

PRESS RELEASE

DIVERGENT Energy Services Announces the Release of 2023 First Quarter Results

Symbol (DVG: TSX-V)

CALGARY, ALBERTA – May 10, 2023. **DIVERGENT Energy Services Corp.** (“Divergent”, the “Company”, or “DVG”) announces the release of its financial results for the three ended March 31, 2023. All amounts are in thousands (000’s) of United States Dollars, unless otherwise noted.

HIGHLIGHTS FOR THE QUARTER

- \$3.1 million of revenue for the first quarter is a 19% increase over the prior year’s first quarter.
- Adjusted EBITDA of \$408 in the first quarter is a 9% increase over the prior year’s first quarter.
- Q1 2023 is the tenth consecutive quarter of positive Adjusted EBITDA
- Gross margin percentage of 31% for the first quarter

INDUSTRY OUTLOOK

Global demand for oil remains strong as the world's major economies continue to rely on petroleum products in everyday life. Macroeconomic factors including continued inflationary pressures, ongoing geopolitical tensions creating concerns for security of supply, and record low North American oil inventory storage levels all point to continued strong oil pricing into 2024. At these price levels we anticipate generally robust oilfield service activity levels as our customers remain very positive on their current capital spending plans for 2023. The Company continues to add new customers and as such, a capital investment in oilfield equipment will be made in the second quarter of 2023 to increase our capacity to support a growing customer base.

While natural gas prices have been trending down for the past five months, our primary customer remained busy through the first quarter of 2023. Although natural gas prices are expected to improve in the long-term, they have not yet recovered, and we expect to see significantly reduced demand for services from our primary customer over the next few quarters. The Company is taking steps to mitigate the effect of this activity reduction. Market analysts are reporting that gas prices should improve in the second half of 2023 due to increased demand, reduced drilling over the past year, and the Freeport LNG facility resuming production after being off-line for eight months. We do anticipate a base level of activity throughout the next few quarters as the CBM reservoir requires constant de-watering to maintain the integrity and value of the field.

Overall, the demand for energy services and the ability for the sector to improve over the next few years is seen as highly likely. The structural shortfall in global energy supply will be difficult for the industry to overcome for some time. The Company remains confident in the long-term viability of the oil and gas basins within its service region. These basins have significant future development opportunities that the Company is well positioned to address. 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 MONTHS ENDED MARCH 31, 2023

Select Financial Information for the three months ended March 31, 2023 have been summarized below. Tables contain results for 2023 and 2022. 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 March 31,	
	2023	2022
Revenue	\$3,103	\$2,616
Cost of sales	(2,150)	(1,908)
Provision reversal for slow moving inventory	28	-
Gross profit	981	708
General and administration	(648)	(406)
Depreciation and amortization	(2)	(2)
Share-based compensation	(10)	(12)
Results from operating activities	321	288
Finance expense	(153)	(277)
Net income	168	11
Other comprehensive income being foreign exchange gains	28	113
Total comprehensive income	\$196	\$124
Income per share		
Net income – basic and dilutive - cents	\$0.01	\$0.00

Unaudited Condensed Consolidated Statements of Financial Position

	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash	\$775	\$556
Prepaid expenses, deposits and advances	108	134
Trade receivables	1,271	1,114
Inventories	602	680
	<u>2,756</u>	<u>2,484</u>
Non-current assets		
Property and equipment	162	171
Right-of-use assets	412	457
Total Assets	<u>\$3,330</u>	<u>\$3,112</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$1,682	\$1,566
Current portion of lease obligations	161	168
Interest payable	120	132
Promissory notes	557	457
	<u>2,520</u>	<u>2,323</u>
Non-current liabilities		
Lease obligations	218	257
Promissory notes	1,554	1,726
Debentures	727	702
Government loan	31	30
Total Liabilities	<u>\$5,050</u>	<u>\$5,038</u>
SHAREHOLDERS' DEFICIT		
Share capital	\$19,613	\$19,613
Contributed surplus	6,125	6,016
Warrants	-	99
Accumulated other comprehensive loss	(1,401)	(1,429)
Accumulated deficit	(26,057)	(26,225)
Total Shareholders' Deficit	<u>(\$1,720)</u>	<u>(\$1,926)</u>
Total Liabilities and Shareholders' Deficit	<u>\$3,330</u>	<u>\$3,112</u>

The Company's complete set of March 31, 2023 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.

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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. 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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