	7		**-**		750
Accounts receivable			**994**		1,960
Prepaid expenses and deposits			**392**		219
Income taxes receivable			**126**		142
Total current assets			**1,589**		3,422
Equity-accounted investees			**150**		160
Property and equipment			**2,115**		2,162
Intangible assets	6		**16,386**		18,654
Total assets		**$**	**20,240**	$	24,398
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities		**$**	**7,733**	$	6,290
Unearned revenue			**487**		1,591
Current portion of debt obligations	7		**56**		534
Current portion of other long-term liabilities	8		**317**		266
Total current liabilities			**8,593**		8,681
Long-term debt obligations	7		**9,250**		8,448
Other long-term liabilities	8		**1,540**		1,660
Total liabilities			**19,383**		18,789
Shareholders' Equity					
Share capital			**7,759**		7,195
Contributed surplus			**8,532**		8,466
Warrants	7,11		**20**		20
Deficit			**(15,454)**		(10,072)
Total shareholders' equity			**857**		5,609
Going Concern	2				
Subsequent Event	7,11				
Contractual obligations	13				
Total liabilities and shareholders' equity		**$**	**20,240**	$	24,398

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

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

		Three months ended Jun 30		Six months ended June 30	
(Unaudited - Thousands, Except Per Share Amounts)	**Note**	**2018**	**2017**	**2018**	**2017**
Revenue		**$ 2,209**	$ 3,852	**$ 4,008**	$ 7,833
Operating expenses					
Salaries and benefits		**1,451**	1,385	**3,162**	3,060
General and administrative		**1,214**	1,270	**2,438**	2,492
Depreciation and amortization		**1,297**	1,635	**2,952**	4,738
Other loss (gain)	9	**17**	16	**41**	38
Share-based payments		**26**	15	**66**	15
Total operating expenses		**4,005**	4,321	**8,659**	10,343
Finance costs	10	**611**	421	**955**	774
Net loss and comprehensive loss for the period		**$ (2,407)**	$ (890)	**$ (5,606)**	$ (3,284)
Net loss per share					
Basic and Diluted	11	**$ (0.04)**	$ (0.01)	**$ (0.08)**	$ (0.05)

Divestco Inc.
Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - Thousands)	Note	Number of Shares Issued	Share Capital	Number of Warrants Issued	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance as at January 1, 2017		66,884	$ 7,277	-	$ -	$ 8,359	$ (2,559)	$ 13,077
Net loss and comprehensive loss for the period							(3,284)	(3,284)
Transactions with owners, recorded in equity contributions by and distributions to owners:								
Share-based payments						15		15
Repurchase of Class A shares under normal course issuer bid		(300)	(33)				14	(19)
								-
Warrants issued to senior lender				2,675	20			20
Balance as at June 30, 2017		66,584	$ 7,244	2,675	$ 20	$ 8,374	$ (5,829)	$ 9,809
Balance as at December 31, 2017		66,133	$ 7,195	2,675	$ 20	$ 8,466	$ (10,072)	$ 5,609
IFRS 15 Opening Adjustment	3	-	$ -	-	$ -	$ -	$ 219	$ 219
Balance as at January 1, 2018		**66,133**	**$ 7,195**	**2,675**	**$ 20**	**$ 8,466**	**$ (9,853)**	**$ 5,828**
Net loss and comprehensive loss for the period							**(5,606)**	**(5,606)**
Transactions with owners, recorded in equity contributions by and distributions to owners:								
Share-based payments						**66**		**66**
Repurchase of Class A shares under normal course issuer bid		**(100)**	**(9)**				**5**	**(4)**
Issuance of Class A shares as part of Private Placement		**4,025**	**573**					**573**
Balance as at June 30, 2018		**70,058**	**$ 7,759**	**2,675**	**$ 20**	**$ 8,532**	**$ (15,454)**	**$ 857**

