



NEWS RELEASE

DATE: January 31, 2006

DIVERSIFIED SECURES NEW TECHNOLOGY

Edmonton, Alberta -- Diversified Industries Ltd. (TSX Venture: DVS) is pleased to announce the signing of a binding term sheet to acquire a company that holds the North American importation rights for a chemical production hardware technology. The output of this hardware is a very **unique liquid** that will be used as a friendly replacement for toxic biocides.

The biocide market in North America exceeds \$1.9 billion dollars (US) in annual sales. The price of biocides varies between \$4.00 and \$8.00 per liter, depending on the specific market and application.

Currently this unique liquid is being used to replace biocides - it is non-toxic, safe and easy to use, outperforms existing biocides, costs literally pennies per liter to produce and can be made on demand - on site. To date, approximately \$250,000 of hardware has been sold into the agricultural market by the company being acquired. Diversified intends to continue selling into this market while, at the same time, opening up new markets throughout North America.

Biocides are required in a multitude of industries. Wherever there is a need for clean water or a need to eliminate bacteria and other microorganisms, you will find biocides. The oil and gas industry, water treatment, pulp & paper, food and agriculture industries in particular use a significant volume of these chemicals.

“The biocide market is very large and this unique liquid appears to work better than the biocides currently used, the price is substantially lower and it can be made on demand - on location; eliminating the shipping, handling and storage costs and issues associated with handling dangerous goods. This will provide a significant financial benefit to the end user when replacing toxic biocides.

Diversified will sell this biocide replacement in addition to our DVS 6000 (H₂S scavenger) into all the markets mentioned above. This unique liquid may also be used as an H₂S scavenger enhancer and as a product that prevents and eliminates the bacteria that causes H₂S. This acquisition is an excellent fit with Diversified’s existing core business.” says Stephen Davis, President of Diversified.

The parties have agreed to reach a final acquisition agreement on or before April 30, 2006 at which time the full details will be disclosed. The transaction will include up to one million shares of Diversified, cash and an ongoing royalty. It is anticipated that the acquisition will be concluded well in advance of April 30, 2006. Testing to confirm certain applications is already under way and Diversified will continue with its due diligence in order to confirm the claims being made by the current owner.

The final agreement and other details of this acquisition have not yet been filed with the TSX-Venture Exchange (the "Exchange") and may be subject to Exchange review and acceptance. There is no assurance that the acquisition will close as currently structured or that it will close at all.

Diversified is also pleased to report a financing in the form of a \$500,000 secured, non-callable convertible debenture. The debenture is convertible for a period of three years at \$0.35 per share and carries an interest rate of 7% per annum, payable annually. Funds will be used for general working capital and for the acquisition of new technologies.

The majority of the funds being provided are from insiders of the Company. The TSX Venture Exchange has not yet reviewed or accepted the terms of the financing.

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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