Divergent Energy Services Corp.

Management's Discussion and Analysis
For the three and nine month periods ended September 30, 2021

Dated: November 16, 2021

The following is Management's Discussion & Analysis ("MD&A") of the financial condition and results of Divergent Energy Services Corp. ("Divergent" or the "Company") for the three and nine months ended September 30, 2021 and has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting". The Corporation's significant accounting policies under International Financial Reporting Standards ("IFRS") are included in Note 4 to the audited annual December 31, 2020 consolidated financial statements, with the addition of policies as noted in the Q2 2020 Unaudited Interim Condensed Consolidated Financial Statements; both can be found on SEDAR at www.sedar.com. Unless otherwise noted, all financial information contained in this MD&A is expressed in thousands (000's) of United States Dollars.

This MD&A is management's assessment of the Company's operations and financial results, as well as management's view of future prospects. These assessments and views are based on certain assumptions related to future events which are uncertain. Statements related to assessments and views which are not statements of historical fact are considered to be forward-looking statements. For a discussion of the on the risks and uncertainties related to such information please refer to the "Forward-Looking Statements" at the end of this MD&A.

This MD&A is based on information available as of November 16, 2021 and was reviewed and approved by the Board of Directors on November 16, 2021.

OVERVIEW AND CORPORATE PROFILE

Divergent was incorporated under the Business Corporations Act on October 21, 1996 in the province of Alberta and is a publicly traded entity on the TSX Venture Exchange (TSX-V) under the symbol "DVG". The Company's head office is Suite 2020, 715 – 5 avenue SW, Calgary, Alberta, T2P 2X6.

The Company's business consists of one operating segment namely Artificial Lift Systems and its products are currently sold exclusively in the US. The Company offers normal and customary trade terms to its customers, no significant part of which is of an extended nature. Special inventory requirements are not necessary, and customer merchandise return rights do not extend beyond normal warranty provisions. The market for the Company's products is highly competitive.

Artificial Lift Systems ("ALS")

The ALS business provides electric submersible pumping products including the ongoing development of electromagnetic reciprocating submersible pump technology. Divergent currently services Wyoming and Colorado from its facility in Gillette, WY. There are two distinct product lines as follows:

- ***Electric Submersible Pump Systems ("ESP")***
  ESP products and services primarily target production operations in the oil and gas industry and are designed to lift large volumes of fluid from both oil and gas wells.

- ***Linear Electromagnetic Submersible Pump ("Linear Pump")***
  The Linear Pump, currently in development stage, uses permanent magnet motor technology that duplicates conventional rod pump movement without rod strings or surface lifting equipment. The Linear Pump is installed similar to an ESP at the bottom of the well on production tubing with electric cable running to surface. Development of this product line has been placed on hold since mid-2019 while the manufacturer of the system is performing its own ongoing tests.

Going Concern

The condensed consolidated interim financial statements have been prepared on a going concern basis which 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 rather than through a process of forced liquidation. The consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, revenues, expenses and financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

At September 30, 2021 the Company had a positive working capital of $166 and shareholders deficit of $2,150. During the three and nine months ended September 30, 2021, the Company generated a net income of $564 and income of $2,503 respectively, and generated cash from operations of $223 and $932 for the three and nine months ended September 30, 2021, respectively. Approximately 94% of the Company's sales were attributable to one customer.

These circumstances and material industry uncertainties cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expenses and the statement of financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Impact of COVID-19

The extent to which COVID-19 continues to impact the general business environment and the potential impact this has on Divergent's results are highly uncertain and cannot be predicted. COVID-19 may impact the measurement of fair value for certain financial statement items, however, whether an adjustment is required depends on the timing of the impact to an item's fair value. The Company tests its non-financial assets for recoverability whenever events or changes in circumstances indicate that a non-financial asset's carrying amount may not be recoverable.

