



PRESS RELEASE

**DIVERGENT Energy Services Announces Release of Q1 Interim Results**

Symbol (DVG: TSX-V)

CALGARY, ALBERTA – May 19, 2017. **DIVERGENT Energy Services Corp. ("Divergent" or the "Corporation")** has released its financial results for the three months ended March 31, 2017 and provides the following highlights.

**Q1 2017 FINANCIAL AND OPERATING HIGHLIGHTS**

Gross margins increased to 33% from 21% year over year in the quarter and generated an increase in gross profit of 64%. The Corporation successfully installed a Linear Electromagnetic Submersible Pump on March 24, 2017 and the ongoing test has resulted in continuous operation and consistent performance.

Select Financial Information for the three month period ending March 31, 2017 can be summarized as follows:

**RESULTS OF OPERATIONS**

**Select Consolidated Financial Information**

**(Unaudited)**

(in 000's of USD \$ unless otherwise stated)

**Continuing Operations**

For the three months ended March 31,	2017	2016
Revenue	\$2,163	\$2,119
Cost of sales	(1,441)	(1,678)
Gross Profit	722	441
Selling and administrative expense	(869)	(768)
Product development	(205)	(178)
Stock based compensation	(41)	(46)
Net finance expense	(189)	(829)
	(1,304)	(1,776)
Loss from continuing operations	(582)	(1,335)
<b>Loss from discontinued operations</b>	<b>(80)</b>	<b>(864)</b>
Net loss for the period	(662)	(2,199)
Net loss per share – basic	(\$0.01)	(\$0.03)

## Select Consolidated Financial Information (Con't)

(Unaudited)

(in 000's of USD \$ unless otherwise stated)

	March 31, 2017	December 31, 2016
<b>Assets</b>		
Current assets	\$2,541	\$3,514
Long-term assets	449	386
	2,990	3,900
<b>Liabilities</b>		
Current liabilities	\$8,421	\$8,889
Long-term liabilities	2	4
	8,423	8,893
Shareholders' deficiency	(5,433)	(4,993)
	\$2,990	\$4,993
Working capital ratio	0.30	0.39

The Corporation's complete set of March 31, 2017 financial statements and corresponding management's discussion and analysis have been filed on the SEDAR website at [www.sedar.com](http://www.sedar.com) and are also available on the Corporation's website at [www.divergentenergyservices.com](http://www.divergentenergyservices.com).

## OUTLOOK

With over 50 days of operating time, the Linear Pump will attract new clients with different oil well types (depths and rates) that will validate numerous benefits:

- Operating cost reductions through reduced service rig interventions to repair worn and broken sucker rods.
- Reduced power consumption using a high efficiency electromagnetic motor vs surface lifting equipment (pump jack).
- 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.

Encouraged by the continued interest in the Linear Pump by industry participants, we believe the ongoing results of the current installation will help to create greater awareness and opportunity for commercialization. The factory currently has the capacity to produce approximately 100 electromagnetic motors per year by mostly manual means, with plans to automate the facility and be able to produce up to 3000 units per year. Pricing on the Linear Pump system is competitive to most rod pumping applications.

Following the doubling of sales in 2016, Divergent is well positioned to capitalize on improving demand for artificial lift services. The improved margins posted in Q1 2017 are expected to continue and will provide cashflow for the expansion of the business. In response to the increase in activity and improved pricing, management has begun planning for an expansion facility in Colorado to meet the rising demand for services. Future opportunities may include Kansas, Oklahoma, Texas, North Dakota, and Utah in the United States as well as Manitoba, Saskatchewan, Alberta and British Columbia in Canada.

The outlook for 2017 is as follows:

- Additional Linear Pump installations are expected in both Canada and the United States, with efforts focused on commercial sales now that the Linear Pump is demonstrating solid results.
- Formation of a Technical Advisory Committee comprised of subject matter experts that will provide additional guidance from design and fabrication to control systems and automation.
- Growing activity and revenue from ESP product sales in Wyoming and Colorado. Should the current demand trends continue and the corporation is able to secure proper expansion capital, the market conditions are conducive for a potential increase in activity of up to 50% over 2016 job counts. This increase would come from expanding the regions that we service and taking on market share from competitors.
- Divergent continues to be the largest provider of ESP products and services for CBM gas producers in the region, with a reputation for quality service that is creating demand from a growing list of clients in the oil well ESP market.
- Continue to attract highly skilled and motivated people who increase the depth of our service offering and enable us to grow our business, including the expansion of our service into Colorado.

The Corporation's vision is to be a premier supplier of submersible pumping products that increase production while reducing costs and carbon footprint. The commercialization of our Linear Pump is complementary to our existing electric submersible pump ("ESP") 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.

## **ABOUT THE PUMP**

The electromagnet motor duplicates rod pump movement without rod string or surface lifting equipment. All moving parts are contained within the submersible pump housing, eliminating rod and tubing wear, making the Pump ideally suited for landing in deviated or horizontal oil wells and as an alternative to conventional pump jack installations.

## **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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## **FORWARD LOOKING STATEMENTS**

*This press release contains forward-looking statements, including, without limitation, statements pertaining to the installation of additional hardware and the starting of the Pump. All statements included herein, other than statements of historical fact, are forward-looking information and such information involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. A description of assumptions used to develop such forward-looking information and a description of risk factors that may cause actual results to differ materially from forward-looking information can be found in the Corporation's disclosure documents on the SEDAR website at [www.sedar.com](http://www.sedar.com). Forward-looking statements are based on estimates and opinions of management of the Corporation at the time the information is presented. The Corporation may, as considered necessary in the circumstances, update or revise such forward-looking statements, whether as a result of new information, future events or otherwise, but the Corporation undertakes no obligation to update or revise any forward-looking statements, except as required by applicable securities laws.*

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