Divestco

Quarterly Report

For the Three Months Ended
March 31, 2017

Divestco

Management's Discussion & Analysis

For the Three Months Ended
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MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated May 24, 2017, 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 months ended March 31, 2017 and with the audited consolidated financial statements and notes as at and for the years ended December 31, 2016 and December 31, 2015 (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 consolidated 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 March 31, 2017, the Company had a working capital deficiency of $0.1 million (December 31, 2016: $3.9 million deficiency), excluding deferred revenue of $1.1 million (December 31, 2016: $1.7 million). In addition, the Company has contractual obligations, including $2.6 million of operating lease payments which are due within the next 12 months (see “Off Balance Sheet Arrangements” section to this MD&A). In March 2017, the Company obtained a $6 million term loan with a $5 million initial draw which was used to repay the $3.2 million bridge loan and for working capital purposes. The loan matures on September 15, 2020 (see “Term Loan” in the “Capital Resources” section to this MD&A).

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. In addition, management is currently in discussions with several interested parties with the intention of focusing on the international market, raising capital, selling additional non-strategic assets and other strategic alternatives. All discussions are preliminary and there is no assurance that any transaction will proceed. 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 consolidated 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 consolidated financial statements.

FORWARD-LOOKING INFORMATION

Divestco’s MD&A and consolidated financial statements contain forward-looking information related to the Company’s capital expenditures, projected growth, view and outlook towards future oil and gas prices and market conditions, and demand for its products and services. Statements that contain words such as “could”, “should”, “can”, “anticipate”, “expect”, “believe”, “will”, “may” and similar expressions and statements relating to matters that are not historical facts, constitute “forward-looking information” within the meaning applicable 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.

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
- Availability of external and internal funding for future operations
- Relative future competitive position of the Company
- Nature and timing of growth
- Oil and natural gas production levels
- Planned capital expenditure programs
- Supply and demand for oil and natural gas
- Future demand for products/services
- Commodity prices
- Impact of Canadian federal and provincial governmental regulation on the Company
- Expected levels of operating costs, 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
- 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
- Volatility in market prices for crude oil and natural gas
- Ability of Divestco's clients to explore for, develop and produce oil and gas
- Availability of financing and capital
- Fluctuations in interest rates
- Demand for the Company's product and services
- Weather and climate conditions 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 consolidated 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 Mar 31	
(Thousands)	**2017**	2016
Net Loss	**$ (2,394)**	$ (1,394)
Finance Costs	**353**	355
Depreciation and Amortization	**3,103**	1,432
EBITDA	**$ 1,062**	$ 393

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	
	Mar 31, 2017	**Dec 31, 2016**
Components of funded debt to equity ratio:		
Current portion of long-term debt obligations	**$ 59**	$ 3,550
Long-term debt obligations	**10,753**	6,163
Total funded debt	**10,812**	9,713
Shareholders' equity	**$ 10,703**	$ 13,077
Funded debt to equity ratio	**1.01**	0.74

Adjusted Working capital

Adjusted working capital is calculated as current assets minus current liabilities (excluding deferred revenue). Adjusted working capital provides a measure that can be used to gauge Divestco's ability to meet its current obligations.

OVERALL PERFORMANCE AND OPERATIONAL RESULTS

Summary Financial Results (Thousands, Except Per Share Amounts)				
	Three months ended Mar 31			
	2017	2016	*$ Change*	*% Change*
Revenue	**$ 3,981**	$ 3,137	*$ 844*	*27%*
Operating Expenses (1)	**2,897**	2,675	*222*	*8%*
Other Loss	**22**	69	*(47)*	*-68%*
EBITDA (2)	**1,062**	393	*669*	*170%*
Finance Costs	**353**	355	*(2)*	*-1%*
Depreciation and Amortization	**3,103**	1,432	*1,671*	*117%*
Net Loss	**$ (2,394)**	$ (1,394)	*$ (1,000)*	*N/A*
Per Share - Basic and Diluted	**(0.04)**	(0.02)	*(0.02)*	*N/A*
Funds from Operations	**$ 485**	$ 397	*$ 88*	*22%*
Per Share - Basic and Diluted	**0.01**	0.01	-	*0%*
Class A Shares Outstanding	**66,884**	67,252	*N/A*	*N/A*
Weighted Average Shares Outstanding Basic and Diluted	**66,884**	67,211	*N/A*	*N/A*

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

Q1 2017 vs. Q1 2016

Divestco generated revenue of $4.0 million in Q1 2017 compared to $3.1 million in Q1 2016, an increase of $0.9 million (27%) mainly due to higher Seismic Data segment revenue related to the completion of a new seismic survey. Revenue in the Seismic Data segment ($2.6 million) increased by $1.7 million (186%). Revenue in the Software & Data segment ($0.7 million) decreased by $0.4 million (29%) and revenue in the Services segment ($0.6 million) decreased by $0.6 million (47%)

Operating expenses increased by $0.2 million (7%) to $2.9 million in Q1 2017 from $2.7 million in Q1 2016. due to higher business taxes (Company received a refund in Q1 2016) and royalties.

