Divestco

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2018

Contents

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 Divestco Inc and its subsidiaries ("Divestco" or the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review 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 Sep 30	At Dec 31
(Unaudited - Thousands)	**Note**	**2018**	**2017**
Assets			
Current assets			
Cash		**$ 436**	$ 351
Restricted Cash	7	**-**	750
Accounts receivable		**1,107**	1,960
Prepaid expenses and deposits		**472**	219
Income taxes receivable		**87**	142
Total current assets		**2,102**	3,422
Equity-accounted investees		**172**	160
Property and equipment		**1,997**	2,162
Intangible assets	6	**14,448**	18,654
Total assets		**$ 18,719**	$ 24,398
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 8,172**	$ 6,290
Unearned revenue		**(421)**	1,591
Current portion of debt obligations	7	**56**	534
Current portion of other long-term liabilities	8	**317**	266
Total current liabilities		**8,124**	8,681
Long-term debt obligations	7	**11,296**	8,448
Other long-term liabilities	8	**1,474**	1,660
Total liabilities		**20,894**	18,789
Shareholders' equity			
Share capital		**7,759**	7,195
Contributed surplus		**8,550**	8,466
Warrants	7,11	**20**	20
Deficit		**(18,504)**	(10,072)
Total shareholders' equity		**(2,175)**	5,609
Going concern	2		
Subsequent event	7,11		
Contractual obligations	13		
Total liabilities and shareholders' equity		**$ 18,719**	$ 24,398

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

		Three months ended Sep 30		Nine months ended September	
(Unaudited - Thousands, Except Per Share Amounts)	**Note**	**2018**	**2017**	**2018**	**2017**
Revenue		**$ 1,998**	$ 1,599	**$ 6,006**	$ 9,432
Operating expenses					
Salaries and benefits		**1,359**	1,487	**4,521**	4,547
General and administrative		**1,128**	1,274	**3,566**	3,766
Depreciation and amortization		**2,137**	1,647	**5,089**	6,385
Other loss (gain)	9	**43**	(844)	**84**	(806)
Share-based payments		**18**	52	**84**	67
Total operating expenses		**4,685**	3,616	**13,344**	13,959
Finance costs	10	**363**	457	**1,318**	1,231
Net loss and comprehensive loss for the period		**$ (3,050)**	$ (2,474)	**$ (8,656)**	$ (5,758)
Net loss per share					
Basic and Diluted	11	**$ (0.04)**	$ (0.01)	**$ (0.08)**	$ (0.05)

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

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
Reduction of stated capital and deficit								
Net loss and comprehensive loss for the period							(5,758)	(5,758)
Warrants issued to senior lender								-
Dividends paid								-
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
Shares returned to treasury as per sunset clause in August 2010 plan of arrangement								-
Balance as at September 30, 2017		66,584	$ 7,244	2,675	$ 20	$ 8,374	$ (8,303)	$ 7,335
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							**(8,656)**	**(8,656)**
Transactions with owners, recorded in equity contributions by and distributions to owners:								
Share-based payments						**84**		**84**
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 September 30, 2018		**70,058**	**$ 7,759**	**2,675**	**$ 20**	**$ 8,550**	**$ (18,504)**	**$ (2,175)**

