



NEWS RELEASE

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DIVERSIFIED REPORTS H₂S SCAVENGER SALES PROGRESS

Edmonton, Alberta -- Diversified Industries Ltd. (TSX Venture: DVS) is pleased to announce that DVS 6000, the company's lead technology continues to gain market share. Several major oil producers continue to use and re-order DVS 6000 H₂S scavenger technology. One of those major oil producers has now placed their ninth order, bringing the total value of their product usage to over \$128,000 since March 1, 2005.

This international oil producer is using the DVS 6000 H₂S scavenger to treat three oil wells. On one of the three wells, the company is injecting DVS 6000 down the well casing, reducing H₂S in the casing gas and enabling the gas to be used as fuel. There are literally hundreds of situations similar to this in Alberta alone, and thousands of situations like this internationally. It is expected that every major oil producer will have similar applications. The long term, repeated use by a major international oil producer lends further credibility to the DVS 6000 product and Diversified's pursuit of contracts with the many other national and international producers.

A second major oil and gas producer is using DVS 6000 to treat crude oil. At this well site, produced oil is separated and fed to two connected tanks; DVS 6000 is injected continuously into the line prior to the tanks, eliminating H₂S in the oil and in the tank vapour space. The job runs 7 days per week every week of the year. This major oil producer has ordered approximately 9 drums of product and will continue to use the product year round. There is every reason to expect that DVS 6000 could be used in this type of application with most major oil producers around the world.

The above producer is also using DVS 6000 in other intermittent applications; for example, sweetening of oil in a temporary tank installation, and sweetening of fuel gas for instrumentation use. Every time use of DVS 6000 is confirmed in an application by one major oil producer it opens the door to all of the other major oil producers around the world.

Diversified continues to establish its lead technology, DVS 6000, in the oil and gas market place. Management has also entered into contract negotiations with one of the world's largest international chemical distributors. This distributor has tested DVS 6000, yielding very positive results, and is moving forward to secure distribution rights for the product.

As previously reported, sales for the nine months ending May 31, 2005 improved 128% over the same period in 2004. Gross margin also improved from 35% to 42%. Reliable supplies of raw materials have been secured with a good supply of finished goods manufactured for anticipated continued sales growth.

DVS 6000 contains no formaldehyde, offering safety to workers over formaldehyde-based and ammonia H₂S scavengers. As well, when reacted, the spent DVS 6000 is non-toxic; and can be easily disposed. Non-flammable and non-corrosive, with a natural freeze point below minus 45 degrees Celsius, DVS 6000 is being marketed by Diversified as the safest and easiest-to-use H₂S scavenger on the market.

DVS 6000 is one of several proprietary technologies being developed and/or commercialized by Diversified Industries, which is focusing on product applications for the oil and gas industry.

Statements made in this news release that relate to future plans, expectations, events or performances are forward-looking statements. Such statements involve risks and uncertainties and are based on current expectations. Consequently, actual results could differ materially from the expectations expressed in these forward-looking statements.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.

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