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

Divestco Inc.
Condensed Consolidated Interim Statements of Cash Flows

		Six months ended June 30	
(Unaudited - Thousands)	**Note**	**2018**	**2017**
Cash from (used in) operating activities			
Net loss for the year		**$ (5,606)**	$ (3,284)
Items not affecting cash:			
Equity investment loss		**10**	26
Depreciation and amortization		**2,952**	4,738
Sublease loss		**(40)**	-
Non cash revenue		**-**	(576)
Amortization of tenant inducements		**(36)**	(36)
Deferred rent obligations		**(45)**	166
Unrealized foreign exchange loss		**51**	-
Share-based payments	11	**66**	15
Finance costs	10	**955**	774
Funds from (used in) operations		**(1,693)**	1,823
Changes in non-cash working capital balances	12	**1,373**	(1,556)
Interest and finance costs paid		**(910)**	(690)
Income taxes received		**66**	-
Net cash from (used in) operating activities		**(1,164)**	(423)
Cash from (used in) financing activities			
Normal course issuer bid	11	**569**	(19)
Repayment of debt obligations	7	**(3,037)**	(3,558)
Deferred financing costs		**169**	(384)
Proceeds received from debt obligations	7	**3,150**	5,000
Cash restricted by lender	7	**750**	(3,100)
Government grant received		**-**	71
Net cash from (used in) financing activities		**1,601**	(1,990)
Cash from (used in) investing activities			
Additions to intangible assets	6	**(263)**	(3,958)
Decrease in participation surveys in progress		**-**	2,751
Purchase of property and equipment		**(164)**	(14)
Advances to equity-accounted investees		**-**	(74)
Deferred development costs		**(261)**	(263)
Changes in non-cash working capital balances	12	**(23)**	1,374
Net cash from (used in) investing activities		**(711)**	(184)
Increase (decrease) in cash		**(274)**	(2,597)
Cash, beginning of period		**351**	3,075
Cash, end of period		**$ 77**	$ 478

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

1. Reporting Entity

Divestco Inc. (the "Company") is a company located in Canada. The address of the Company's registered office is 400, 444 – 7 Ave S.W., Calgary, Alberta, Canada. The Company is publicly traded on the TSX Venture Exchange ("TSX-V") under the symbol "DVT". The condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2018 are comprised of the Company and its subsidiaries (together referred to as the "Company") and the Company's interest in entities where the Company holds a significant influence. The Company primarily offers its customers the ability to access and analyze information and make business decisions to optimize their success in the upstream oil and gas industry through the following operating segments: Software & Data, Services and Seismic Data. The Corporate and Other segment provides support services to the operating segments.

2. Going Concern

The condensed consolidated interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at June 30, 2018, the Company had an adjusted working capital deficiency of $6.5 million (December 31, 2017: $3.7 million deficiency) excluding deferred revenue of $0.5 million (December 31, 2017: $1.6 million), which does not represent a future cash outflow for the Company. In addition, the Company has contractual obligations (Note 13) including $2.5 million of operating lease payments which are due within the next 12 months. In April 2018, the Company obtained a $3.1 million term loan that was used to repay the $3 million term loan (Note 7) and for working capital purposes. The loan is interest-only with a cash-sweep mechanism and matures on October 2020. In July 2018, Divestco received funds for a $1.4 million term loan and are in the process of finalizing the terms and conditions.

While management believes that the Company's funds from operations will provide the capital to continue to operate in the short-term, it is dependent upon future financial performance that is subject to financial, business, and other risk factors, including elements beyond the Company's control. The Company's ability continue as a going concern is dependent upon the Company's ability to meet its forecast or obtain additional sources of capital, complete asset dispositions, or finding other strategic alternatives to settle its liabilities, fund its operations, and meet its commitments until it is in a position to generate sufficient net future cash flows and profitability. The Company believes that it will be able to meet its cash flow requirements over at least the next 12 months using actions and events described above; however, the outcome of these along with the Company's ability to discharge its liabilities, fund its operations and meet its commitments, cannot be predicted at this time. As a result of the uncertainty of completing the above transactions, there is material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

3. Basis of Presentation

(a) Statement of Compliance

These condensed consolidated interim financial statements for the three and six months ended June 30, 2018 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2017, except as disclosed within these condensed consolidated interim financial statements. The disclosures below are incremental to those included with annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted.

These condensed consolidated interim financial statements were authorized for issuance by the Company's Audit Committee on August 23, 2018 and should be read in conjunction with the annual financial statements for the year ended December 31, 2017.

(b) Accounting Policy Changes

The Company adopted *IFRS 15 Revenue from Contracts with Customers* effective January 1, 2018.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and applies to all revenue arising from contracts with customers, unless those contracts are within the scope of other standards. The new standard established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contact and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective method of adoption. As a result, the cumulative effect of initially applying IFRS 15 was recognized as an adjustment to the opening balance of the deficit at January 1, 2018. Comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. The Company elected to apply IFRS 15 only to contracts that were not completed at January 1, 2018. The Company also elected to reflect the aggregate effect of all contract modifications occurring before January 1, 2018 when: identifying the satisfied and unsatisfied performance obligations in a contract, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.

