



PRESS RELEASE

DIVERGENT Energy Services Announces Release of Q2 Interim Results

Symbol (DVG: TSX-V)

CALGARY, ALBERTA – August 23, 2018. **DIVERGENT Energy Services Corp. ("Divergent" or the "Corporation")** has released its financial results for the three and six month periods ended June 30, 2018 and provides the following highlights.

Q2 2018 FINANCIAL AND OPERATING HIGHLIGHTS

For the three month period ended June 30, 2018 the Corporation recorded Adjusted EBITDA of \$2 as compared to a loss of \$707 in Q2 2017. G&A decreased 3% from the previous period of Q2 2017.

Select Financial Information for the three and six month periods ending June 30, 2018 is summarized as follows:

RESULTS OF OPERATIONS

Select Financial Information

(Unaudited)

Statement of Loss (summarized)

In United States Dollars, (000's)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue	\$2,021	\$2,140	\$3,951	\$4,303
Cost of sales	1,490	1,545	2,750	3,054
Gross profit	531	595	1,201	1,249
Selling, general and administrative expenses	681	699	1,355	1,500
Stock based compensation	23	69	52	110
	(704)	(768)	(1,407)	(1,610)
Results from operating activities	(173)	(173)	(134)	(361)
Net loss from continuing operations	(154)	(856)	(81)	(1,439)
Net loss per share continuing operations – Basic	(0.00)	(0.01)	(0.00)	(0.01)

Statement of Financial Position (summarized)

In United States Dollars, (000's)	June 30, 2018	December 31, 2017
ASSETS		
Current assets	\$2,555	\$2,797
Long-term assets	405	435
	<u>\$2,960</u>	<u>\$3,232</u>
Liabilities		
Liabilities	8,924	9,121
Shareholders' deficit	(5,964)	(5,889)
Liabilities and shareholders' deficit	<u>2,960</u>	<u>3,232</u>
Working capital ratio	0.54	0.51

The Corporation's complete set of June 30, 2018 financial statements and corresponding management's discussion and analysis have been filed on the SEDAR website at www.sedar.com and are also available on the Corporation's website at www.divergentenergyservices.com.

OUTLOOK

The Corporation's focus on increasing sales in our ESP division in Wyoming is getting traction and we have begun to generate sales from new clients. We anticipate sales with new clients to increase continually as we demonstrate our ability to deliver reliable products and outstanding service. The majority of our sales efforts are in Wyoming, with a smaller portion of time spent on clients in Colorado and Montana. Feedback from the sales team indicates a large number of smaller clients being dissatisfied with their current providers and motivated to try a new supplier. As our revenue stream grows and we are exposed to a wider array of wellbores and production rates, we anticipate needing to significantly increase the amount of inventory on hand. Nearly all the components for our motors and pumps are made overseas and are considered long lead time products meaning work can only be awarded if the product is already in stock domestically.

PRODUCT DEVELOPMENT

Active discussions are underway with two clients who are each interested in providing one wellbore to further evaluate the Linear Pump. The timing of the installations are not yet determined and are pending the selection of a suitable wellbore. The timeline to get back into a well and continue testing continues to extend beyond any timeline anticipated by management. The combination of weak oil pricing, reduced operating budgets, and a growing adversity to risk has kept many potential clients from approving a test despite their acceptance that the technology will save them money in the long run. Although oil prices have risen globally, that is not the case for Canadian crude and it is expected that Canadian producers may continue to demonstrate risk aversion to testing new technology until they return to profitability. Divergent's focus for expansion and ongoing testing has been

focused on the industry partner previously involved with testing and in the United States due to its oil industry demonstrating more resilience than Canada's.

The exclusivity agreement with the supplier of the linear motor has not been executed and has now lapsed. Divergent's CEO recently met with a larger motor manufacturer whose business model is substantially more focused on product development and the parties have begun working towards having Divergent as their business partner in North America. The nature and structure of the agreement is under discussion and updates will be provided as they become available. The change in suppliers is not expected to impact any upcoming installations.

The next round of testing will be focused on delivering results of extending operating time and proving out the cost reduction benefits of the pump:

- Reduced power consumption using a high efficiency electromagnetic motor vs surface lifting equipment (pump jack). Data from the 2016 and 2017 tests have been analyzed and calculations indicate potential savings of up to 33%.
- Operating cost reductions through reduced service rig interventions to repair worn and broken sucker rods.
- Capital cost reductions through reduced tubing wear caused by the reciprocating motion of the sucker rods.
- Increased production rates when installed lower in the well - a challenging installation for conventional rod pumps. The linear pump can be installed vertically, slant, or horizontal which allows for the pump to be placed lower in the well. The deeper a pump is installed, the lower the fluid level can be drawn down resulting in increased oil production.
- Reduced environmental impact with the elimination of surface lifting equipment.
- Lower carbon footprint with the reduction of steel used.

The Corporation's vision is to be a premier supplier of submersible pumping products that increase production while reducing costs and carbon footprint. Divergent's Technical Advisory Committee continues to evaluate emerging artificial lift technologies and make determinations on whether Divergent can capture the intellectual property. A number of opportunities currently are under review by the committee. The commercialization of the Linear Pump remains a primary focus as the product is complementary to our existing electric submersible pump business, and will provide oil and gas companies the opportunity to capitalize on the Linear Pump's many benefits while differentiating Divergent within a competitive and growing market. The Corporation's Technical Advisory Committee continues to evaluate emerging technologies.

ABOUT DIVERGENT ENERGY SERVICES CORP.

Headquartered in Calgary, Alberta, DIVERGENT Energy Services Corp. provides an array of Artificial Lift products and services that are used in the oil and gas industry. Products include Electromagnetic Pumps, Electric Submersible Pumps, and Electric Submersible Progressing Cavity Pumps.

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