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

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

Divestco Inc.
Condensed Consolidated Interim Statements of Cash Flows

		Nine months ended September 30	
(Unaudited - Thousands)	**Note**	**2018**	**2017**
Cash from (used in) operating activities			
Net loss for the year		**$ (8,656)**	$ (5,758)
Items not affecting cash:			
Equity investment loss		**(12)**	7
Depreciation and amortization		**5,089**	6,385
Sublease loss		**(61)**	223
Non cash revenue		**-**	(576)
Amortization of tenant inducements		**(55)**	(53)
Deferred rent obligations		**(75)**	145
Unrealized foreign exchange loss		**52**	-
Share-based payments	11	**84**	67
Finance costs	10	**1,318**	1,231
Funds from (used in) operations		**(2,317)**	845
Changes in non-cash working capital balances	12	**712**	3,426
Changes in long-term prepaid expense		**-**	-
Changes in long-term liabilities		**-**	-
Interest and finance costs paid		**(1,272)**	(1,102)
Income taxes received		**131**	-
Net cash from (used in) operating activities		**(2,746)**	3,169
Cash from (used in) financing activities			
Normal course issuer bid	11	**569**	(40)
Repayment of debt obligations	7	**(3,050)**	(3,574)
Deferred financing costs		**179**	(384)
Proceeds received from debt obligations	7	**5,200**	5,000
Cash restricted by lender	7	**750**	(1,100)
Government grant received		**-**	96
Net cash from (used in) financing activities		**3,648**	(2)
Cash from (used in) investing activities			
Additions to intangible assets	6	**(263)**	(4,784)
Decrease in participation surveys in progress		**-**	2,751
Purchase of property and equipment		**(156)**	(133)
Advances to equity-accounted investees		**-**	(74)
Deferred development costs		**(375)**	(379)
Changes in non-cash working capital balances	12	**(23)**	(2,990)
Net cash from (used in) investing activities		**(817)**	(4,527)
Increase (decrease) in cash		**85**	(1,360)
Cash, beginning of period		**351**	3,075
Cash, end of period		**$ 436**	$ 1,715

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

1. Reporting Entity

Divestco Inc. 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 nine months ended September 30, 2018 are comprised of Divestco Inc, and its subsidiaries 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 September 30, 2018, the Company had an adjusted working capital deficiency of $6.4 million (December 31, 2017: $3.7 million deficiency) excluding deferred revenue of $0.4 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 $1.3 million of operating lease payments which are due within the next 12 months. In April 2018, the Company entered into a senior secured bond facility for $3.15 million (the "April 2018 Loan"). The majority of the April 2018 Loan is held by directors and other insiders of the Company, is interest only at a rate of 15% per annum and matures in October 2020. The majority of the proceeds of the April 2018 Loan were used to repay a $3.0 million senior loan with BC-OSB Holdings Ltd. The April 2018 Loan includes a cash-sweep mechanism whereby following the date on which the Company receives proceeds from a sales transaction resulting in net proceeds of greater than $3.0 million, the lenders have the right to require the Company to repay an amount equal to the lesser of 50% of the new proceeds realized and all remaining obligations of the Company under or in connection with the April 2018 Loan. In September 2018, the Company announced that it had entered into secured loan agreements for an aggregate of $2.05 million, each having a six-month term, with two directors and one shareholder of the Company (the "September 2018 Loans", and together with the April 2018 Loans, the "Senior Loans"). The September 2018 Loans also bear interest at a rate of 15% per annum, which the Company expects to pay for through the issuances of its Class A shares at a deemed price per share greater of the market price on the date of payment and $0.05 per share. The Company has reserved 3,049,727 of its Class A shares for issuance for this purpose. The terms of the September 2018 Loans are substantively the same as those under the April 2018 Loan and the Company has provided the lenders under the September 2018 Loan with a senior security interest ranking pari passu to the security granted under the April 2018 Loan. Both the April 2018 Loan and the September 2018 Loans constituted "related party transactions" under applicable securities laws, and would therefore have, without an exemption, required the Company to obtain a valuation and minority shareholder approval. At the time of each Senior Loan, the Company was entitled to, and did, rely on an exemption from such valuation and minority shareholder approval requirements. In each case, the Company's independent directors reviewed and considered the Company's financial situation, the anticipated impact of each of the Senior Loans, the Company's need for immediate working capital to fund its ongoing operations, the willingness of the lenders to consent to the Senior Loans and the terms and conditions of the Senior Loans and, acting in good faith, determined in each case that: (i) the Company was in serious financial difficulty; (ii) the Senior Loans would improve the financial position of the Company; and (iii) the terms of the Senior Loans were reasonable in the circumstances of the Company.

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 to continue as a going concern is dependent upon the Company's ability to meet its forecasts or obtain additional sources of capital, complete asset dispositions or find 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 the 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 nine months ended September 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 November 26, 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 ("IFRS 15")* 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 September 30, 2018 resulted in a decrease in unearned revenue and an increase in revenue by $783,264.
- 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 ("IFRS 9")* 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 ("IFRS 16") 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 September 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 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 geomatics and seismic 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.