The details of the significant changes and quantitative impact of the changes are described as follows:

Software and Data

- Geophysical and Geological Software: There will be a change to the timing of revenue related to software sales under the new standard. The revenue recognition for software programs being actively updated will continue to be recognized over the length of the contract. Other software sales will be recognized at the time of the sale.

Seismic Data

- Timing of revenue related to participation surveys may change in the future with revenue being recognized at key points in the contract instead of over time. The accounting policy will be determined when the next participation survey is started.

Presentation and disclosure requirements

Under IFRS 15, a right to consideration that is conditional on something other than the passage of time is presented as a contract asset including unbilled revenue. Contract assets have been included in accounts receivables and will be presented separately in future periods if the balance becomes material. As required for condensed interim financial statements, the Company disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors (Note 5).

Quantification of impact

Below is a summary of the impact on the Company's financial results of the adoption of IFRS 15 compared to the previous accounting standards, IAS 11 and IAS 18:

- Adjustments to the Company's deficit related to the Software and Data segment of $218,625 were retroactively recognized as revenue as a direct entry to deficit. Included in this adjustment is previously recognized revenue of $33,333 related to updates to Log Data that was sold to a customer which was removed from deficit and included in deferred revenue until the performance obligations have been met.
- Adjustments during the three months ended June 30, 2018 resulted in a decrease in unearned revenue and an increase in revenue by $585,348.
- Unearned revenue of $225,000 and a related receivable balance was reversed as the criteria for recognition has not yet been met.

The Company also adopted *IFRS 9 Financial Instruments* on January 1, 2018. IFRS 9 was issued by the IASB in July 2014, to replace *IAS 39 Financial Instruments: Recognition and Measurement*. The adoption did not have any impact on the Company's condensed consolidated interim financial statements.

(c) Future accounting policies

IFRS 16 Leases was issued by the IASB on January 2016, to replaces *IAS 17 Leases.* For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying *IFRS 15 Revenue from Contracts with Customers.* The Company has yet to evaluate the impact of adopting this new standard.

(d) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. This note should be read in conjunction with the annual financial statements for the year ended December 31, 2017.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Further details of the nature of these estimates and assumptions may be found in the relevant notes to the consolidated financial statements as at and for the period ended June 30, 2018.

4. Seasonality of Operations

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

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

5. Operating Segments

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

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

- Software and Data: includes selling, maintaining, and supporting licensed (perpetual and periodic) software exploration products as well as providing a full suite of support data layers.
- Services: includes providing geomatics and processing.
- Seismic Data: includes providing seismic brokerage and data management services in addition to building, licensing and maintaining the Company's seismic data assets.
- Corporate and Other: includes providing overall strategic direction to the Company through executive management, finance, accounting, marketing, human resources, investor relations, and information technology.

The accounting policies of the segments are the same as those described in the consolidated financial statements of the Company for the year ended December 31, 2017 except as described in Note 3. There are varying levels of integration between the Services and Seismic Data reportable segments. This integration includes the provision of geomatics and processing services to the seismic data division. Inter-segment pricing is determined on an arm's length basis. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation.

June 30, 2018 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

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

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

As at and for the three months ended June 30, 2018	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue from external customers	**$ 1,278**	**$ 783**	**$ 148**	**$ -**	**$ 2,209**
Reportable segment income (loss) before tax	**463**	**(320)**	**(1,565)**	**(985)**	**(2,407)**
Finance costs	**113**	**25**	**473**	**-**	**611**
Depreciation and amortization	**234**	**4**	**968**	**91**	**1,297**
Share of profit (loss) of equity-accounted investees	**-**	**-**	**-**	**(9)**	**(9)**

As at and for the three months ended June 30, 2017	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 738	$ 311	$ 2,803	$ -	$ 3,852
Reportable segment income (loss) before tax	(74)	(636)	784	(964)	(890)
Finance costs	71	54	296	-	421
Depreciation and amortization	260	9	1,314	52	1,635
Share of profit (loss) of equity-accounted investees	-	-	-	(9)	(9)