Finance costs were $0.4 million in Q1 2017 and Q1 2016 due to debt levels remaining unchanged until March 2017 when the Company entered into a new term loan agreement (see "Term Loan" under the "Capital Resources" section to this MD&A for further discussion).

Depreciation and amortization was $3.1 million in Q1 2017 compared to $1.4 million in Q1 2016, an increase of $1.7 million (117%) due to the completion of a new seismic survey.

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 March 31, 2017, Divestco had a working capital deficiency of $0.1 million (December 31, 2016: $3.9 million deficiency), excluding deferred revenue of $1.1 million (December 31, 2015: $1.7 million). The decrease in the working capital deficit from the end of 2016 was due to the repayment of a bridge loan in March 2017 and positive funds from operations.

	Balance at		
Financial Position (Thousands)	**Mar 31, 2017**	**Dec 31, 2016**	**Dec 31, 2015**
Total Assets	**$ 31,512**	$ 35,524	$ 50,868
Adjusted Working Capital (Deficit) [1]	**(86)**	(3,872)	(10,723)
Long-Term Financial Liabilities [2]	**11,693**	10,548	12,941

[1] *See the "Non GAAP Measures" section.*
[2] *Includes the current and long-term portions of debt obligations, deferred rent obligations, tenant inducements and grant liability.*

SELECTED QUARTERLY INFORMATION

	2017	2016				2015		
(Thousands, Except Per Share Amounts)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**$ 3,981**	$ 7,679	$ 2,015	$ 3,135	$ 3,137	$ 2,863	$ 3,110	$ 2,936
EBITDA [1]	**1,062**	5,160	(424)	616	393	(372)	(76)	(1,153)
Income (loss) before Income Taxes	**(2,394)**	3,297	(2,426)	(1,414)	(1,394)	(3,366)	(1,837)	(2,760)
Net Income (Loss)	**(2,394)**	3,297	(2,426)	(1,414)	(1,394)	(3,366)	(1,837)	(2,760)
Per Share - Basic	**(0.04)**	0.05	(0.04)	(0.02)	(0.02)	(0.02)	(0.03)	(0.04)
Per Share - Basic and Diluted	**(0.04)**	0.05	(0.04)	(0.02)	(0.02)	(0.05)	(0.03)	(0.04)
Funds from (used in) Operations [1]	**485**	4,136	(453)	623	397	(382)	42	(1,124)
Per Share - Basic and Diluted	**0.01**	0.06	(0.01)	0.01	0.01	(0.01)	0.00	(0.02)

[1] *See the "Non GAAP Measures" section*

The variances in the quarterly results illustrated in the table above are primarily a result of changing industry factors affecting oil and gas producers' exploration activities, upon which our business model is based. In turn, the producers' primary activity drivers are crude oil and natural gas commodity pricing and general economic and industry labour conditions, which have fluctuated in these reporting periods.

Commodity prices remained significantly lower in the first half of 2016 and 2015 which directly contributed to weaker financial results. This mainly affected demand in the Company's Services and Seismic Data segments. Within the Services segment, demand for domestic services (geomatics and processing) were the most impacted. Partially offsetting this were the completion of some large international projects. Bids for international work have increased in 2017 and some new projects were recently awarded to the Company. Within the Seismic Data segment, demand for newly shot seismic data was most impacted over the previous two years. Prior to the completion of a new seismic survey in Q1 2017, no new surveys were completed since Q1 2015 (revenue is recognized on a percentage of completion basis). Partially offsetting this were some significant data license sales in Q4 2016.

In addition, the Company implemented several salary austerity measures starting in Q1 2015 which were continued throughout 2016. Certain measures were reversed in Q1 2017 while all others will remain in place until there are further improvements in market conditions. There was an impairment charge of $1.2 million in Q4 2015 leading to a higher net loss.

The variance in quarterly results is also influenced by seasonality. Typically, the first and fourth quarters are the busiest for the Company when drilling activities are at their peak in western Canada. Road bans severely restrict field activity in the second quarter and seismic field work can be limited in summer months for agricultural reasons.

OUTLOOK

The improvement in West Texas Intermediate oil prices from a low of US$33/barrel in March 2016 to a high of US$54/barrel in March 2017 has led to increases in capital spending by the industry. With the recent announcements of equity and debt financings, access to capital also seems to be improving for our clients leading us to view the later part of the year in a more favourable light. Divestco diligently monitors its operating expenses, and we have reduced our costs by over 50% since 2014. Most of the austerity measures that the Company put in place in response to the downturn are expected to remain in place for the remainder of 2017 or until a change in activity levels is realized.

LIQUIDITY

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, trade and other receivables and its financial liabilities primarily comprise accounts payables and debt.

Fair Value

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amount largely due to the short-term maturities of these instruments. The fair value of the term debt instruments approximates their carrying amount which has been measured at amortized cost using the effective interest rate method.

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.

