



Unaudited Condensed Consolidated Interim Financial Statements

Divergent Energy Services Corp.

As at September 30, 2023

and for the three and nine month periods ended September 30, 2023 and 2022

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Divergent Energy Services Corp. have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Divergent Energy Services Corp.

Unaudited Condensed Consolidated Interim Statements of Financial Position

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

	Note	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Current assets			
Cash		\$157	\$556
Prepaid expenses, deposits and advances		141	134
Trade receivables		2,057	1,114
Inventories	5	742	680
		3,097	2,484
Non-current assets			
Property and equipment		217	171
Right-of-use assets		322	457
Total Assets		\$3,636	\$3,112
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$2,032	\$1,566
Current portion of lease obligations		144	168
Interest payable		214	132
Promissory notes	6	672	457
		3,062	2,323
Non-current liabilities			
Lease obligations		151	257
Promissory notes	6	1,466	1,726
Debentures	7	849	702
Government loan	8	33	30
Total Liabilities		\$5,561	\$5,038
SHAREHOLDERS' DEFICIT			
Share capital	9	\$19,613	\$19,613
Contributed surplus		6,138	6,016
Warrants	10	-	99
Accumulated other comprehensive loss		(1,463)	(1,429)
Accumulated deficit		(26,213)	(26,225)
Total Shareholders' Deficit		(\$1,925)	(\$1,926)
Total Liabilities and Shareholders' Deficit		\$3,636	\$3,112
GOING CONCERN	2		
RELATED PARTIES	15		

Approved by the Board of Directors: *Signed "Cameron Barton", Executive Chairman* *Signed "Ken Berg", Director, CEO*

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

Divergent Energy Services Corp.

Unaudited Condensed Consolidated Interim Statements of Net Income (Loss) and Comprehensive Income (Loss)

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Revenue		\$1,828	\$3,712	\$6,810	\$9,470
Cost of sales	14	(1,422)	(3,149)	(5,121)	(7,518)
Provision reversal for slow moving inventory	5	146	-	346	-
Gross profit		552	563	2,035	1,952
General and administration		(482)	(419)	(1,643)	(1,216)
Depreciation and amortization	14	(2)	(1)	(6)	(7)
Share-based compensation	11	(5)	(10)	(23)	(35)
Results from operating activities		63	133	363	694
Finance (expense) income	13	59	445	(351)	289
Net income		122	578	12	983
Other comprehensive loss being foreign exchange gains and losses		(177)	(559)	(34)	(700)
Total comprehensive (loss) income for the period		(\$55)	\$19	(\$22)	\$283
Income per share					
Net income – basic and dilutive	12	\$0.00	\$0.01	\$0.00	\$0.03

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

Divergent Energy Services Corp.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Deficit

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

	Note	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive (loss)/income	Accumulated deficit	Total shareholders' deficit
Balance at December 31, 2021		33,004,912	\$19,613	\$99	\$5,972	(\$1,018)	(\$26,786)	(\$2,120)
Share-based compensation	11		-	-	35	-	-	35
Net income for the period			-	-	-	-	983	983
Other comprehensive loss			-	-	-	(700)	-	(700)
Balance at September 30, 2022		33,004,912	\$19,613	\$99	\$6,007	(\$1,718)	(\$25,803)	(\$1,802)
Balance at December 31, 2022		33,004,912	\$19,613	\$99	\$6,016	(\$1,429)	(\$26,225)	(\$1,926)
Share-based compensation	11		-	-	23	-	-	23
Expiration of warrants	10		-	(99)	99	-	-	-
Net income for the period			-	-	-	-	12	12
Other comprehensive loss			-	-	-	(34)	-	(34)
Balance at September 30, 2023		33,004,912	\$19,613	\$-	\$6,138	(\$1,463)	(\$26,213)	(\$1,925)