EXECUTIVE SUMMARY

Divergent successfully completed its financial restructuring early in the first quarter of 2021, bringing the Company back to positive working capital at the end of the first quarter. The third quarter of 2021 also saw an improvement in working capital largely driven by the forgiveness of the Paycheck Protection Program loan. Quarterly revenue continues to be better than the prior year as our customers have benefited from improved prices for oil and natural gas, and the return to standard business operations following a year of Covid restrictions, both of which have allowed them to bring more wells back into production. While overall operating performance continued to improve throughout the first nine months of the year, increases in input costs related to both products and supply chain, are causing volatility in margins as management finds creative solutions to these challenges

(All figures in '000's of US dollars except number of shares and per share data, unless otherwise stated)

Selected Financial Highlights

The following table provides a brief summary of the Company's financial results for the quarter ended September 30. For more detailed information, refer to the Company's unaudited interim condensed consolidated financial statements.

	Q3 2021	Q3 2020	Q3 2019
Revenue	**2,185**	743	2,268
Net (loss) income	**564**	(86)	14
Per share – basic and dilutive	**0.02**	-	-
Total assets	**2,712**	2,046	3,294
Total non-current financial liabilities	**3,001**	5,945	4,344
Total shares outstanding	**33,004,912**	17,180,570	12,006,261

Overall analysis of financial operations

A significant majority of the Company's sales are generated from one customer which is focused on producing renewable natural gas from coal bed methane ("CBM") wells in the Powder River Basin. The level of activity with this customer increased in the third quarter to levels above all previous quarters since the Company was awarded the contract in 2017. Activity levels have been relatively consistent over the three years prior to the impacts of COVID, which negatively affected the economics of their wells during most of 2020. The price reductions for products and services experienced during 2020 have not yet been fully recovered, and the Company maintains a diligent focus on cost reduction and optimization. The Company also continues to focus on drawing down inventories on hand and refurbishing certain equipment thereby extending the useful lives of equipment sold to customers.

OUTLOOK

The continuous strength in oil and gas commodity prices are expected to increase submersible pump sales across the United States for at least the next 12 months as customers utilize commodity price hedges to ensure revenue certainty. Both commodity markets demonstrated strong pricing increases over the past 12 months, which is forecasted to continue well into 2022. The amount of work available for the Company over the next twelve months is dependent on the continued strength in commodity prices and in turn how each client makes its internal decisions for the allocation of its capital, be it improving its balance sheet by way of paying down debt or increasing production through investment in field operations.

The Company's largest client has indicated that it intends to continue its coal-bed methane workover program for the next 12 months at a pace similar to that experienced during Q3 2021, barring potential weather-related disruptions and assuming commodity prices continue on their current trend. While rig counts are increasing in Wyoming, our oil customers who use ESPs have not yet committed to making investments in their field operations despite their improved balance sheet positions.

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In the ongoing COVID-19 pandemic, the Company continues to maintain its health and safety protocols, working from home when necessary and where practical, and actively monitoring the health of our employees.

OPERATING RESULTS:

Revenue, cost of sales and gross profit

	Three months ended September 30,		Variance	
	2021	**2020**	**$**	**%**
Revenue	**$2,185**	$743	1,442	194
Cost of sales [1]	**(1,557)**	(599)	(958)	160
Provision for slow moving inventory	**21**	289	(268)	(93)
	(1,536)	(310)	(1,226)	395
Gross profit	**649**	433	216	50
Gross margin (excluding inventory provision)[1]	**29%**	19%		

	Nine months ended September 30,		Variance	
	2021	**2020**	**$**	**%**
Revenue	**$5,897**	$2,885	3,012	104
Cost of sales [1]	**(4,518)**	(2,301)	(2,217)	96
Provision for slow moving inventory	**181**	94	87	93
	(4,337)	(2,207)	(2,130)	97
Gross profit	**$1,560**	$678	882	130
Gross margin (excluding inventory provision)	**23%**	20%		

[1] depreciation, amortization and finance costs associated with field operating activities have been reclassified to cost of goods sold to be consistent with the current year disclosure of these expenses

Revenue

The Company's revenue is reliant on industry activity within its operating region, demand for its specific products, and market prices for oil and gas that dictate our customers' operating budgets. The prices for oil and gas are subject to global and domestic influence and cannot be reliably predicted. Beyond volumes hedged, our clients' operating budgets are adjusted throughout the year based on how the actual prices deviate from their price assumptions. The demand for services is relatively consistent throughout the year from CBM customers as their production requires constant water pumping to maintain the value of the field, although activity levels may vary depending on severe weather or national holidays. Clients replace ESPs on an as needed basis and these replacements are contingent on client's internal budgets. The overall industry demand is not seasonal.