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 March 31, 2017, 45% (December 31, 2016: 62%) of the Company's consolidated accounts receivables were due from two customers (December 31, 2016: two customers). All but a small portion of 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 $2.4 million for Q1 2017, and as at March 31, 2017 had a working capital deficiency of $0.1 million, excluding deferred revenue of $1.1 million. In addition, Divestco has future operating lease commitments of $2.6 million over the next 12 months (see the "Contractual Obligations" section of this MD&A). In March 2017, the Company secured a new term loan of $6 million and used the proceeds to repay a $3.2 million bridge loan and as a working capital injection. The loan matures on September 15, 2020. Under the terms of the new loan, the Company has $3.1 million in cash which is restricted by the lender until September 30, 2017. See "Term Loan" under the "Capital Resources" section to this MD&A for further discussion.

As a 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.

Adjusted Working Capital

As at March 31, 2017, Divestco had a working capital deficiency of $0.1 million (December 31, 2016: $3.9 million deficiency), excluding deferred revenue of $1.1 million (December 31, 2016: $1.7 million). The decrease in the working capital deficit from the end of 2016 was primarily due to the repayment of the Company's bridge loan in March 2017 with proceeds of a new term loan that matures in 2020 (see "Term Loan" under the "Capital Resources" section to this MD&A).

Funded Debt to Equity

Divestco had a funded debt to equity ratio of 1.01:1 as at March 31, 2017 (December 31, 2016: 0.74:1). Debt levels increased by $1.1 million and equity decreased by $2.4 million due to the net loss in Q1 2017. 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, 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, it took on some additional debt to ensure it had adequate 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 to below 1:1.

Contractual Obligations

Below is a summary of Divestco's contractual obligations as at March 31, 2017, including principal and interest:

As at March 31, 2017	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	$ 7,431	$ 7,431	$ 7,431	$ -	$ -	$ -	$ -	$ 7,431
Debt obligations (excluding finance lease obligations) (1)	10,739	16,618	775	774	3,564	10,950	555	16,618
Finance lease obligations	73	76	31	31	14	-	-	76
Government grant liability	264	286	-	-	102	184	-	286
Operating leases (2)	N/A	24,899	1,293	1,293	2,717	9,148	10,448	24,899
Total	$ 18,507	$ 49,310	$ 9,530	$ 2,098	$ 6,397	$ 20,282	$ 11,003	$ 49,310

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

Selected Cash Flow Items

(Thousands)	Three months ended Mar 31 2017	2016
Operating Activities		
Funds from Operations	**$ 485**	$ 397
Changes in Non-Cash Working Capital Balances	**(962)**	(312)
Changes in Long-Term Prepaid Expense	**-**	272
Interest Paid	**(308)**	(316)
Income Taxes Refunded	**-**	50
Cash From (Used in) Operating Activities	**(785)**	91
Financing Activities		
Repayment of Long-Term Debt Obligations	**(3,531)**	(44)
Proceeds from Long-Term Debt Obligations	**5,000**	-
Government grant received	**35**	51
Cash restricted by lender	**(3,100)**	-
Deferred Finance Costs	**(384)**	-
Cash From Financing Activities	**(1,980)**	7
Investing Activities		
Additions to Intangible Assets	**(3,588)**	(47)
Participation Surveys in Progress	**2,751**	-
Additions to Property, Plant and Equipment	**(3)**	(12)
Payments Towards Sublease Loss Provision	**-**	(88)
Advances from Equity-Accounted Investees	**-**	(71)
Deferred Development Costs	**(119)**	(147)
Changes in Non-Cash Working Capital Balances	**1,374**	(194)
Cash From (Used in) Investing Activities	**415**	(559)
Change in Cash	**$ (2,350)**	$ (461)

Operating Activities

During Q1 2017, funds from operations were $0.5 million ($0.01/share – basic and diluted), compared with to $0.4 million ($0.01/share (basic and diluted)) for Q1 2016, an increase of $0.1 million (22%). This was mainly due to higher commodity prices.

Financing Activities

During Q1 2017, Divestco repaid $3.5 million in debt including a $3.2 million term loan, $0.3 million in shareholder loans and $31,000 in finance leases. The Company received $5 million in loan proceeds from an initial draw of a $6 million term loan facility and $35,000 in government grant instalments. During the Q1 2016, the Company repaid $44,000 in finance leases and received $51,000 in government grant instalments.

Investing Activities

During Q1 2017, Divestco completed a seismic survey for $3.6 million with $2.8 million of the cost incurred in Q4 2016. The Company also incurred $0.4 million in deferred development costs. During Q1 2016, the Company reduced $0.1 million of its other liabilities, received $0.1 million in advances from an affiliate and incurred $0.1 million in deferred development costs.

CAPITAL RESOURCES

Share capital

Divestco's Class A common 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 common shares.