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

Divergent Energy Services Corp.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
OPERATING ACTIVITIES					
Net income from continuing operations		\$122	\$578	\$12	\$983
Adjustments for:					
Amortization of right-of-use assets	14	44	42	133	124
Depreciation and amortization of property and equipment	14	16	10	36	29
Interest expense	6,7,8	77	82	213	252
Share-based compensation	11	5	10	23	35
Accretion on debentures	7	27	24	77	70
Provision for slow moving inventory	5	(146)	-	(346)	-
Accretion of promissory notes	6	36	41	113	124
Accretion of government loans	8	1	1	3	3
Provision for expected credit losses		(26)	-	-	-
Loss on sale of property and equipment		-	-	-	(8)
Lease finance expense	14	29	27	81	75
Foreign exchange		(203)	(691)	(47)	(772)
Changes in non-cash working capital	17	(12)	300	(200)	(190)
Net cash (used) generated from operating activities		(30)	424	98	763
INVESTING ACTIVITIES					
Purchase of property and equipment		-	-	-	(55)
Net cash generated from investing activities		-	-	-	(55)
FINANCING ACTIVITIES					
Payments towards lease obligations		(70)	(57)	(210)	(186)
Interest payments on debentures	7	(27)	(28)	(80)	(84)
Interest paid on government loan		(2)	-	(5)	-
Principal payments on promissory notes	6	(25)	(80)	(140)	(180)
Interest paid on promissory notes	6	-	(26)	(62)	(200)
Net cash used in financing activities		(124)	(191)	(497)	(650)
Net change in cash		(154)	233	(399)	58
Cash, beginning of period		311	432	556	607
Cash, end of period		\$157	\$665	\$157	\$665

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

Divergent Energy Services Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

1. NATURE OF BUSINESS

Divergent Energy Services Corp. is a Canadian legal entity with its head office located at 2020, 715 - 5 Avenue SW, Calgary, AB, T2P 2X6. These unaudited condensed consolidated interim financial statements of the Company as at and for the three and nine month periods ended September 30, 2023 comprise the Company and its wholly owned foreign subsidiaries (collectively, "Divergent" or "Company"). The Company is in the business of providing artificial lift products and services to its clients in the oil and gas industry in the Northern Mountain States in the United States, more specifically Wyoming and Colorado.

2. GOING CONCERN

These unaudited 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. These condensed consolidated interim 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 and commitments as a going concern in the normal course of operations. Such adjustments could be material.

At September 30, 2023, the Company had a positive working capital of \$36 and shareholders' deficit of \$1,924. During the three and nine months ended September 30, 2023 the Company generated a net income of \$122 and \$13 respectively, and used cash from operations of \$31 and generated cash from operations of \$96 for the three and nine months ended September 30, 2023, respectively. Approximately 80% of the Company's sales are attributable to one customer which according to the public record, the customer is undergoing a restructuring process. These circumstances and material industry uncertainties cast significant doubt on the Company's ability to continue as a going concern.

3. BASIS OF PRESENTATION

Statement of compliance

These unaudited condensed consolidated interim financial statements are prepared in accordance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, these condensed consolidated interim financial statements do not include all of the information and footnotes required by the International Financial Reporting Standards ("IFRS") for complete financial statements and should be read in conjunction with the December 31, 2022 audited annual consolidated financial statements.

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2022. These unaudited condensed consolidated interim financial statements have been prepared following the same accounting policies as the annual audited consolidated financial statements for the year ended December 31, 2022 and should be read in conjunction with those annual audited financial statements and the notes thereto.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on November 28, 2023 and have not been reviewed by the Company's auditors. The disclosures provided below are incremental to those included in the 2022 annual audited consolidated financial statements.

Divergent Energy Services Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except where otherwise specified.

Presentation and functional currency

These condensed consolidated interim financial statements are presented in US dollars.

The functional currency of the parent is the Canadian dollar, and the functional currency of the Company's subsidiaries is the US dollar. All financial information presented in US dollars has been rounded to the nearest thousand except for per share amounts.

Basis of consolidation

Subsidiaries are entities controlled by the Company and the financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. Intra-Company balances and transactions, and any unrealized income and expenses arising from intra-Company transactions, are eliminated in preparing the condensed consolidated interim financial statements. The following legal entities are within the Divergent group of companies as at September 30, 2023:

Legal entity	Incorporation date	Jurisdiction of incorporation	Percent ownership	Functional /reporting currency	Type of entity
American Oilfield Solutions Corp. ("AOSC")	December 19, 2012	USA	100%	US Dollar	Holding Company - Active
Extreme Pump Solutions, LLC ("EPSL")	October 21, 1996	USA	100%	US Dollar	Operational Company - Active
Flextek Oilfield Supply, LLC ("FOSL")	July 31, 2000	USA	100%	US Dollar	Inactive – dormant
Karlington Artificial Lift, LLC ("KALL")	September 7, 2005	USA	100%	US Dollar	Inactive – dormant

4. SIGNIFICANT ACCOUNTING POLICIES

New accounting standards not yet effective

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after September 30, 2023. There are currently no such pronouncements that are expected to have a significant impact on the Company's unaudited condensed consolidated interim financial statements upon adoption.