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Prices on a per job basis were consistent with Q3 2020, with revenues in Q3 2021 exceeding Q3 2020 by 194% due to Q3 2020 having been dramatically impacted by the onset of the COVID pandemic and its negative affect on the business environment.

The overall client mix in Q3 2021 was generally consistent with Q2 2021 with approximately 94% of revenue attributable to one client during both quarters. The Company's oil customers in Wyoming and Colorado have not resumed any drilling activity to increase production and are focused on maintaining existing production.

Cost of Sales

The Company experienced slightly lower cost of goods sold as a percentage of sales during Q3 2021 compared to Q3 2020, mostly attributable to the type and source of equipment used in its downhole pumps. The logistics and supply chain issues currently being experienced globally have meant that the Company has had to source alternative pumps and parts to meet the customers demand for services. By the end of the third quarter the Company was experiencing increased product costs due to the rise in steel prices and increased shipping costs. The Company also continues to implement and refine initiatives to reduce both fixed and variable costs and ensure its structure is streamlined and efficient.

Gross Profit and Margins

Despite the historic challenges with fluctuating natural gas prices, the Company remains confident in the long-term viability of the Powder River Basin CBM field and its ability to effectively service its major client. In respect to oil clients' activity, where the Company normally achieves higher revenues per job and higher margins due to the nature of the work, the volume of business has been below expectations in Q3 2021 as many of the customers within the Company's operating region remain cautious about expenditures despite strong oil prices.

Gross profit during Q3 2021 was increased by a $21 reversal of a previous provision for slow moving and obsolete inventory, as the Company utilized such inventory in its Q3 operations. Excluding this inventory provision and a change in cost allocation in 2020 which resulted in certain costs previously categorized as general and administration being as costs of goods sold, the gross margin for Q3 2021 was 29% (Q3 2020 was 19%).

General and administration

	Three months ended September 30,		**Variance**	
	2021	**2020**	**$**	**%**
Salaries, benefits and employee costs	**$230**	$202	28	14
Director fees	**9**	9	-	-
Consultants and contractors	**31**	14	17	121
Office, insurance, warehouse and shop (1)	**29**	155	(126)	(82)
Corporate and public company	**5**	7	(2)	(28)
Travel and accommodation	**3**	1	2	247
Professional, legal & advisory	**40**	29	11	38
Business development	**23**	-	23	100
	$371	$416		

(1) Certain general and administration costs have been included in cost of sales for 2021.

(All figures in '000's of US dollars except number of shares and per share data, unless otherwise stated)

	Nine months ended September 30,		Variance	
	2021	**2020**	**$**	**%**
Salaries, benefits and employee costs	**$654**	$639	15	2
Severance and termination obligations	**-**	264	(264)	(100)
Director fees	**38**	37	1	4
Consultants and contractors	**138**	76	62	81
Office, insurance, warehouse and shop	**206**	305	(99)	(33)
Corporate and public company	**56**	23	33	144
Travel and accommodation	**5**	6	(1)	(9)
Professional, legal & advisory	**93**	128	(35)	(27)
Business development	**23**	-	23	100
	$1,214	$1,478		

During the first quarter of 2020, several staff changes took place in the corporate office, including the replacement of the Chief Financial Officer of the Company at a one-time settlement cost of $246 (CAD $330) plus statutory amounts under Alberta Law.

Finance (expense) income

	Three months ended September 30,	
	2021	**2020**
Interest expense on debentures	**($28)**	($108)
Accretion of debentures	**(19)**	(34)
Interest on promissory notes	**(60)**	(50)
Accretion of promissory notes	**(44)**	267
Forgiveness of PPP	**226**	-
Interest expense on government loans	**(1)**	-
Accretion of government loans	**3**	-
Lease finance expense	**(2)**	(2)
Interest expense on related party loans	**-**	(1)
Foreign exchange gain (loss)	**225**	(219)
Net finance income	**$300**	($147)

A foreign exchange gain of $225 was recorded in Q3 2021 compared to a loss of $219 during Q3 2020. Foreign exchange (losses) gains relate to foreign currency translation of certain balances and inter-company amounts associated with the Company's wholly owned foreign subsidiaries pursuant to IAS 21. A substantial portion of these gains and losses is offset by the recording of loss $218 during the quarter (Q3 2020 – gain of $121) of Other Comprehensive Income.