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

	Balance as at		
(Thousands)	**May 24, 2017**	**Mar 31, 2017**	**Dec 31, 2016**
Class A shares			
Outstanding	66,884	**66,884**	66,884
Weighted Average Outstanding			
Basic – YTD	N/A	**66,884**	67,217
Diluted – YTD [(1)]	N/A	**66,884**	67,217
Stock Options			
Outstanding	5,260	**1,010**	1,010
Exercise Price Range	$0.08 to $0.25	**$0.21 to $0.25**	$0.21 to $0.25
Warrants			
Outstanding	2,675	**2,675**	-
Exercise Price	$0.05	**$0.05**	-

(1) Basic net loss per share is computed using the weighted-average number of Class A Shares outstanding during Q1 2017, being 66,884,000 (March 31, 2016 – 67,211,000). In computing diluted net loss per share, no shares were added to the weighted average number of Class A Shares outstanding for Q1 2017 as the stock options and warrants were out of the money and there was a net loss for the period.

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 will be purchased through the TSX-V and cancelled. Pursuant to the terms and conditions of the Bid, Divestco may purchase up to 3,344,180 (a maximum of 5%) of its issued and outstanding Class A Shares (66,883,608 Class A Shares are outstanding as at May 1, 2017) in a twelve-month period. The Bid will terminate on the earlier of the May 1, 2018 and the date on which the maximum number of Class A Shares are purchased pursuant to the Bid. Purchases of Class A Shares under the Bid will occur at the market price at the time of purchase. From May 2 to 24, 2017, 187,000 Class A Shares were purchased at an average cost of $0.06 per share.

Stock options

On May 2, 2017, the Company granted stock options to acquire up to an aggregate of 4,250,000 Class A shares, including 2,000,000 options granted to officers and 750,000 options granted to the Board of Directors. The options are for a five-year term, expiring on April 30, 2022, and are exercisable at a price of $0.08 per share pursuant to a vesting schedule of one-third following the first anniversary of the date of grant (the "Grant Date"), one-third following the second anniversary of the Grant Date and the remaining one-third following the third anniversary of the Grant Date.

Warrants

On March 21, 2017, the Company issued 2,675,344 share purchase warrants in conjunction with obtaining a new term loan facility. 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, subject to a holding period which expires on July 18, 2017, (see "Term Loan" under the "Capital Resources" section to this MD&A for further discussion).

Term Loan

On March 21, 2017, the Company entered into a secured loan with a new lender for $6.0 million with an initial draw of $5.0 million. The loan bears interest at 17% per annum compounded monthly and matures in September 2020. The loan is interest only for the first year and the first six months of interest was prepaid. Principal and interest repayments commence on April 1, 2018. Proceeds of the loan were used to repay a $3.2 million bridge loan with the balance being used for working capital purposes. 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. In addition, $3.1 million of cash is restricted by the lender until September 30, 2017 as it relates to certain accounts payables. The Company also issued the lender 2,675,344 share purchase warrants (see "Warrants" under the "Capital Resources" section to this MD&A for further discussion).

Shareholder Loans

As at March 31, 2017, 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. As at March 31, 2017, 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 March 31, 2017.

Upon full repayment of the principal amount of the debentures and all accrued interest, the 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 $161,000 per month for 2017 (including operating costs and property taxes). The annual square foot rate increases in 2018, 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 $71,000 per month for 2017 (including operating costs and property taxes). The annual square foot rate increases in 2018, 2020 and 2022. A portion of the current space is subleased on a month-to-month basis. Sublease payments totalling $11,700 per month are expected to be received for 2017.

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

	Balance at	
	Mar 31, 2017	**Dec 31, 2016**
Less than one year	**$ 2,586**	$ 2,648
Between one and five years	**11,865**	12,119
More than five years	**10,448**	11,672
	$ 24,899	$ 26,439

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 March 31, 2017, 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 (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 voting 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 year. 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 three months ended March 31		**Balance due from (to) the related party as at Mar 31**	**Balance due from (to) the related party as at Dec 31**
Entity	**Transaction**	**2017**	**2016**	**2017**	2016
Director	Consulting fees and commissions[(1)]	**$ -**	$ -	**$ (182)**	$ (182)
Affiliate (Company owns 1/3)	Software and data license fees net of expense reimbursements [(2)]	**71**	69	**(256)**	(208)

(1) The Company paid seismic consulting fees to a company controlled by a director for the purposes of acquiring seismic data. The Company also pays this company commissions for providing seismic brokerage services. 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.

ADOPTION OF NEW ACCOUNTING POLICY

The Company adopted the following accounting policy in accordance with *IAS 32* as a result of the issuance of term debt with warrants. It is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2017.

Compound financial instruments include the term debt which included warrants exercisable into a fixed number of common shares for a fixed amount of consideration. The compound financial instrument is bifurcated and recorded with a liability and equity component. The liability component is initially recognized as the fair value of the liability without the conversion feature or warrant component. The equity component is recognized as the difference between the debt proceeds and the fair value of the liability component. Subsequently, the liability component is measured at amortized cost using the effective interest method and accretes up to the principal balance at maturity. The equity component is not re-measured after initial recognition.

