



TSX-V Trading Symbol: DVS

December 2, 2003

Diversified Builds Momentum

Diversified Industries Ltd. ("Diversified" or the "Company") continues to move forward on its various projects and activities including market development and sales of DVS 6000, the acquisition of new technologies, financing activities, investor relations activities, and research and development on new technology. The following are some of the highlights in these ongoing activities.

DVS 6000 – Gaining Ground in North America and Overseas

FIELD TRIALS

A new series of field trials using DVS 6000 will begin at various sites over the next few months. Engineering and equipment sourcing is nearly complete, which will allow the following trials to begin.

- **Direct Injection (gas pipeline):** Diversified is working with a major oil company on a project that will see DVS 6000 hydrogen sulphide ("H₂S") scavenger **atomized and injected directly into a natural gas pipeline** in an attempt to lower the H₂S content from approximately 12,000 ppm to 10,000 ppm. The oil company feels that the success of this trial will reduce the probability of pipeline deterioration due to corrosion. The test will begin as soon as the new gas well tie-in is complete.
- **Direct Injection (oil):** Diversified is working with a small energy company in southern Saskatchewan that has relatively low levels of H₂S in its oil, which results in a reduced price received for the oil. DVS 6000 will be **injected into the oil** and immediately passed through a pump, allowing for maximum contact of the DVS 6000 with the H₂S in the oil. When lab tested by a major chemical company in Houston, Texas, this method of using DVS 6000 yielded excellent results. In the lab tests, DVS 6000 was injected into a **naphtha stream**, resulting in a 100% reduction of the H₂S and high-end mercaptans (ethyl and methyl mercaptans).

The southern Saskatchewan trial will determine if this procedure will work in the field, and if it will be as cost effective as labs tests indicate. Preliminary lab analysis of the oil and equipment fitting is presently taking place. The trial will begin as soon as site plans are complete.

- **Direct Injection (gas well):** Diversified is working with a major oil company north-west of Edmonton, AB, on a project which will see DVS 6000 H₂S scavenger **injected at the wellhead of a newly drilled natural gas well** containing approximately 100 ppm of H₂S. The pipeline specifications dictate that H₂S content must be reduced to 4 ppm before entering the pipeline system. Engineering and site preparation is in progress and once completed the trial will start.
- **Emissions Reduction:** Diversified has agreed to participate in an environmental experiment that will determine if DVS 6000 can aid in the reduction of H₂S in a **gas emission stream** extremely high in CO₂ content and at a temperature of 40°C. The trial will start upon completion of engineering and equipment selection, which have already begun.

It has been determined that DVS 6000 H₂S scavenger is an excellent candidate for all of the above trials because it has a natural freeze point greater than -45°C, is non-corrosive, has a mild odour, is very user friendly, and is not regulated under the *Transportation of Dangerous Goods Act of Canada*. These positive attributes mean a minimum of equipment is required for the use of DVS 6000, and remote sites without power can still use DVS 6000. The above applications open up a market that is currently estimated at over US\$200 million per year and is expected to grow to US\$250 million annually in the USA alone by 2005 (Gas Research Institute Topical Report NO. GRI-96/0241 "Hydrogen Sulphide Scavengers Market Assessment").

CONTINUED SUCCESSES – DVS 6000

Middle East:

Effective September 30, 2003, **Halliburton** of Sharjah, United Arab Emirates, updated their endorsement regarding DVS 6000. Halliburton is using DVS 6000 in a scrubber, removing low concentrations of H₂S in an **under-balanced drilling** program for **British Petroleum**. We continue to work with **High Arctic / S.E.A.L. International Ltd.** as our distribution partner in the Middle East. DVS 6000 is also being introduced to all other Halliburton business units around the world based on the confirmed uses for DVS 6000 in the up stream side of the oil & gas industry.

Canada:

DVS 6000 scavenger continues to prove itself as an outstanding **polishing agent** for **Grimes Energy** ("Grimes") in southern Saskatchewan. Grimes has been injecting DVS 6000 directly into its natural gas stream for nearly six months with excellent, cost-effective results. Diversified will be targeting similar type sour gas plants with its DVS 6000 marketing efforts in 2004.

Strike Oilfield Services ("Strike") of Drayton Valley, AB, has used over 4,000 litres of DVS 6000 in their fleet of oil **tanker truck scrubbers** in the last six months with continued success. Employee testimonials and the expansion of Strike's business in the scrubbing market exemplify the effectiveness and safety of DVS 6000. The use of DVS 6000 in the truck scrubbing market continues to grow for Diversified.