5. INVENTORIES

For the three and nine months ended September 30, 2023 a provision reversal of \$146 and \$346 respectively (September 30, 2022 – provision of \$nil and \$nil respectively) was recorded to adjust the carrying amount of inventories to their estimated net realizable value. The cumulative provision included in inventories at September 30, 2023 is \$nil (December 31, 2022 - \$460).

Divergent Energy Services Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

6. PROMISSORY NOTES

The Company has the following notes outstanding to equipment suppliers. The carrying value of the notes is determined by discounting the anticipated future cash flow impact of the note using an effective interest rate of 17% which approximates the Company's cost of capital at the date of entering into these agreements.

- i) Subordinated, secured promissory note with quarterly principal and interest payments which accelerate over the term of the loan. This note was renegotiated during Q2 2023, to a 6.25-year term, maturing on September 30, 2026, maintaining an interest rate of 10% per annum. For the three and nine months ended September 30, 2023, interest expense recorded on the promissory note was \$35 and \$90 respectively (for the three and nine months ended September 30, 2022 – \$38 and \$121 respectively). Interest payable at September 30, 2023 was \$188 (December 31, 2022 - \$132).

	Face Value	Carrying Value
Promissory note payable at December 31, 2022	\$1,425	\$1,295
Change due to negotiation of note terms	-	22
Principle payments	-	(75)
Accretion	-	45
Promissory note payable at September 30, 2023	\$1,425	\$1,287
Current portion		\$339
Long-term portion		\$948

- ii) Unsecured promissory note with quarterly principal and interest payments which accelerate over the term of the loan. This note was renegotiated during Q2 2023, to a 4.25-year term, maturing on March 31, 2025, maintaining an interest rate of 5% per annum. For the three and nine months ended September 30, 2023, interest expense recorded on the promissory note was \$4 and \$12 respectively (for the three and nine months ended September 30, 2022 – \$5 and \$14 respectively). Interest payable at September 30, 2023 was \$7 (December 31, 2022 - \$nil).

	Face Value	Carrying Value
Promissory note payable at December 31, 2022	\$315	\$293
Change due to negotiation of note terms	-	(9)
Principle payments	-	(25)
Accretion	-	23
Promissory note payable at September 30, 2023	\$315	\$282
Current portion		\$184
Long-term portion		\$98

Divergent Energy Services Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

- iii) Unsecured promissory note with quarterly principal and interest payments which accelerate over the term of the loan. This note was renegotiated during Q2 2023, to a 5.25-year term, maturing on March 31, 2026, maintaining an interest rate of 5% per annum. For the three and nine months ended September 30, 2023, interest expense recorded on the promissory note was \$9 and \$26 respectively (for the three and nine months ended September 30, 2022 – \$10 and \$29 respectively). Interest payable at September 30, 2023 was \$17 (December 31, 2022 - \$nil).

	Face Value	Carrying Value
Promissory note payable at December 31, 2022	\$688	\$595
Change due to negotiation of note terms	-	(31)
Principle payments	-	(40)
Accretion	-	45
Promissory note payable at September 30, 2023	\$688	\$569
Current portion		\$149
Long-term portion		\$420

7. DEBENTURES

At September 30, 2023, the Company has Canadian Dollar denominated debentures outstanding of CAD \$1,546 (December 31, 2022 – CAD \$1,437) equivalent to a face value of \$1,127 at the September 30, 2023 exchange rate (December 31, 2022 - \$1,061).

On January 20, 2021, the Company issued debentures bearing interest at 10% per annum, secured by a trust indenture and a general security agreement over 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. During the first three quarters of 2023, the Company elected to pay the interest obligations in cash.

On July 26, 2023, the Company issued a secured debenture of \$81 to a related party. The debenture bears interest at 9% per annum and allows the holder to register security against a specific piece of equipment. The debenture matures on December 31, 2026 and the interest is calculated and compounded monthly. Interest is payable quarterly in cash in arrears on March 31, June 30, September 30, and December 31 during the term of the debenture.

For the three and nine months ended September 30, 2023, interest expense recorded on the debentures was \$27 and \$80 respectively (for the three and nine months ended September 30, 2022 - \$28 and \$84 respectively) and interest payable at September 30, 2023 was \$2 (December 31, 2022 – \$nil).