FUTURE ACCOUNTING POLICY CHANGES

The following are new standards, interpretations, amendments and improvements to existing standards that were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements:

IFRS 15 Revenue from Contracts with Customers was released on May 28, 2014, replacing *IAS 11 Construction Contracts*, *IAS 18 Revenue* and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchasers. Disclosure requirements have also been expanded.

The new standard is effective for annual periods beginning on or after January 1, 2018; the Company will adopt the standard for its annual period beginning on this date. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements. Further analysis is underway and an assessment of the significant revenue recognition reporting differences will be made upon completion of this review.

IFRS 9 Financial Instruments was issued by the IASB in July 2014, to replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company has yet to evaluate the impact of adopting this new standard.

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 March 31, 2017.

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 Months Ended March 31, 2017

Contents

Divestco Inc.
Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Thousands)	Note	At Mar 31 2017	At Dec 31 2016
Assets			
Current Assets			
Cash		**$ 725**	$ 3,075
Restricted Cash		**3,100**	-
Accounts receivable		**2,937**	5,662
Prepaid expenses, supplies and deposits		**647**	523
Income taxes receivable		**67**	42
Total current assets		**7,476**	9,302
Equity-accounted investees		**229**	246
Participation surveys in progress		**-**	2,751
Property and equipment		**1,732**	1,797
Intangible assets	6	**22,075**	21,428
Total assets		**$ 31,512**	$ 35,524
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 7,431**	$ 9,552
Deferred revenue		**1,097**	1,741
Current portion of debt obligations	7	**59**	3,550
Current portion of other long-term liabilities	8	**72**	72
Total current liabilities		**8,659**	14,915
Long-term debt obligations	7	**10,753**	6,163
Other long-term liabilities	8	**1,397**	1,369
Total liabilities		**20,809**	22,447
Shareholders' Equity			
Share capital		**7,277**	7,277
Contributed surplus		**8,359**	8,359
Warrants	7, 11	**20**	-
Deficit		**(4,953)**	(2,559)
Total shareholders' equity		**10,703**	13,077
Going concern	2		
Contractual obligations	13		
Subsequent events	11		
Total liabilities and shareholders' equity		**$ 31,512**	$ 35,524

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

		Three months ended March 31	
(Unaudited - Thousands, Except Per Share Amounts)	**Note**	**2017**	**2016**
Revenue		**$ 3,981**	$ 3,137
Operating expenses			
Salaries and benefits		**1,675**	1,637
General and administrative		**1,222**	1,038
Depreciation and amortization		**3,103**	1,432
Other loss	9	**22**	69
Total operating expenses		**6,022**	4,176
Finance costs	10	**353**	355
Net loss and comprehensive loss for the period		**$ (2,394)**	$ (1,394)
Net loss per share			
Basic and Diluted	11	**$ (0.04)**	$ (0.02)

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, 2016		67,208	$ 7,275	-	$ -	$ 8,076	$ (622)	$ 14,729
Net loss and comprehensive loss for the period							(1,394)	(1,394)
Transactions with owners, recorded in equity contributions by and distributions to owners:								
Issuance of Class A common shares as service awards		44	2					2
Share-based payments								-
Balance as at March 31, 2016		67,252	$ 7,277	-	$ -	$ 8,076	$ (2,016)	$ 13,337
Balance as at January 1, 2017		66,884	$ 7,277	-	$ -	$ 8,359	$ (2,559)	$ 13,077
Net loss and comprehensive loss for the period							**(2,394)**	**(2,394)**
Warrants issued to senior lender	11			**2,675**	**20**			**20**
Balance as at March 31, 2017		**66,884**	**$ 7,277**	**2,675**	**$ 20**	**$ 8,359**	**$ (4,953)**	**$ 10,703**

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

Divestco Inc.
Condensed Consolidated Interim Statements of Cash Flows

		Three months ended March 31	
(Unaudited - Thousands)	**Note**	**2017**	**2016**
Cash from (used in) operating activities			
Net loss for the period		**$ (2,394)**	$ (1,394)
Items not affecting cash:			
Equity investment loss		**17**	18
Depreciation and amortization		**3,103**	1,432
Non cash revenue		**(576)**	-
Amortization of tenant inducements		**(18)**	(18)
Deferred rent obligations		**-**	2
Non-cash employment benefits		**-**	2
Finance costs	10	**353**	355
Funds from operations		**485**	397
Changes in non-cash working capital balances	12	**(962)**	(312)
Changes in long-term prepaid expense		**-**	272
Interest and finance costs paid		**(308)**	(316)
Income taxes received		**-**	50
Net cash from (used in) operating activities		**(785)**	91
Cash from (used in) financing activities			
Repayment of debt obligations	7	**(3,531)**	(44)
Deferred financing costs		**(384)**	-
Proceeds received from debt obligations		**5,000**	-
Cash restricted by lender		**(3,100)**	-
Government grant received		**35**	51
Net cash from financing activities		**(1,980)**	7
Cash from (used in) investing activities			
Additions to intangible assets	6	**(3,588)**	(47)
Decrease in participation surveys in progress		**2,751**	-
Purchase of property and equipment		**(3)**	(12)
Payments towards sublease loss provision		**-**	(88)
Advances to equity-accounted investees		**-**	(71)
Deferred development costs		**(119)**	(147)
Changes in non-cash working capital balances	12	**1,374**	(194)
Net cash from (used in) investing activities		**415**	(559)
Increase (decrease) in cash		**(2,350)**	(461)
Cash, beginning of period		**3,075**	817
Cash, end of period		**$ 725**	$ 356