As at and for the three months ended June 30, 2018	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Reportable segment assets	**3,392**	**795**	**14,429**	**1,624**	**20,240**
Reportable segment liabilities	**5,243**	**3,409**	**2,875**	**7,856**	**19,383**

As at and for the year ended December 31, 2017	Software & Data	Services	Seismic Data	Corporate & Other	Total
Reportable segment assets	4,213	2,143	16,493	1,549	24,398
Reportable segment liabilities	4,434	1,750	6,259	6,346	18,789

June 30, 2018 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

6. Intangible Assets

	Data Libraries							
	Seismic Data Library	Datasets	Log, Support and Drilling Data Library	Reference Library	Sub-Total	Proprietary Software and Code	Deferred Development Costs[1]	Total
Cost								
At January 1, 2017	$ 49,893	$ 439	$ 5,273	$ 445	$ 56,050	$ 7,921	$ 16,736	$ 80,707
Additions	4,784	-	-	-	4,784	-	382	5,166
Disposals	(250)	-	-	-	(250)	-	-	(250)
At December 31, 2017	54,427	439	5,273	445	60,584	7,921	17,118	85,623
Additions[1]	263	-	-	-	263	-	211	474
At June 30, 2018	**$ 54,690**	**$ 439**	**$ 5,273**	**$ 445**	**$ 60,847**	**$ 7,921**	**$ 17,329**	**$ 86,097**
Accumulated depreciation								
At January 1, 2017	$ 31,568	$ 439	$ 3,511	$ 445	$ 35,963	$ 7,898	$ 15,418	$ 59,279
Amortization	6,567	-	264	-	6,831	-	859	7,690
At December 31, 2017	38,135	439	3,775	445	42,794	7,898	16,277	66,969
Amortization	2,286	-	132	-	2,418	1	323	2,742
At June 30, 2018	**$ 40,421**	**$ 439**	**$ 3,907**	**$ 445**	**$ 45,212**	**$ 7,899**	**$ 16,600**	**$ 69,711**
Carrying amount								
At December 31, 2017	$ 16,292	$ -	$ 1,498	$ -	$ 17,790	$ 23	$ 841	$ 18,654
At June 30, 2018	**14,269**	**-**	**1,366**	**-**	**15,635**	**22**	**729**	**16,386**

(1) During the six months ended June 30, 2018, the Company expensed $195,000 (June 30, 2017: $256,000) in research costs under salaries and benefits.

June 30, 2018 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

7. Current and Long-term Debt Obligations

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

	Balance at	
	Jun 30, 2018	**Dec 31, 2017**
Current liabilities		
Term loan	**$ -**	$ 551
Finance lease liabilities	**56**	65
Equity portion of term loan	**-**	-
Deferred finance charges	**-**	(82)
	$ 56	$ 534
Non-current liabilities		
Term loan	**$ 3,150**	$ 2,449
Debentures	**968**	968
Shareholder loans	**5,175**	5,175
Finance lease liabilities	**62**	91
Equity portion of term loan	**-**	(16)
Deferred finance charges	**(105)**	(219)
	$ 9,250	$ 8,448
Total	**$ 9,306**	$ 8,982

Term Loan

As at June 30, 2018, the Company had obtained a senior secured bond facility of $3.15 million ("term loan"). The loan bears interest at 15%, is interest-only with a 50% cash-sweep mechanism triggered on on significant future transactions over $3 million and otherwise matures in October 2020. The first six months of interest was prepaid. Proceeds of the loan were used to repay a $3.0 million secured loan. The term loan ranks senior to the Company's other indebtedness and is secured by a general security agreement over all present and after acquired personal property of the Company. $1.2 million of the loan is held by three directors and a company controlled by one of the directors. The loan does not have a minimum cash requirement.

Shareholder Loans

As at June 30, 2018, the Company had $5.2 million of shareholder loans that bear interest at rate of 12% per annum, are secured by way of registered security pursuant to the *Personal Property Security Act (Alberta)* and subordinated to the Company's senior lender. Principal payments have been postponed until the term loan is repaid.

Debentures

The debentures bear interest of 8% per annum. Principal payments are calculated at 50% of net revenues generated by certain of the Company's seismic data (the "Seismic Data"), multiplied by $1.2 million (debenture proceeds raised) divided by $5 million. The balance of the revenue is retained by the Company. Net revenues equal 90% of the gross revenues generated by the Seismic Data. The Seismic Data is comprised of the seismic surveys acquired by the Corporation prior to July 1, 2012. There was $0.7 million in principal payments owing to the debenture holders based on revenues generated by the Seismic Data up to and including June 30, 2018.