	Face value (CAD \$)	Face value ⁽¹⁾	Carrying value
Debentures payable at December 31, 2022	\$1,437	\$1,061	\$702
Issuance of debenture on July 26, 2023	109	81	80
Accretion	-	-	77
Effect of movements in exchange rates	-	(15)	(10)
Debentures payable at September 30, 2023	\$1,546	\$1,127	\$849

(1) The US Dollar value of the Canadian Dollar denominated loan converted at the period end foreign exchange rate.

Divergent Energy Services Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

8. GOVERNMENT LOAN

On October 16, 2020, the Company executed a long-term loan agreement with the US Small Business Administration ("SBA Loan") in the amount of \$150. The SBA Loan has a 30-year term, an interest rate of 3.75% per annum, and requires monthly principal and interest payments commencing 12 months from the date the funds were received by the Company. The Company provided a continuing priority security interest in all the assets of the Company's US wholly owned subsidiary, EPSL, a security approved by the existing debenture holders in December 2020. An effective interest rate of 13% was used to discount the anticipated future cash flow of the loan and determine the carrying value and the date of entering into the loan agreement. The effective interest rate of 13% approximates the costs of corporate bonds with similar repayment terms at the time of the loan.

For the three and nine months ended September 30, 2023, interest expense recorded on the loan was \$2 and \$5 respectively (for the three and nine months ended September 30, 2022 – \$1 and \$4 respectively). Interest payable at September 30, 2023 was \$nil (December 31, 2022 - \$1).

	Face Value	Carrying Value
Loan payable at December 31, 2022	\$150	\$30
Accretion	-	3
Loan payable at September 30, 2023	\$150	\$33
Current portion		\$-
Long-term portion		\$33

9. SHARE CAPITAL

Authorized

Unlimited common shares, unlimited preferred shares, issuable in series.

Common shares are denominated and issued in Canadian Dollars (CAD \$).

Issued

Balance at December 31, 2022 and September 30, 2023

	Number of Shares	Amount
Balance at December 31, 2022 and September 30, 2023	33,004,912	\$19,613

Issued

Balance at December 31, 2021 and September 30, 2022

	Number of Shares	Amount
Balance at December 31, 2021 and September 30, 2022	33,004,912	\$19,613

Divergent Energy Services Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

10. WARRANTS

Warrants are issued in CAD \$	Number of warrants	Amount
Warrants outstanding at December 31, 2022	2,875,000	\$99
Expired – January 21, 2023	(2,875,000)	(99)
Warrants outstanding at September 30, 2023	-	\$-
Warrants outstanding at December 31, 2021	2,875,000	\$99
Warrants outstanding at September 30, 2022	2,875,000	\$99

11. SHARE-BASED COMPENSATION

The Company has established a stock option plan to allow certain officers, directors, employees and consultants to acquire common shares of the Company. A total of 10% of the Company's shares outstanding are reserved for the issue of stock options pursuant to the stock option plan. For the three and nine months ended September 30, 2023, share-based compensation of \$5 and \$23 respectively (for the three and nine months ended September 30, 2022 - \$10 and \$35 respectively) was recognized in the condensed consolidated interim statement of net income and comprehensive income with a corresponding amount in contributed surplus. Stock options are issued in CAD \$.

Continuity of stock options	Number of options	Weighted average exercise price (CAD \$)
Balance, December 31, 2022	3,208,000	\$0.14
Granted	200,000	\$0.075
Expired	(40,000)	\$0.85
Expired	(70,500)	\$1.55
Balance, September 30, 2023	3,297,500	\$0.09

The number of options exercisable at September 30, 2023 is 1,991,333 (December 31, 2022 – 1,102,333) at a weighted average exercise price of CAD \$0.16 (December 31, 2022 – CAD \$0.42). The weighted average remaining term for exercisable options is 2.76 years (December 31, 2022 – 3.51 years).

The Company granted 200,000 options on May 15, 2023 with a weighted average exercise price of CAD \$0.075. The grants were valued using the Black-Scholes model with the following assumptions:

Expected volatility	74%
Expected forfeiture	15%
Risk-free rate	2.99%
Expected stock option life	5 years

Divergent Energy Services Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

The Company granted 575,000 options on March 23, 2022 with a weighted average exercise price of CAD \$0.12. The grants were valued using the Black-Scholes model with the following assumptions:

Expected volatility	104%
Expected forfeiture	15%
Risk-free rate	2.2%
Expected stock option life	5 years

The Company granted 2,500,000 options on May 17, 2021 with a weighted average exercise price of CAD \$0.075. The grants were valued using the Black-Scholes model with the following assumptions:

Expected volatility	85%
Expected forfeiture	15%
Risk-free rate	0.79%
Expected stock option life	5 years

12. PER SHARE AMOUNTS

Basic and diluted income per share have been calculated based on net income divided by the weighted average number of common shares outstanding for the three and nine months ended September 30, 2023, of 33,004,912 (September 30, 2022 – 33,004,912). All outstanding options and warrants are anti-dilutive for the periods and comparative periods.