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

1. Reporting Entity

Divestco Inc. (the “Company”) is a company domiciled 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 months ended March 31, 2017 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 consolidated 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 March 31, 2017, the Company had a working capital deficiency of $0.1 million (December 31, 2016: $3.9 million deficiency), excluding deferred revenue of $1.1 million (December 31, 2016: $1.7 million). In addition, the Company has contractual obligations (Note 13) including $2.6 million of operating lease payments which are due within the next 12 months. In March 2017, the Company obtained a $6 million term loan with a $5 million initial draw which was used to repay the $3.2 million bridge loan (Note 7) and for working capital purposes. The loan matures on September 15, 2020.

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. In addition, management is currently in discussions with several interested parties with the intention of focusing on the international market, raising capital, selling additional non-strategic assets and other strategic alternatives. All discussions are preliminary and there is no assurance that any transaction will proceed. 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 consolidated 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 consolidated financial statements.

3. Basis of Presentation

(a) Statement of Compliance

These condensed consolidated interim financial statements for the three months ended March 31, 2017 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, 2016, except as disclosed below. 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 May 24, 2017, and should be read in conjunction with the annual financial statements for the year ended December 31, 2016.

(b) New Accounting Policy

The Company adopted the following accounting policy in accordance with *IAS 32* as a result of the issuance of term debt with warrants. It is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2017.

Compound financial instruments include the term debt which included warrants exercisable into a fixed number of common shares for a fixed amount of consideration. The compound financial instrument is bifurcated and recorded with a liability and equity component. The liability component is initially recognized as the fair value of the liability without the conversion feature or warrant component. The equity component is recognized as the difference between the debt proceeds and the fair value of the liability component. Subsequently, the liability component is measured at amortized cost using the effective interest method and accretes up to the principal balance at maturity. The equity component is not re-measured after initial recognition.

(c) Future Accounting Policy Changes

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was released on May 28, 2014, replacing *IAS 11 Construction Contracts*, *IAS 18 Revenue* and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchasers. Disclosure requirements have also been expanded.

The new standard is effective for annual periods beginning on or after January 1, 2018; the Company will adopt the standard for its annual period beginning on this date. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements. Further analysis is underway and an assessment of the significant revenue recognition reporting differences will be made upon completion of this review.

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 to replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company has yet to evaluate the impact of adopting this new standard.

IFRS 16 Leases ("IFRS 16") was released on January 13, 2016 which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. 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, 2016.

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.

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 decision maker 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, 2016. 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.

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 decision maker. 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.

March 31, 2017 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

As at and for the three months ended March 31, 2017	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue from external customers	**$ 742**	**$ 613**	**$ 2,626**	**$ -**	**$ 3,981**
Inter-segment revenue	**-**	**109**	**(109)**	**-**	**-**
Reportable segment income (loss) before tax	**(250)**	**(492)**	**(641)**	**(1,011)**	**(2,394)**
Finance costs	**62**	**50**	**241**	**-**	**353**
Depreciation and amortization	**353**	**6**	**2,690**	**54**	**3,103**
Share of profit (loss) of equity-accounted investees	**-**	**-**	**-**	**(17)**	**(17)**
Reportable segment assets	**4,440**	**4,342**	**21,131**	**1,599**	**31,512**

As at and for the three months ended March 31, 2016	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 1,052	$ 1,163	$ 922	$ -	$ 3,137
Inter-segment revenue	8	45	(53)	-	-
Reportable segment income (loss) before tax	65	(118)	(669)	(672)	(1,394)
Finance costs	72	21	263	-	356
Depreciation and amortization	334	36	1,000	62	1,432
Share of profit (loss) of equity-accounted investees	-	-	-	(18)	(18)
Reportable segment assets	5,609	1,679	21,408	1,320	30,016