September 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 September 30, 2018	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue from external customers	**$ 1,559**	**$ 342**	**$ 97**	**$ -**	**$ 1,998**
Reportable segment income (loss) before tax	**782**	**(716)**	**(2,166)**	**(951)**	**(3,051)**
Finance costs	**99**	**47**	**217**	**-**	**363**
Depreciation and amortization	**235**	**4**	**1,803**	**95**	**2,137**
Share of profit (loss) of equity-accounted investees	**-**	**-**	**-**	**22**	**22**

As at and for the three months ended September 30, 2017	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 696	$ 593	$ 310	$ -	$ 1,599
Reportable segment income (loss) before tax	(214)	(376)	(1,178)	(709)	(2,477)
Finance costs	130	6	320	-	456
Depreciation and amortization	308	5	1,278	55	1,646
Share of profit (loss) of equity-accounted investees	-	-	-	20	20

As at and for the three months ended September 30, 2018	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Reportable segment assets	**3,542**	**1,136**	**12,441**	**1,600**	**18,719**
Reportable segment liabilities	**6,287**	**3,512**	**3,006**	**8,087**	**20,892**

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

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

6. Intangible Assets

	Data Libraries: Seismic Data Library	Data Libraries: Datasets	Data Libraries: Log, Support and Drilling Data Library	Data Libraries: Reference Library	Data Libraries: 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	-	300	563
At September 30, 2018	**$ 54,690**	**$ 439**	**$ 5,273**	**$ 445**	**$ 60,847**	**$ 7,921**	**$ 17,418**	**$ 86,186**
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	4,086	-	198	-	4,284	1	484	4,769
At September 30, 2018	**$ 42,221**	**$ 439**	**$ 3,973**	**$ 445**	**$ 47,078**	**$ 7,899**	**$ 16,761**	**$ 71,738**
Carrying amount								
At December 31, 2017	$ 16,292	$ -	$ 1,498	$ -	$ 17,790	$ 23	$ 841	$ 18,654
At September 30, 2018	**12,469**	**-**	**1,300**	**-**	**13,769**	**22**	**657**	**14,448**

(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.

September 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		
	Sep 30, 2018	Dec 31, 2017	Difference
Current liabilities			
Term loan	$ -	$ 551	$ (551)
Finance lease liabilities	56	65	(9)
Equity portion of term loan	-	-	
Deferred finance charges	-	(82)	82
	$ 56	$ 534	$ (478)
Non-current liabilities			
Term loan	$ 3,150	$ 2,449	$ 701
Debentures	968	968	$ -
Shareholder loans	7,225	5,175	2,050
Finance lease liabilities	48	91	(43)
Equity portion of term loan	-	(16)	
Deferred finance charges	(95)	(219)	124
	$ 11,296	$ 8,448	$ 2,832
Total	$ 11,352	$ 8,982	$ 2,354

Senior Loan

As described in Note 2 above, the Company currently has both the April 2018 Loan and September 2018 Loans outstanding. These Senior Loans bear interest at a rate of 15% per annum and mature in October 2020 and March 2019, respectively. The Senior Loans rank pari passu in right of security and hold a senior secured position over all of the present and after acquired personal property of the Company. Each of the Senior Loans constituted "related party transactions" under applicable securities laws, as the majority of such Senior Loans were held by insiders of the Company.

Shareholder Loans

As at September 30, 2018, the Company had $7.2 million of shareholder loans, of which $2.1 million bear interest rate of 15% per annum and $5.2 million bear interest rate of 12% per annum. Shareholder loans are secured by way of registered security pursuant to the *Personal Property Security Act* (Alberta),which security is subordinate to the rights of the lenders under the Senior Loans. Principal payments have been postponed until the senior 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 September 30, 2018.

September 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 Loans. This security interest ranks pari passu with the security interest for the shareholder loans. Principal payments have been postponed until the Senior Loans are repaid.

8. Other liabilities

		Balance at	
	Note	**Sep 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		**$ (12)**	$ 46
Tenant inducements		**409**	463
Deferred rent obligations		**606**	680
Grant liability		**406**	406
Deferred grant income		**65**	65
Total long-term		**$ 1,474**	$ 1,660
Total		**$ 1,791**	$ 1,926

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

9. Other Loss

		Three months ended Sep 30		Nine months ended Sep 30	
	Note	2018	2017	2018	2017
Foreign exchange gain (loss)		**$ (66)**	$ (2)	**$ (97)**	$ (13)
Gain on disposal of intangible assets	6	**1**	350	**1**	350
Equity investment gain (loss)		**22**	20	**12**	(7)
Gain on sale of investments		**-**	476	**-**	476
		$ (43)	$ 844	**$ (84)**	$ 806