Commitments, events, risks and uncertainties

As of the date of issuing this MD&A the oil and gas market continues to deal with the uncertainty of the COVID-19 pandemic, the emergence of certain variants, and the possible impacts on the general business environment such as international trade, transportation, movement of people and goods, and cost of doing business. The Company continues to monitor the impact of the COVID-19 pandemic and take the necessary steps to reduce the risk to the Company's operations.

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Capital spending

The Company does not have any active capital development projects ongoing and does not have any significant planned capital spending on development projects during 2021.

Adjusted EBITDA

The Company monitors earnings before interest, taxes, depreciation and amortization ("EBITDA") as a measure of cash flow available to the Company to both repay historic debt and grow the business. EBITDA is adjusted to eliminate one-time non-cash items included in earnings. EBITDA is a non-GAAP measure. A reconciliation of net loss disclosed in the Condensed Consolidated Statements of Net Loss and Comprehensive Loss to Adjusted EBITDA is set out in the following table:

	Three months ended September 30,		**Nine months ended September 30,**	
	2021	**2020**	**2021**	**2020**
Net Income (loss)	**$564**	($86)	**$2,503**	($760)
Deduct:				
Finance income (expense)	**300**	(147)	**2,183**	66
Stock based compensation	**(12)**	(1)	**(19)**	(9)
Depreciation and amortization	**(53)**	(81)	**(159)**	(251)
Provision for slow moving inventory	**21**	289	**181**	94
Lease finance expense included in COS	**-**	(16)	**(40)**	(49)
Adjusted EBITDA	**$308**	($130)	**$357**	($611)

SUMMARY OF QUARTERLY RESULTS

The following table summarizes key financial and operating information prepared in accordance with IFRS for the three months ended:

	Q3 2021	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**	**Q4 2019**
Revenue	$2,185	$1,991	$1,721	$1,447	$743	$378	$1,764	$2,274
Net income (loss)	564	(308)	2,247	889	(86)	(866)	192	(1,417)
Net income (loss) per share								
Basic – per share	0.02	($0.01)	$0.08	$0.05	$-	($0.01)	$-	($0.02)
Diluted – per share	0.02	($0.01)	$0.08	$0.05	$-	($0.01)	$-	($0.02)
Adjusted EBITDA	$308	($13)	$62	$195	($130)	($201)	($264)	$508

OUTSTANDING SECURITIES

The Company is authorized to issue an unlimited number of voting common shares.

At the special meeting of shareholders held on December 28, 2020 shareholders approved the Debenture Conversion and approved consolidation of the common shares of the Company on the basis of one (1) post-consolidation share for up to every ten (10) pre-consolidation shares outstanding ("Share Consolidation"). Approval of these transactions were subject to final approval by the TSXV which was received on January 19, 2021. The Company's common shares commenced trading on the exchange on a post-consolidation basis at the open of the market on January 19, 2021.

Following the Share Consolidation, the total number of issued and outstanding common shares was 18,629,912. An additional 14,375,000 (post-consolidation) common shares were issued on January 20, 2021 on the Debenture Conversion which are subject to a four month hold period before being fully tradable.

As at the date of this MD&A, the Company has 33,004,912 common shares issued and outstanding, 2,777,000 options and 3,450,000 warrants.

Warrants

On January 21, 2021, the Company issued 2,875,000 post-consolidation common share purchase warrants, exercisable at CAD $0.30 (post-consolidation) and expiring January 21, 2023. Utilizing the Black Scholes valuation model, the additional value calculated and attributed to these newly issued share purchase warrants was $99 (CAD $125).

On January 1, 2018, the Company issued 575,000 (5,750,000 pre-consolidation) common share purchase warrants, exercisable at CAD $1.30 (post-consolidation) and expiring December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash balances of $447 and $63 as at September 30, 2021 and December 31, 2020 respectively.

