

PRESS RELEASE

DIVERGENT Energy Services Announces the Release of 2022 Third Quarter Results

Symbol (DVG: TSX-V)

CALGARY, ALBERTA – November 16, 2022. **DIVERGENT Energy Services Corp.** (“Divergent”, the “Company”, or “DVG”) announces the release of its financial results for the three and six months ended September 30, 2022. All amounts are in thousands (000’s) of United States Dollars, unless otherwise noted.

HIGHLIGHTS FOR THE QUARTER

- The Company posted its ninth consecutive quarter of revenue growth earning \$3.7 million of revenue in the third quarter of 2022.
- Adjusted EBTIDA of \$221 thousand in the third quarter of 2022 represents the eighth consecutive quarter of positive adjusted EBITDA.
- Divergent’s balance sheet continues to strengthen with positive working capital of \$353 thousand.

INDUSTRY OUTLOOK

Divergent’s overall outlook for services for the remainder of 2022 remains positive. Global demand for energy remains strong as the world’s major economies continue to rely on petroleum products in everyday life. Macroeconomic factors including continued inflationary pressures, escalation of geopolitical tension, and the lifting of COVID-19 restrictions all point to continued strong commodity pricing through 2022 and into 2023. At these commodity price levels we anticipate generally robust oilfield service activity levels as our customers remain very positive on their current capital spending plans for the remainder of 2022 and into 2023.

Customers continue to demonstrate an urgency in returning wells to production and overall demand for services is increasing. While Divergent is working to increase its market share, it is constrained by supply chain delays and staffing availability. Attracting and retaining additional personnel continues to be a challenge across the industry making it much more difficult than in past upturns to supply additional crews. The Company’s customer base has indicated that it intends to continue their workover programs for the next 12 months at a pace which may exceed that experienced during the previous three quarters, with limiting factors being supply chain, service rig availability and labour.

While the cost of sales in the third quarter of 2022 were negatively impacted by inflationary increases to parts, components and logistics, the Company is actively working with customers to pass these cost increases along. There is no guarantee that all of these cost increases can be passed along in the near term.

The positive commodity pricing trends the industry is currently experiencing is in part caused by a structural shortfall in supply which will be difficult for the industry to overcome for some time. As a result, the demand for energy services and the ability for the sector to improve over the next few years is seen as highly likely. In this environment the Company intends to seek and evaluate strategic growth opportunities to both diversify its product offerings and drive continuous margin improvements.

FINANCIAL AND OPERATING HIGHLIGHTS – THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2022

Select Financial Information for the three and six months ended September 30, 2022 have been summarized below. Tables contain results for 2022 and 2021. Refer to the Company’s audited 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 Condensed Consolidated Statements of Net Income and Comprehensive Income

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	\$3,712	\$2,185	\$9,470	\$5,897
Cost of sales	(3,149)	(1,557)	(7,518)	(4,518)
Provision reversal for slow moving inventory	-	21	-	181
Gross profit	563	649	1,952	1,560
General and administration	(419)	(371)	(1,216)	(1,214)
Depreciation and amortization	(1)	(2)	(7)	(7)
Share-based compensation	(10)	(12)	(35)	(19)
Results from operating activities	133	264	694	320
Finance income	445	300	289	2,183
Net income	578	564	983	2,503
Other comprehensive loss being foreign exchange losses	(559)	(218)	(700)	(32)
Total comprehensive income for the period	\$19	\$346	\$283	\$2,471
Income per share				
Net income – basic and dilutive	\$0.01	\$0.02	\$0.03	\$0.08

Unaudited Condensed Consolidated Statements of Financial Position

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash	\$665	\$607
Prepaid expenses, deposits and advances	126	104
Trade receivables	1,188	877
Inventories	554	711
	2,533	2,299
Non-current assets		
Property and equipment	159	133
Right-of-use assets	501	535
Total Assets	\$3,193	\$2,967
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$1,462	\$1,438
Current portion of lease obligations	171	156
Interest payable	145	183
Promissory notes	402	216
	2,180	1,993
Non-current liabilities		
Lease obligations	297	353
Promissory notes	1,819	2,061
Government loans	29	26
Debentures	670	654
Total Liabilities	\$4,995	\$5,087
SHAREHOLDERS' DEFICIT		
Share capital	\$19,613	\$19,613
Contributed surplus	6,007	5,972
Warrants	99	99
Accumulated other comprehensive loss	(1,718)	(1,018)
Accumulated deficit	(25,803)	(26,786)
Total Shareholders' Deficit	(\$1,802)	(\$2,120)
Total Liabilities and Shareholders' Deficit	\$3,193	\$2,967

The Company's complete set of September 30, 2022 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:

Ken Berg, President and Chief Executive Officer, kberg@divergentenergyservices.com

Ken Olson, Interim Chief Financial Officer, ken.olson@divergentenergyservices.com

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.

DIVERGENT Energy Services Corp., 2020, 715 – 5th Ave SW, Calgary, AB T2P 2X6, (403) 543-0060, (403) 543-0069 (fax), www.divergentenergyservices.com

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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