10. Finance Costs

		Three months ended Sep 30		Nine months ended Sep 30	
	Note	2018	2017	2018	2017
Interest expense on debt		**$ 362**	$ 412	**$ 1,272**	$ 1,102
Amortization of deferred finance charges		**-**	27	**27**	89
Accretion of sublease loss		**1**	1	**3**	1
Accretion of grant liability		**-**	17	**-**	39
Accretion of term loan	7	**-**	-	**16**	-
		$ 363	$ 457	**$ 1,318**	$ 1,231

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 – V 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.

September 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 senior 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 loan matures on October 2020, 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 nine months ended September 30, 2018, 600,000 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 tranches 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 September 30, 2018, being 69,295,000 (September 30, 2017 – 66,692,000). 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 September 30, 2018 (September 30, 2017 – Nil) as the stock options were out of the money and there was a net loss for the period.

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

12. Supplement to Statements of Cash Flows

	Nine months ended Sep 30	
	2018	**2017**
Changes in non-cash working capital balances		
Accounts receivable	**855**	3,864
Prepaid expenses, supplies and deposits	**(253)**	268
Accounts payable and accrued liabilities	**1,882**	(3,800)
Deferred revenue	**(1,795)**	104
	$ 689	$ 436
Changes in non-cash working capital balances related to operating activities	**$ 712**	$ 3,426
Changes in non-cash working capital balances related to investing activities	**(23)**	(2,990)
	$ 689	$ 436

13. Contractual Obligations

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

As at September 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	6,290	6,290	6,290	-	-	-	-	6,290
Debt obligations (excluding finance lease obligations) (1)	8,826	12,906	777	952	5,205	5,972	-	12,906
Finance lease obligations	156	180	37	37	65	41	-	180
Government grant liability	406	325	-	-	102	223	-	325
Operating leases (2)	N/A	22,032	1,241	1,240	2,707	9,075	7,769	22,032
Total	**$ 15,678**	**$ 41,733**	**$ 8,345**	**$ 2,229**	**$ 8,079**	**$ 15,311**	**$ 7,769**	**$ 41,733**

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

	Balance at	
	Sep 30, 2018	**Dec 31, 2017**
Less than one year	**$ 1,290**	$ 2,481
Between one and five years	**11,799**	11,782
More than five years	**6,870**	7,769
	$ 19,959	$ 22,032

The Company leases approximately 32,000 square feet of office space as its main office which 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 $70,000 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 September 30, 2018, the Company had $7.2 million in secured loans and $0.7 million of debentures owing to insiders of the Company. See Notes 2 and 7.

The above indebtedness was, in each case, transacted on terms equivalent to those prevailing 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.

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

Key management personnel and director transactions

Directors and officers of Divestco Inc. control approximately 36% percent of the issued and outstanding shares of Divestco Inc. 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 nine months ended September 30		**Balance due from (to) the related party as at September 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 September 30, 2018, 14% (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 $8.7 million for the nine months ended September 30, 2018, and as at September 30, 2018, had an adjusted working capital deficiency of $6.4 million, excluding unearned revenue of $0.4 million. In addition, Divestco has future operating lease commitments of $2.0 million over the next 12 months. In April 2018, the Company repaid its $3.0 million senior loan with BC-OSB Holdings Ltd. and entered into the $3.15 million April 2018 Loan. This loan requires interest-only payments during its term and matures in October 2020. In September 2018, the Company announced that it had entered into the September 2018 Loans which mature in March 2019. Interest on the September 2018 Loans is anticipated to be paid in Class A shares. See Notes 2 and 7.

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, previously announced joint arrangements with other oil and gas companies are moving forward positively with one of the projects generating an additional revenue stream for the Company. This project is now through the testing phase and the Company is now in the process of moving to commercialization and scale to generate even further revenue for the Company. The second project focusing in cogeneration of electricity is moving through Fortis approval process and the Company anticipates an approximate start date of June 2019. Concurrently, the Company is finalizing specifications on the plant itself and preparing a full economic assessment to ensure project viability.

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)
20	Fixed	June 29, 2018 - March 29, 2019	$ 936	$ 1.2231	$ 1,145

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.