Cash generated from operating activities was $462 during Q3 2021 compared to $28 during Q3 2020. The changes in non-cash working capital items include a decrease in prepaid expenses, deposits and advances of $93, an increase in trade receivables of $51, an increase in inventories, prior to the current year provision reversal for slow moving inventory, of $36, a decrease in accounts payable and accrued liabilities of $246 and an increase in interest payable of $17.

During the third quarter of 2021, the Company's primary customer maintained payment terms of sales invoices from Divergent at approximately 45 days.

The Company has an accumulated deficit of $26,693 at September 30, 2021 and has experienced a history of losses. During Q3 2021, the Company generated net income of $564 and has positive working capital at September 30, 2021 of $166. The Company is in compliance with all of the covenants of the indenture agreements relating to the debentures at the date of this MD&A.

At December 31, 2020, the Company had debentures payable with a face value of $4,516 (CAD $5,750) which were to mature on December 31, 2021. On December 11, 2020, the Company received approval from the debenture holders to convert 75% of the principal amount outstanding, CAD $4,313, into common shares of the Company on a one-time pro-rata basis at the price of CAD $0.30 (post-consolidation) per common share (the "Debenture Conversion") and extend the maturity date of the remaining 25% of the principal amount outstanding, $1,143 (CAD $1,437), to December 31, 2025. On January 19, 2021 the Company received TSXV approval, and the Debenture Conversion took place on January 20, 2021.

On January 19, 2021, the Company received approval from the TSXV to issue 14,375,000 (post-consolidation) common shares on the conversion of the CAD $4,313 face value of debentures into common stock of the Company at a price of CAD $0.30 (post-consolidation). The Debenture Settlement took place on January 20, 2021.

On January 20, 2021, the Company executed the 5th supplemental indenture agreement extending the maturity date of $1,129 (CAD $1,437) of the debentures from December 31, 2021 to December 31, 2025. As consideration for the extending the maturity date of the debentures, the Company issued two (2) warrants, each having an exercise price of CAD $0.30 (post-consolidation) and a term of two (2) years, for every dollar value of the principal amount of the debentures being extended resulting in the issue of 2,875,000 new warrants.

At September 30, 2021, the Company has Canadian Dollar denominated debentures outstanding of CAD $1,437 (December 31, 2020 – CAD $5,750) with an equivalent face value of $1,128 at the September 30, 2021 exchange rate (December 31, 2020 - $4,516). The debentures bear interest at 10% per annum, are secured by a trust indenture and a general security agreement over all of the assets of the Company and mature on December 31, 2025. Pursuant to the second supplemental indenture, the Company has the option to pay the debenture interest in either cash or common shares up to and including at the maturity of the debentures on December 31, 2025.

The holders of the debenture have cooperated with a number of amendments to the terms of the indenture which have allowed the Company time to continue its efforts to grow and generate sufficient cash flow to pay the interest and the principal. During Q2 2021, the Company made payment of debenture interest in cash. During the prior year, the Company elected to satisfy the interest payments with shares of the Corporation in accordance with the terms of the indenture.

WORKING CAPITAL ANALYSIS

Inventory

The Company sells goods and services to two distinctly different customers groups:

a) CBM clients. The Company's primary customer operates CBM gas wells so a majority of the inventory on hand, at any given time, is for ultimate delivery/sale to this customer and is suited to their wells. The CBM inventory is primarily supplied by one vendor who warehouses product in sufficient quantities to meet the Company's objectives, and who works closely with the Company's local management to identify monthly replenishment orders, which come from overseas with delivery times of 90 – 150 days.

b) Oil and gas clients. The Company's expansion strategy targets new non-CBM focused customers operating in geographic areas adjacent to the current service area. Product requirements vary from well to well and from basin to basin. The Company has a limited range of inventory for this type of work as compared to its CBM inventory. Opportunities are accepted or declined based whether the Company has access to the specific product required. ESP products used in oil and gas are typically manufactured overseas and require 90 – 150 days for delivery, and since this type of work is awarded with minimal notice, the Company would decline work if it did not have the product inventory or could not source it from competitors (noting it is not unusual in the industry for products to move between competitors at a premium).