(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, 2016	$ 48,127	$ 439	$ 5,273	$ 445	$ 54,284	$ 7,897	$ 16,337	$ 78,518
Additions	1,766	-	-	-	1,766	24	399	2,189
Disposals	-	-	-	-	-	-	-	-
At December 31, 2016	49,893	439	5,273	445	56,050	7,921	16,736	80,707
Additions(2)	3,588	-	-	-	3,588	-	94	3,682
At March 31, 2017	**$ 53,481**	**$ 439**	**$ 5,273**	**$ 445**	**$ 59,638**	**$ 7,921**	**$ 16,830**	**$ 84,389**
Accumulated depreciation								
At January 1, 2016	$ 26,881	$ 439	$ 3,247	$ 445	$ 31,012	$ 7,897	$ 14,387	$ 53,296
Amortization	4,687	-	264	-	4,951	1	1,031	5,983
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At December 31, 2016	31,568	439	3,511	445	35,963	7,898	15,418	59,279
Amortization	2,689	-	66	-	2,755	-	280	3,035
At March 31, 2017	**$ 34,257**	**$ 439**	**$ 3,577**	**$ 445**	**$ 38,718**	**$ 7,898**	**$ 15,698**	**$ 62,314**
Carrying amount								
At December 31, 2016	$ 18,325	$ -	$ 1,762	$ -	$ 20,087	$ 23	$ 1,318	$ 21,428
At March 31, 2017	**19,224**	**-**	**1,696**	**-**	**20,920**	**23**	**1,132**	**22,075**

(1) During the three months ended March 31, 2017, the Company expensed $160,000 (March 30, 2016: $156,000) in research costs.
(2) During the three months ended March 31, 2017, the Company capitalized $2.7 million in Participation Surveys in Progress

The Company’s shareholders’ loans and debentures are secured by way of a registered security interest pursuant to the *Personal Property Security Act (Alberta)* (Note 7).

March 31, 2017 (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. For more information about the Company's exposure to liquidity risk, see Notes 2 and 15.

	Balance at	
	Mar 31, 2017	**Dec 31, 2016**
Current liabilities		
Bridge Loan	**$ -**	$ 3,200
Shareholder loans	**-**	300
Finance lease liabilities	**59**	84
Deferred finance charges	**-**	(34)
	$ 59	$ 3,550
Non-current liabilities		
Term Loan	**$ 5,000**	$ -
Debentures	**968**	968
Shareholder loans	**5,175**	5,175
Finance lease liabilities	**14**	20
Equity portion of term loan	**(20)**	
Deferred finance charges	**(384)**	-
	$ 10,753	$ 6,163
Total	**$ 10,812**	$ 9,713

Term Loan

On March 21, 2017, the Company entered into a secured loan with a new lender for $6.0 million with an initial draw of $5.0 million. The loan bears interest at 17% per annum compounded monthly and matures in September 2020. The loan is interest only for the first year and the first six months of interest was prepaid. The interest reserve is recorded in prepaid expenses on the statement of financial position and will be amortized over that period. Principal and interest repayments commence on April 1, 2018. Proceeds of the loan were used to repay a $3.2 million bridge loan with the balance being used for working capital purposes. 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. In addition, $3.1 million of cash is restricted by the lender until September 30, 2017 as it relates to certain accounts payables.

The Company also issued the lender 2,675,344 share purchase warrants exercisable for the same number of Class A shares at a price of $0.05 per share. The warrants are exercisable until the maturity of the Loan subject to a holding period which expires on July 18, 2017, notwithstanding early prepayment, see Note 11.

At initial recognition of the loan, the fair value of the liability component was determined to be $4,980,000 and the warrant portion was $20,000.

March 31, 2017 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

	Balance at Mar 31, 2017
Opening	$ -
Proceeds	5,000
Warrant portion	(20)
Deferred finance charges	(384)
Closing	**$ 4,596**

Shareholder Loans

As at March 31, 2017, 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 Company has $1.0 million in subordinated debentures with a royalty interest. Three directors, who are also shareholders of the Company, hold $0.7 million of the debentures. A former director holds $0.1 million. 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. As at March 31, 2017, 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 March 31, 2017.

Upon full repayment of the principal amount of the debentures and all accrued interest, the 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.

March 31, 2017 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

8. Other liabilities

	Balance at	
	Mar 31, 2017	Dec 31, 2016
Current portion		
Tenant inducements	**72**	72
Total current	**$ 72**	$ 72
Long-term portion		
Tenant inducements	**516**	534
Deferred rent obligations	**557**	557
Grant liability	**264**	222
Deferred grant income	**60**	56
Total long-term	**$ 1,397**	$ 1,369
Total	**$ 1,469**	$ 1,441

9. Other Loss

	Three months ended Mar 31	
	2017	2016
Foreign exchange loss	**$ (5)**	$ (51)
Equity investment loss	**(17)**	(18)
	$ (22)	$ (69)

10. Finance Costs

	Three months ended Mar 31	
	2017	2016
Interest expense on debt	**$ 308**	$ 316
Amortization of deferred finance charges	**34**	34
Accretion of sublease loss	**-**	1
Accretion of grant liability	**11**	4
	$ 353	$ 355

March 31, 2017 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

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 will be purchased through the TSX-V and cancelled. Pursuant to the terms and conditions of the Bid, Divestco may purchase up to 3,344,180 (a maximum of 5%) of its issued and outstanding Class A Shares (66,883,608 Class A Shares are outstanding as at May 1, 2017) in a twelve-month period. The Bid will terminate on the earlier of May 1, 2018 and the date on which the maximum number of Class A Shares are purchased pursuant to the Bid. Purchases of Class A Shares under the Bid will occur at the market price at the time of purchase. From May 2 to 24, 2017, 187,000 Class A Shares were purchased at an average cost of $0.06 per share.