June 30, 2018 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

Upon full repayment of the principal amount of the debentures and all accrued interest, a royalty interest becomes effective and will be paid as a royalty indefinitely. Royalty payments are to be calculated at 25% of the net revenues generated by the Seismic Data multiplied by $1.2 million divided by $5 million. The balance of the revenue is retained by the Company.

The principal amount of the debentures and accrued interest, but not the royalty interest, is secured against the Seismic Data by way of a registered security interest pursuant to the *Personal Property Security Act (Alberta)* but is subordinated to the Company's senior debt. This security interest ranks pari passu with the security interest for the shareholder loans. Principal payments have been postponed until the term loan is repaid.

8. Other liabilities

		Balance at	
	Note	**Jun 30, 2018**	**Dec 31, 2017**
Current portion			
Sublease loss provision		**$ 158**	$ 158
Tenant inducements		**72**	72
Foreign exchange contracts	15	**87**	36
Total current		**$ 317**	$ 266
Long-term portion			
Sublease loss provision		**$ 8**	$ 46
Tenant inducements		**427**	463
Deferred rent obligations		**634**	680
Grant liability		**406**	406
Deferred grant income		**65**	65
Total long-term		**$ 1,540**	$ 1,660
Total		**$ 1,857**	$ 1,926

June 30, 2018 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

9. Other Loss

		Three months ended Jun 30		Six months ended Jun 30	
	Note	2018	2017	2018	2017
Foreign exchange gain (loss)		**$ (8)**	$ (7)	**$ (31)**	$ (12)
Equity investment gain (loss)		**(9)**	(9)	**(10)**	(26)
		$ (17)	$ (16)	**$ (41)**	$ (38)

10. Finance Costs

	Three months ended Jun 30		Six months ended Jun 30	
	2018	2017	2018	2017
Interest expense on debt	**$ 595**	$ 382	**$ 910**	$ 690
Amortization of deferred finance charges	**-**	28	**27**	62
Accretion of sublease loss	**-**	-	**2**	-
Accretion of grant liability	**-**	11	**-**	22
Accretion of term loan	**16**	-	**16**	-
	$ 611	$ 421	**$ 955**	$ 774

11. Equity Instruments and Net Loss per Share

Authorized share capital

Unlimited number of voting Class A shares with no par value.

Normal Course Issuer Bid

On May 2, 2017, the Company commenced a normal course issuer bid (the “Bid”), whereby certain of the issued and outstanding Class A shares of Divestco were purchased through the TSX Venture Exchange and cancelled. The Bid terminated on May 1, 2018. Purchases of Class A shares under the Bid occurred at the market price at the time of purchase. From May 2, 2017 to May 1, 2018, 851,000 Class A shares were repurchased at an average cost of $0.07 per share and 851,000 Class A shares were cancelled and returned to treasury.

June 30, 2018 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

Warrants

On March 21, 2017, the Company issued 2,675,344 Class A share purchase warrants in conjunction with obtaining a new term loan facility (see Note 7). The warrants are exercisable for the same number of Class A shares at a price of $0.05 per share until the maturity of the loan, notwithstanding early prepayment. The warrants are summarized as follows:

Warrants Outstanding			
Number	Price	Weighted Average Exercise Price	Weighted Average Remaining Life (years)
2,675	$0.05	$0.05	2.21

Stock options

During the six months ended June 30, 2018, 100,000 stock options were terminated with an exercise price of $0.08 as a result of employee departures.

Private Placement

On March 6, 2018, the Company announced its intent to complete a non-brokered private placement of up to a maximum of 20,000,000 Class A shares of Divestco at a price of $0.10 per share for gross proceeds of up to a maximum of $2,000,000. The funds advanced to Divestco were used for expansion of existing business lines, development of new business lines, capital expenditures and transaction expenses. In connection with the private placement, no finders, brokers or other agents are entitled to receive either shares or cash consideration. Subsequent to March 31, 2018, the Company closed the first and second tranche of the private placement and issued 4,025,000 Class A shares of Divestco at a price of $0.10 per share for gross proceeds of $402,500.

