



PRESS RELEASE

DIVERGENT Energy Services Announces the Release of 2023 Third Quarter Results

Symbol (DVG: TSX-V)

CALGARY, ALBERTA – November 28, 2023. **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, 2023. All amounts are in thousands (000’s) of United States Dollars, unless otherwise noted.

HIGHLIGHTS FOR THE QUARTER

- The Company delivered positive operating income of \$63 in the third quarter of 2023 despite lower revenue compared to the prior year.
- Adjusted EBTIDA of \$155 thousand in the third quarter of 2023 represents the twelfth consecutive quarter of positive adjusted EBITDA.

INDUSTRY OUTLOOK

Global demand for oil remains constant as the world's major economies continue to rely on petroleum products in everyday life. Macroeconomic factors including continued inflationary pressures, extended voluntary production cuts by Saudi Arabia, 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 well into 2024. At these price levels the Company anticipates fairly consistent oilfield service activity levels as customers remain very positive on their current spending plans for 2023 and start to build budgets for 2024. The Company continues to add new oil customers and as such, a capital investment in oilfield equipment was made in the third quarter of 2023 to increase the Company’s capacity to support a growing customer base.

While natural gas prices trended down and flattened out through the first quarter of 2023, the Company’s primary customer remained busy through the first quarter of 2023. However, during the second quarter of 2023, this same customer significantly reduced their activity levels, in part due to lower gas prices, but primarily due to two of their primary offtake pipelines being taken offline for repairs and recertification, which resulted in reduced revenue for the quarter. The repairs and recertification were completed mid-way through the third quarter of 2023. The Company anticipates continued base level activity throughout the fourth quarters of 2023 while the customer works through a restructuring and sale process, the results of which are unknown. Market analysts are reporting that gas prices should remain flat in the fourth quarter of 2023 and into 2024 due to reduced gas-targeted drilling over the past year and increasing LNG exports.

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.

However, in the near term, the Company will need to work through the challenges associated with the low activity levels of its largest customer as it works through its restructuring and sales process.

FINANCIAL AND OPERATING HIGHLIGHTS – NINE MONTHS ENDED SEPTEMBER 30, 2023

Select Financial Information for the three and nine months ended September 30, 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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue	\$1,828	\$3,712	\$6,810	\$9,470
Cost of sales	(1,422)	(3,149)	(5,121)	(7,518)
Provision reversal for slow moving inventory	146	-	346	-
Gross profit	552	563	2,035	1,952
General and administration	(482)	(419)	(1,643)	(1,216)
Depreciation and amortization	(2)	(1)	(6)	(7)
Share-based compensation	(5)	(10)	(23)	(35)
Results from operating activities	63	133	363	694
Finance (expense) income	59	445	(351)	289
Net (loss) 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	\$0.00	\$0.01	\$0.00	\$0.03

Unaudited Condensed Consolidated Statements of Financial Position

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash	\$157	\$556
Prepaid expenses, deposits and advances	141	134
Trade receivables	2,057	1,114
Inventories	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	672	457
	3,062	2,323
Non-current liabilities		
Lease obligations	151	257
Promissory notes	1,466	1,726
Debentures	849	702
Government loan	33	30
Total Liabilities	\$5,561	\$5,038
SHAREHOLDERS' DEFICIT		
Share capital	\$19,613	\$19,613
Contributed surplus	6,138	6,016
Warrants	-	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

The Company's complete set of September 30, 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:

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

Ken Olson, 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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