

PRESS RELEASE

DIVERGENT Energy Services Announces the Release of Q3 2021 Financial Results

Symbol (DVG: TSX-V)

CALGARY, ALBERTA – November 17, 2021. **DIVERGENT Energy Services Corp. (“Divergent”, the “Company”, or “DVG”)** announces the release of its financial results for the three and nine months ended September 30, 2021. All amounts are in thousands (000’s) of United States Dollars, unless otherwise noted.

HIGHLIGHTS FOR THE QUARTER

- Revenues of \$2,185, an increase of 194% over Q3 2020.
- Operating income of \$264 and adjusted EBITDA of \$308 in Q3 2021 as compared to \$61 and (\$130) in Q3 2020 demonstrated improved operating performance year over year.
- The Company received confirmation of forgiveness of the Payroll Protection Plan (“PPP”) loan of \$226.

INDUSTRY 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.

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.

FINANCIAL AND OPERATING HIGHLIGHTS – THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

Select Financial Information for the three and nine month period ended September 30, 2021 have been summarized below. Tables contain first quarter results for 2021 and 2020. Refer to the Company’s unaudited condensed consolidated financial statements and related management’s discussion and analysis (“MD&A”) for a full description.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue	\$2,185	\$743	\$5,897	\$2,885
Cost of sales	(1,557)	(599)	(4,518)	(2,301)
Provision for slow moving inventory	21	289	181	94
Gross profit	649	433	1,560	678
General and administration	(371)	(416)	(1,214)	(1,478)
Depreciation and amortization	(2)	45	(7)	(17)
Stock based compensation	(12)	(1)	(19)	(9)
Results from operating activities	264	61	320	(826)
Finance income (expense)	300	(147)	2,183	66
Net income (loss)	564	(86)	2,503	(760)
Other comprehensive income (loss)	(218)	121	(32)	(160)
Total comprehensive income (loss) for the period	\$346	\$35	\$2,471	(\$920)
Income (loss) per share				
Net income (loss) – basic and dilutive	\$0.02	\$0.00	\$0.08	(\$0.01)

Unaudited Interim Condensed Consolidated Statements of Financial Position

	September 30, 2021	December 31, 2020
ASSETS		(Audited)
Current assets		
Cash	\$447	\$63
Prepaid expenses, deposits and advances	131	77
Receivables, net of allowance	765	975
Inventories	684	1,261
	<u>2,027</u>	<u>2,376</u>
Non-current assets		
Property and equipment	142	171
Right-of-use assets	543	630
Total Assets	<u>\$2,712</u>	<u>\$3,177</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$1,076	\$1,401
Current portion of lease obligations	160	170
Interest payable	175	91
Paycheck protection program loan	-	53
Promissory notes	450	156
Debentures	-	4,356
	<u>1,861</u>	<u>6,227</u>
Non-current liabilities		
Lease obligations	362	452
Promissory notes	1,985	2,300
Government loan	25	186
Debentures	629	-
Total Liabilities	<u>\$4,862</u>	<u>\$9,165</u>
SHAREHOLDERS' DEFICIT		
Share capital	\$19,613	\$18,364
Contributed surplus	5,819	5,800
Warrants	240	141
Accumulated other comprehensive loss	(1,077)	(1,045)
Accumulated deficit	(26,745)	(29,248)
Total Shareholders' Deficit	<u>(\$2,150)</u>	<u>(\$5,988)</u>
Total Liabilities and Shareholders' Deficit	<u>\$2,712</u>	<u>\$3,177</u>

The Company's complete set of September 30, 2021 quarter end filings have been filed on the SEDAR website at www.sedar.com and are also available on the Company's website at www.divergentenergyservices.com.

For Further Information:

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ABOUT DIVERGENT ENERGY SERVICES CORP.

Headquartered in Calgary, Alberta, Divergent provides fluids management products and services for the water, gas and oil industries through its wholly owned subsidiary Extreme Pump Solutions LLC. Product lines including Electric Submersible Pumps and the future development of an Electromagnetic Pump technology.

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FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements, including, without limitation, statements pertaining to anticipated future operational activity levels of Divergent and of a majority of its customers, and statements pertaining to interest payments on the Company's debentures. All statements included herein, other than statements of historical fact, are forward-looking information and such information involves various risks and uncertainties, including: the risk that the anticipated slowdown in sales and service of submersible pumps by Divergent's customers lasts longer than expected or impacts Divergent's revenues more severely than expected, the risk that the COVID-19 pandemic and the low oil and gas price environment cause additional negative effects on Divergent's business, the risk that the suspension of trading of the Company's common shares by the TSXV cannot be lifted in a timely manner or at all, and the risk that the Company cannot remedy the outstanding interest payments under the terms of its debenture indenture in a timely manner or at all. 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 Company's disclosure documents on the SEDAR website at www.sedar.com. Forward-looking statements are based on estimates and opinions of management of the Company at the time the information is presented, including expectations provided to Divergent by its customers. The Company 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 Company undertakes no obligation to update or revise any forward-looking statements, except as required by applicable securities laws.

This press release contains financial outlook information ("FOFI") about prospective revenue reductions, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this press release was made as of the date hereof and was provided for the purpose of providing an update regarding an anticipated material reduction in near-term revenue. Divergent disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein.

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