Net loss per share

Basic net loss per share is computed using the weighted-average number of Class A shares outstanding during the three months ended June 30, 2018, being 67,716,000 (June 30, 2017 – 66,781,000). In computing diluted net loss per share, no shares were added to the weighted average number of Class A shares outstanding for the three months ended June 30, 2018 (June 30, 2017 – Nil) as the stock options were out of the money and there was a net loss for the period.

Basic net loss per share is computed using the weighted-average number of Class A Shares outstanding during the six months ended June 30, 2018, being 66,890,000 (June 30, 2017 – 66,833,000). In computing diluted net loss per share, no shares were added to the weighted average number of Class A Shares outstanding for the six months ended June 30, 2018 as the stock options and warrants were out of the money and there was a net loss for the period. In computing diluted net loss per share, no shares were added to the weighted average number of Class A Shares outstanding for the six months ended June 30, 2017 as the stock options were out of the money and there was a net loss for the period.

June 30, 2018 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

12. Supplement to Statements of Cash Flows

	Six months ended Jun 30	
	2018	**2017**
Changes in non-cash working capital balances		
Accounts receivable	**968**	2,516
Prepaid expenses, supplies and deposits	**(173)**	65
Accounts payable and accrued liabilities	**1,488**	(2,844)
Deferred revenue	**(888)**	81
	$ 1,395	$ (182)
Changes in non-cash working capital balances related to operating activities	**$ 1,418**	$ (1,556)
Changes in non-cash working capital balances related to investing activities	**(23)**	1,374
	$ 1,395	$ (182)

13. Contractual Obligations

Below is a summary of the Company's contractual obligations as at June 30, 2018, including principal and interest:

As at June 30, 2018	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 7,733	$ 7,733	$ 7,733	$ -	$ -	$ -	$ -	$ 7,733
Debt obligations (excluding finance lease obligations) (1)	9,188	11,988	585	350	6,601	4,452	-	11,988
Finance lease obligations	118	134	31	31	59	13	-	134
Government grant liability	406	406	-	-	153	253	-	406
Operating leases (2)	N/A	20,577	954	954	2,731	9,068	6,870	20,577
Total	$ 17,445	$ 40,838	$ 9,303	$ 1,335	$ 9,544	$ 13,786	$ 6,870	$ 40,838

(1) Includes term loan, shareholder loans and debentures.
(2) Movement in the operating lease commitments for the six months ended June 30, 2018.

	Balance at	
	Jun 30, 2018	**Dec 31, 2017**
Less than one year	**$ 1,908**	$ 2,481
Between one and five years	**11,799**	11,782
More than five years	**6,870**	7,769
	$ 20,577	$ 22,032

The Company's main office lease has a term of 15 years expiring in 2025. Excluding subleases, the commitment is approximately $155,000 per month for 2018 (including operating costs and property taxes). The annual square foot rate increases in 2020 and 2023. The Company also leases approximately 15,000 square feet of office space in another location with the lease expiring in 2025. The monthly commitment is approximately $69,000 per month for 2018 (including operating costs and property taxes). The annual square foot rate increases in 2020 and 2022. A portion of the current space is subleased on a month-to-month basis. Sublease payments totaling $19,000 per month are expected to be received for 2018.

14. Related Parties

Transactions with key management personnel

Loans from directors and shareholders

As at June 30, 2018, the Company had $5.2 million in secured loans from two directors and $0.7 million of the debentures was subscribed for by three directors who are also shareholders. $1.2 million of the new term loan is held by three directors and a company controlled by one of these directors. See Note 7.

The above was transacted on terms equivalent to those that prevail in arm's length transactions.

Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers. Executive officers also participate in the Company's stock-based compensation plans.

All three of the Company's executive officers have employment contracts. Upon resignation at the Company's request, they are entitled to termination benefits of up to 24 months' gross salary.

June 30, 2018 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

Key management personnel and director transactions

Directors and officers of the Company control approximately 36% percent of the issued and outstanding shares of the Company. A director controls 13% and the CEO, also a director, controls 14%.

A number of key management personnel including Board members, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Two of these entities transacted with the Company during the period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to arm's length parties.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

		Transaction value for the six months ended June 30		**Balance due from (to) the related party as at Jun 30**	**Balance due from (to) the related party as at Dec 31**
Entity	**Transaction**	**2018**	**2017**	**2018**	**2017**
Director	Seismic brokerage commissions and factoring fees[1]	**$ 595**	$ 30	**$ (310)**	$ -
Affiliate (Company owns 1/3)	Software and data license fees net of expense reimbursements [2]	**-**	158	**-**	-

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

(2) The Company pays the affiliate for access to well data and charges the affiliate for certain corporate support services. Shares of the affiliate were sold in 2017.

15. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized on the statement of financial position when the Company becomes a party to the instrument's contractual obligations. The Company's financial assets include cash and cash equivalents, restricted cash, accounts receivable and its financial liabilities primarily comprise accounts payables and debt.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in connection with the collection of its revenues and on the cash received. The Company controls its credit risk by assessing each customer's creditworthiness prior to transacting, subsequently monitoring and making efforts to collect its outstanding accounts receivable and investing cash balances in chartered Canadian banks. The Company also factors certain of its accounts receivable.

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

The Company has a wide customer base in the energy sector ranging from large multinational public entities to small private companies. As at June 30, 2018, 20% (December 31, 2017: 22%) of the Company's consolidated accounts receivables were due from two customers (December 31, 2017: two customers). These receivables have been collected subsequently. Currently there are no significant economic dependencies on any other particular customers. The carrying amount of account receivables and cash represents the maximum credit exposure.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions.

The Company had a net loss of $5.6 million for the six months ended June 30, 2018, and as at June 30, 2018, had an adjusted working capital deficiency of $6.5 million, excluding unearned revenue of $0.5 million. In addition, Divestco has future operating lease commitments of $2.5 million over the next 12 months. In April 2018, the Company repaid its $3 million term loan (Note 7) with the proceeds from a new loan. The new loan is interest-only with a cash-sweep mechanism and matures in October 2020. In July 2018, Divestco received funds for a $1.4 million term loan and are in the process of finalizing the terms and conditions.

In response to the sharp decline in oil prices and persistently low natural gas prices since late 2014, the Company sold a portion of its assets, implemented several salary austerity measures and reduced discretionary spending commencing in Q1 2015. In addition, Divestco recently announced two new joint arrangements with another oil and gas company, which are in the commercialization stage. Engineering design and regulatory permitting have begun. This is expected to generate future positive cash flows and Divestco continues to seek out additional sources of capital to fund these as well as other growth objectives.

Further discussion regarding liquidity risk can be found in Note 2.

Foreign Currency Exchange Risk

As a result of the international investments, the Company has exposure to foreign currency exchange rate risk. Foreign exchange risk is the risk that fluctuations in the Canadian/United States dollar foreign exchange rate may impact the Company's cash flows and net profit (loss). The Company's realized commodity prices are based upon United States dollar denominated commodity prices. Fluctuations in the Canadian/United States dollar foreign exchange rate may impact commodity prices received by the Company. The Company may utilize foreign exchange derivative contracts to manage foreign exchange risks in order to maintain cash flow stability.

Number of Outstanding Contracts	Type	Value Date	Notional Amount (USD)	Foregin Exchange Rate	Settlement (CDN)
22	Fixed	June 29, 2018 - March 29, 2019	$ 973	$ 1.2226	$ 1,189

Fair Value

The fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate their carrying amount largely due to the short-term maturities of these instruments. The fair value of the long-term debt approximates its carrying value as it is at a market rate of interest and accordingly the fair market value approximates the carrying value.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Edward L. Molnar [1,2,3,4]
Stephen Popadynetz
Brent Gough [2,3,4]
Wade Brillon [2,3,4]
Ruth Summers [2]
Marvin Lefebvre [2]

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

OFFICERS
Stephen Popadynetz – Chief Executive Officer and President
Steve Sinclair-Smith – Chief Operating Officer
Lonn Hornsby – Senior VP Operations – Divestco Seismic

CORPORATE SECRETARY
Faralee A. Chanin

STOCK EXCHANGE LISTING
TSX-V: DVT

REGISTRAR AND TRANSFER AGENT
Computershare Trust Company of Canada

AUDITORS
KPMG LLP

LEGAL COUNSEL
Field LLP

HEAD OFFICE
300, 520 – 3rd Avenue SW
Calgary, Alberta, Canada T2P 0R3
Phone: (587) 952-8000
Toll free: 1-888-294-0081
Fax: (587) 952-8374

Website: www.divestco.com
Investor Relations: investor.relations@divestco.com
For more information: info@divestco.com
Sales: sales@divestco.com