During Q3 2021, the value of inventory on hand, before provisions, decreased from $1,862 at December 31, 2020 to $1,104 at September 30, 2021. The provision for slow moving inventory was reduced by $181 during the first nine months of 2021 to $420 from $601 at year end. The increased level of activity during the quarter and a focus on utilizing inventory on hand led to the decrease.

(All figures in '000's of US dollars except number of shares and per share data, unless otherwise stated)

Trade receivables

At the end of 2020 payment terms were significantly improved (reduced) to approximately 30-45 days as customers have experienced significant improvements in pricing for their oil and natural gas. Throughout Q3 2021 the main customer maintained its payment terms at effectively 45 days. As industry conditions improve, the Company expects payment terms to remain at approximately 45 days. All invoiced revenue is not in dispute and the Company is confident payments will continue to be made over an extended period of time with minimal risk of loss. During the third quarter of 2021, the Company reversed an allowance for bad debt expense of $27 as the receivable was collected in full.

Accounts payable

The Company has been working closely with its main supplier of CBM equipment to extend terms of payment to coincide with collection of the Company's receivables.

CONTRACTUAL OBLIGATIONS AT SEPTEMBER 30, 2021

	Less than three months	Three months to one year	Beyond one year	Total
Accounts payable and accrued liabilities	$926	$150	$-	$1,076
Lease obligations	48	117	357	522
Interest payable	23	152	-	175
Government loans	-	-	25	25
Promissory notes	100	350	1,985	2,435
Debentures	-	-	629	629
	$1,045	$769	$2,996	$4,862

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Transactions and balances with related parties were in the normal course of operations and measured at fair value. Related parties include members of the board of directors and executive management.

Certain directors and officers of the Company have provided debentures to the Company which are denominated in Canadian Dollars. At September 30, 2021, the CAD $1,437 face value of the debentures includes $270 (CAD $344) (December 31, 2020 - $1,081 [CAD $1,377]) due to directors and officers of the Company.

(All figures in '000's of US dollars except number of shares and per share data, unless otherwise stated)

	Carrying value	Face value (1)	Face value (CAD $)
Debentures payable at December 31, 2020	$1,043	$1,081	$1,377
Conversion of debentures to equity	**(788)**	**(816)**	**(1,033)**
Cost of restructuring	**(26)**	**-**	**-**
Gain on debenture extension	**(100)**	**-**	**-**
Accretion	**45**	**-**	**-**
Effect of movements in exchange rates	**(23)**	**5**	**-**
Debentures payable at September 30, 2021	**$151**	**$270**	**$344**

Interest accrues at 10% per annum. All interest expense incurred during the third quarter of 2021 was paid in cash during the quarter.

At September 30, 2021, accounts payable and accrued liabilities includes $150 (December 31, 2020 - $126) owing to directors and officers of the Company relating to accrued compensation.

CONTINGENCIES

From time to time, the Company is subject to legal proceedings, assessments and claims in the ordinary course of business. At this time, in the opinion of management, there are no ongoing matters.

BUSINESS RISKS AND UNCERTAINTIES

Divergent faces a number of risks that could cause our actual results to differ materially from those disclosed in this MD&A (See note regarding "Forward-Looking Statements"). Investors and the public should carefully consider our business risks, other uncertainties and potential events as well as the inherent uncertainty of forward-looking statements when making investment decisions with respect to Divergent. Additional risks and uncertainties not presently known to the Company or that it currently deems immaterial may also adversely affect the Company's business and operations. Refer to Note 25 of the 2020 consolidated financial statements for a detail analysis of risks.

CAPITAL MANAGEMENT

The Company's objective when managing its capital is to strike a balance between maintaining investor, creditor and market confidence while sustaining future development of the Company. Capital, which the Company defines as its share capital and debt, is monitored to ensure the Company's ability to service its debt. For the purposes of this calculation, debt includes current and long-term portions of borrowed funds, including debentures.