Newalta Oilfield Services ("Newalta") of Drayton Valley, AB, recently re-ordered sufficient DVS 6000 to convert all of its **scrubbers** to DVS 6000 H₂S scavenger. We hope to see all Newalta sites dealing with H₂S changing to DVS 6000 in the New Year.

Key Safety Services Inc. of Sylvan Lake, AB, has adopted DVS 6000 as its choice of scavenger for **down-hole operations**, replacing ammonia. DVS 6000 not only works better than ammonia, it is far safer to work with.

Univar Canada Ltd. continues to order product and their sales force has been refocused for selling product into the **trucking and tank cleaning** side of the business. DVS 6000 has proven itself to be a very effective scavenger in both of these applications, in addition to being one of the safest scavenger products to work with on the market today.

International Distribution:

Through one of our Directors we have recently signed a letter giving distribution rights for DVS 6000 to a group for Russia. Testing is under way with one of the largest oil companies in Russia and, based on a positive outcome, they will be ordering by the container load. Once testing is complete we will enter into a binding distribution agreement for Russia. We are also currently in discussions for distribution rights for China, Korea, India, Europe and the United States.

R&D Program on Lightweight Technologies Set for Launch

Diversified is set to fund the launch of a research and development program for the formulation and manufacture of a new and improved Lightweight Proppant and Lightweight Additive. The R&D program will begin in early January of 2004.

Diversified is putting together an excellent team for this program, which will be conducted by **Aveka, Inc.** (“Aveka”), a former 3M research facility and pilot plant based in Woodbury, Minnesota (www.aveka.com). The research will be headed by Dr. William Hendrickson and Dr. Jim Marti of Aveka. Other members of the team coming from Diversified will include Tom Devereux, P.Eng and Dr. Norman Arrison. In addition, Dr. Lloyd Jones and Raymond Bienvenu of Lite Weight Inc. will serve as advisors.

The program is expected to run for approximately six months. Diversified will be sending its team down to Aveka for planning sessions December 8th and 9th in preparation for a January 2004 launch. All parties are looking forward to the development of this exciting technology (see Technologies > Lightweight Proppant at www.dvsind.com/lightweight_technology.html).

Acquisition Moving Forward on Thermal Light Energy

Diversified is currently in talks with the developers of the thermal light energy technology (or “whitelight”) in order to complete the employment contracts that were contemplated in the technology transfer agreement. Once this is complete we will be in a position to submit this transaction to the exchange for acceptance. The Company expects it will achieve TSX Venture Exchange approval of the acquisition by the end of January 2004. Once this is complete we will begin to further develop this exciting new technology (see “Technologies” at www.dvsind.com).

Investor Relations Firms and Financing

The Company has adopted a unique strategy, hiring two Investor Relations firms – **Talisman Venture Partners Ltd.** of Vancouver and **Working Capital Corp.** of Calgary. Both firms bring a specialized focus to Diversified’s corporate communications and market activities. Please see their contact information at the end of this press release.

Diversified has renegotiated and repriced a non-brokered private placement for gross proceeds of CDN\$500,000 to consist of 833,334 units at a price of \$0.60 per unit (the “Units”). Each Unit will consist of one common share and one non-transferable share purchase warrant. Each warrant will be exercisable into one common share at a price of \$0.75 for a period of one year from the closing date. The private placement is subject to regulatory approval. All shares and warrants will be subject to the resale restrictions imposed by the TSX Venture Exchange and applicable securities law. A finder’s fee will be paid on a portion of the proceeds. There are no insiders participating in this placement.

Funds received from the private placement will be used: to complete the acquisition of the thermal light energy technology (announced October 3, 2003) and the separate lightweight technology acquisition (announced September 11, 2003); to continue with the ongoing research and development programs for all Diversified technologies (including the DVS 6000 H₂S scavenger, the lightweight technologies and the thermal light energy technology); and to continue with the ongoing market development efforts on the DVS 6000 H₂S scavenger technology. These proceeds will also be used to contract with a number of qualified individuals in order to advance these technologies in all areas.

Diversified is a product development and marketing company specializing in unique technologies and solutions that target a cross-section of industries. Our corporate strategy is to acquire, fund and aid in the commercialization of these unique technologies and products to provide long-term share appreciation.

For further information, please contact the Company or either of its investor relations firms as indicated below.

**ON BEHALF OF THE BOARD OF DIRECTORS
OF DIVERSIFIED INDUSTRIES LTD.**

"STEPHEN L. DAVIS"

Stephen L. Davis
President / CEO

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of the content of this Press Release.

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