13. FINANCE INCOME (EXPENSE)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Interest expense on debentures	(\$27)	(\$28)	(\$80)	(\$84)
Accretion of debentures	(27)	(24)	(77)	(70)
Interest on promissory notes	(48)	(53)	(128)	(164)
Accretion of promissory notes	(36)	(41)	(113)	(124)
Interest expense on government loans	(2)	(1)	(5)	(4)
Accretion of government loans	(1)	(1)	(3)	(3)
Lease finance expense	(2)	(1)	(6)	(6)
Foreign exchange (loss) gain	202	594	61	744
Net finance income (expense)	\$59	\$445	(\$351)	\$289

Divergent Energy Services Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

14. RECONCILIATION OF DEPRECIATION, AMORTIZATION AND LEASE FINANCE EXPENSE

The Company leases and owns machinery and equipment used in operations. The below table reconciles the depreciation, amortization and lease financing costs reflected in the condensed consolidated interim financial statements.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Depreciation and amortization of property and equipment				
Office	\$-	\$-	\$-	\$-
Field	(16)	(10)	(36)	(29)
<i>Cash flow statement</i>	(16)	(10)	(36)	(29)
Expensed to cost of sales	16	10	36	29
	\$-	\$-	\$-	\$-
Amortization of ROU assets				
Office	(\$2)	(\$1)	(\$6)	(\$7)
Field	(42)	(41)	(127)	(117)
<i>Cash flow statement</i>	(44)	(42)	(133)	(124)
Expensed to cost of sales	42	41	127	117
	(\$2)	(\$1)	(\$6)	(\$7)
Depreciation and amortization	(\$2)	(\$1)	(\$6)	(\$7)
Lease finance expense				
Office	(\$2)	(\$1)	(\$6)	(\$6)
Field	(27)	(26)	(75)	(69)
<i>Cash flow statement</i>	(29)	(27)	(81)	(75)
Expensed to cost of sales	27	26	75	69
Finance expense	(\$2)	(\$1)	(\$6)	(\$6)

Divergent Energy Services Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

15. RELATED PARTIES

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, 2023, the CAD \$1,546 (December 31, 2022 – CAD \$1,437) face value of the debentures includes \$331 (CAD \$453) (December 31, 2022 – \$271 (CAD \$344)) due to directors and officers of the Company.

The debenture issued on July 26, 2023 of \$81 was to a related party and bears interest at 9% per annum and allows the holder to register security against a specific piece of equipment. The debenture matures on December 31, 2026 and the interest is calculated and compounded monthly. Interest is payable quarterly in cash in arrears on March 31, June 30, September 30, and December 31 during the term of the debenture.

	Carrying value	Face value	Face value (CAD \$)
Debentures payable at December 31, 2022	\$168	\$254	\$344
Issuance of debentures	80	81	109
Accretion	18	-	-
Effect of movements in exchange rates	(2)	(4)	-
Debentures outstanding at September 30, 2023	\$264	\$331	\$453

At September 30, 2023, accounts payable and accrued liabilities includes \$307 (December 31, 2022 - \$126) owing to directors and officers of the Company relating to accrued compensation and interest payable.

16. FINANCIAL RISK MANAGEMENT

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. Changes to the capital structure, which the Company defines as its share capital and debt, is evaluated with the objective of continuously improving the debt-to-capitalization ratio. For the purposes of this calculation, debt includes current and long-term portions of borrowed funds, including debentures. Additionally, the Company monitors its ability to service its debt from operating cash flows.

Credit risk

As of September 30, 2023, the Company's net trade receivables are considered collectible in the quarter. For the nine months ended September 30, 2023, \$nil was recorded against trade receivables for expected credit losses.

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.

Divergent Energy Services Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

17. SUPPLEMENTARY CASH FLOW INFORMATION

Net change in non-cash working capital

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Prepaid expenses, deposits and advances	(\$19)	(\$71)	(\$7)	(\$22)
Trade receivables	(273)	404	(943)	(311)
Inventories	-	(66)	284	157
Accounts payable and accrued liabilities	280	33	466	24
	(\$12)	\$300	(\$200)	(\$152)