Warrants

The Company issued 2.7 million warrants in connection with the new term loan (see Note 7) summarized as follows:

Warrants Outstanding			
Number	Price	Weighted Average Exercise Price	Weighted Average Remaining Life (years)
2,675	$0.05	$0.05	3.46

Stock options

Subsequent to March 31, 2017, the Company granted stock options to acquire up to an aggregate of 4,250,000 Class A shares, including 2,000,000 options granted to officers and 750,000 options granted to the Board of Directors. The options are for a five-year term, expiring on April 30, 2022, and are exercisable at a price of $0.08 per share pursuant to a vesting schedule of one-third following the first anniversary of the date of grant (the "Grant Date"), one-third following the second anniversary of the Grant Date and the remaining one-third following the third anniversary of the Grant Date.

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 March 31, 2017, being 66,884,000 (March 31, 2016 – 67,211,000). 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 March 31, 2017 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 three months ended March 31, 2016 as the stock options were out of the money and there was a net loss for the period.

March 31, 2017 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

12. Supplement to Statements of Cash Flows

	Three months ended Mar 31	
	2017	**2016**
Changes in non-cash working capital balances		
Accounts receivable	**2,725**	(427)
Prepaid expenses, supplies and deposits	**(124)**	(84)
Accounts payable and accrued liabilities	**(2,121)**	(6)
Deferred revenue	**(68)**	11
	$ 412	$ (506)
Changes in non-cash working capital balances related to operating activities	**$ (962)**	$ (312)
Changes in non-cash working capital balances related to investing activities	**1,374**	(194)
	$ 412	$ (506)

13. Contractual Obligations

Below is a summary of the Company's contractual obligations as at March 31, 2017, including principal and interest:

As at March 31, 2017	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	$ 7,431	$ 7,431	$ 7,431	$ -	$ -	$ -	$ -	$ 7,431
Debt obligations (excluding finance lease obligations) (1)	10,739	16,618	775	774	3,564	10,950	555	16,618
Finance lease obligations	73	76	31	31	14	-	-	76
Government grant liability	264	286	-	-	102	184	-	286
Operating leases (2)	N/A	24,899	1,293	1,293	2,717	9,148	10,448	24,899
Total	$ 18,507	$ 49,310	$ 9,530	$ 2,098	$ 6,397	$ 20,282	$ 11,003	$ 49,310

(1) Includes term loan, shareholder loans and debentures.
(2) Movement in the operating lease commitments for the three months ended March 31, 2017:

Balance, January 1, 2017	**$ 26,439**
Payments (net of subleases)	**(640)**
Adjustment to estimated operating costs	**(900)**
Balance March 31, 2017	**$ 24,899**

The Company's main office lease has a term of 15 years expiring in 2025. Excluding subleases, the commitment is approximately $161,000 per month for 2017 (including operating costs and property taxes). The annual square foot rate increases in 2018, 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 $71,000 per month for 2017 (including operating costs and property taxes). The annual square foot rate increases in 2018, 2020 and 2022. A portion of the current space is subleased on a month-to-month basis. Sublease payments totaling $11,700 per month are expected to be received for 2017.

March 31, 2017 (Tabular amounts in thousands, unless otherwise stated - Unaudited)

14. Related Parties

Transactions with key management personnel

Loans from directors and shareholders

As at March 31, 2017, 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 (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 four 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.

Key management personnel and director transactions

Directors and officers of the Company control approximately 36% percent of the voting 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 year. 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 three months ended Mar 31		**Balance due from (to) the related party as at Mar 31**	**Balance due from (to) the related party as at Dec 31**
Entity	**Transaction**	**2017**	**2016**	**2017**	**2016**
Director	Consulting fees and commissions[1]	**$ -**	$ -	**$ (182)**	**$ (182)**
Affiliate (Company owns 1/3)	Software and data license fees net of expense reimbursements [2]	**71**	69	**(256)**	**(208)**

(1) The Company pays seismic consulting fees to a company controlled by a director for the purposes of acquiring seismic data. The Company also pays this company commissions for providing seismic brokerage services. 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.

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, trade and other receivables and its financial liabilities primarily comprise accounts payables and debt.

Fair Value

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amount largely due to the short-term maturities of these instruments. The fair value of the term debt instruments approximate their carrying amount which has been measured at amortized cost using the effective interest rate method.

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.

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 March 31, 2017, 45% (December 31, 2016: 62%) of the Company's consolidated accounts receivables were due from two customers (December 31, 2016: two customers). All but a small portion of 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.

As a 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.

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

CORPORATE INFORMATION

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

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

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

CORPORATE SECRETARY
Faralee A. Chanin

STOCK EXCHANGE LISTING
TSX-V: DVT

REGISTRAR AND TRANSFER AGENT
CST Trust Company

AUDITORS
KPMG LLP

LEGAL COUNSEL
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