The Company's existing debt agreements do not require maintenance of any financial ratios. There were no changes to the Company's approach to capital management during the three and nine months ended September 30, 2021. The Company is not subjected to any internally or externally imposed capital requirements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepares its interim condensed consolidated financial statements in accordance with IFRS. In preparing its financial statements, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience and various other assumptions believed to be reasonable at the time and under the circumstances in existence when the financial statements were prepared. Anticipating future events cannot be done with certainty; therefore, these estimates may change as new events occur, more experience is acquired or the Company's operating environment changes. More detailed information regarding the accounting estimates believed by management to require the most difficult, subjective or complex judgments and which are material to the Company's financial reporting results are discussed in the Company's consolidated financial statements for the year ended December 31, 2020.

FINANCIAL AND OTHER INSTRUMENTS

Recognition and measurement

Financial instruments are any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are recognized initially at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table lists the Company's financial instruments and its category of method of measurement subsequent to initial recognition:

Cash	Fair value
Trade receivables	Amortized cost
Inventories	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Related party loans	Amortized cost
Lease liability obligations	Amortized cost
Debentures	Amortized cost

Impairment

Financial assets classified as measured at amortized cost reflect the Company's assessment of expected credit losses ("ECL"). ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. Expectations reflect historical credit losses, adjusted for forward looking factors.

The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition of the asset. If there has not been a significant increase in credit risk, the ECL provision is based on expectations for the next twelve months. If there has been a significant increase in credit risk, the provision is based on expectations for the remaining lifetime of the asset.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" or "forward-looking information" within the meaning of the applicable securities legislation (collectively, "forward-looking statements"). These statements relate to management's expectations about future events, results of operations and the Company's future performance (both operational and financial) and business prospects. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements can be identified by words such as: "anticipate," "intend," "contemplate," "continue," "propose," "predict," "plan," "goal," "seek," "believe," "project," "forecast," "pursue," "potential," "objective," "estimate," "expect," "strategy," "future," "likely," "might," "may," "shall," "should," "could," "will," "capable," and similar references to future periods. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. Unless otherwise indicated, these statements speak only as of the date of this MD&A. In addition, this MD&A may contain forward-looking statements and forward-looking information attributed to third-party industry sources.

In particular, this MD&A contains the following forward-looking statements pertaining to, without limitation, the following: the Company's future business operations and activities and the timing thereof; the future liquidity and financial capacity of the Company; and its ability to fund its working capital and corporate development opportunities.

With respect to the forward-looking statements contained in this MD&A, the Company has made assumptions regarding: the ability to raise capital; the continued availability of capital; the ability to obtain financing on acceptable terms; Divergent's ability to successfully execute its plans and intentions including its ability to identify and acquire or participate in future business opportunities.

The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors. For a detailed discussion of the risk factors, please see heading "Risks and Uncertainties". Readers are cautioned that the list of risk factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The forward-looking statements contained in this document speak only as of the date of this document and the Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

CORPORATE INFORMATION – *as at November 16, 2021*

DIRECTORS AND OFFICERS

Kenneth Bagan (1) (2) (3) (5)
Director

Cameron Barton (2)
Executive Chairman of the Board

Don Luft (2)(4)
Director

Rob Riecken (1) (3) (4)
Director

Geoff Bury(1) (3)
Director

Ken Berg (4)
Chief Executive Officer, President, Director

Ken Olson
Chief Financial Officer

(1) Member of the Audit Committee, Mr. Bury is Chairman
(2) Member of the Governance and Nominating Committee, Mr. Bagan is Chairman
(3) Member of the HR and Compensation Committee, Mr. Riecken is Chairman
(4) Member of the Health, Safety and Environment Committee, Mr. Luft is Chairman.
(5) Mr. Bagan is Lead Director

All members of the Board of Directors are independent with the exception of Mr. Berg and Mr. Barton.

CORPORATE OFFICE

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BANK

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Wells Fargo
Gillette, Wyoming, USA

LEGAL COUNSEL

Burstall LLP
Calgary, Alberta, Canada

AUDITORS

MNP LLP
Calgary, Alberta, Canada

STOCK EXCHANGE

TSX Venture
Calgary, Alberta. Canada

TRANSFER AGENT AND REGISTRAR

Computershare
Calgary, Alberta, Canada