Diversified Industries Ltd.

51-102F1 – INTERIM MD&A

For the 9 months ended
May 31, 2009

DVS LISTED ON TSX venture EXCHANGE

Diversified Industries Ltd.

Interim Management Discussion and Analysis
For the nine months ended May 31, 2009

The following discussion and analysis of financial results of Diversified Industries Ltd. (the "Corporation" or "Diversified") on a consolidated basis, using the Purchase Method, with CFR Chemicals Inc. should be read in conjunction with the Corporation's audited annual financial statements and the accompanying notes for the periods ended August 31, 2008 and August 31, 2007 and is based on information available to ***July 29, 2009****. Diversified owns 50% of the outstanding common shares and has effective control of the operational assets and liabilities of CFR. The financial statements have been prepared in accordance with Generally Accepted Accounting Practices for a business combination using the Purchase Method for the presentation of the Balance Sheet, Statement of Operations and Statement of Cash flows. Additional information on the Corporation is available on SEDAR at www.Sedar.com.*

Forward Looking Information
Statements in this Management's Discussion and Analysis relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results implied by such forward-looking statements. Such factors include fluctuations in the oil and gas industries, both production rates and price and the ability of the Corporation to continue to grow sales of speciality blended chemicals and bulk commodity chemicals to the industrial and oil and gas industries. The on going ability of the Corporation to acquire and successfully commercialize other technologies, political and economic conditions in North America and other factors that are described in further detail in Diversified's continuous disclosure filings.

1. DESCRIPTION OF BUSINESS

Diversified Industries Ltd. is comprised of two business segments with the primary segment being the development, marketing and sale of blended specialty chemicals and bulk commodity chemicals through CFR Chemicals Inc. from its Alberta and British Columbia locations. The secondary business segment is the product commercialization and development of emerging or unique products and solutions in industries including, but not limited to the oil and gas sector. Through this initiative the Corporation continues to pursue technologies for acquisition and commercialization in addition to the development of its own intellectual property. The objective is to evaluate other business opportunities and build a family of oilfield chemicals and solutions, through joint venture, merger or acquisition.

> **Strategy:** The Corporation's key strategy is to focus on the overall growth and profitability of CFR Chemicals Inc. through expanded market share of both commodity and specialty chemicals to the oil and gas industry. The Corporation has invested in expanded infrastructure to support sales to a wider geographic region in western Canada which has resulted in significant growth in overall sales over the past two years.

The Corporation has also placed an increased emphasis on selling its products and services to end users and on higher margin specialty products.

One of the methods that CFR Chemicals is using to expand its market share is by promoting a line of specialty chemicals through the creation of a new division. This new division was formed in the past quarter for the sale of well stimulation chemicals, enhanced oil recovery chemicals and unique chemical products for the well servicing industry. During the past three months there have been several opportunities to assist customers in these areas and it is anticipated that this segment of the business will represent significant growth in revenue and gross margins over the next several years.

The Corporation has also invested heavily into expanding its sales and marketing team and has, in the third quarter hired four new individuals who are focused exclusively on sales and business development. Of these four new people, two of them have significant experience in selling chemicals to the oil and gas industry and combined have generated as high as $26 million in annual sales with previous companies over the past several years. The other two individuals were hired as Vice President of Sales and Vice President of Well Stimulation and it is anticipated that each of these individuals will be significant assets to the future success of the Corporation.

The Corporation has also spent considerable time and effort negotiating stronger supply contracts with key suppliers which has resulted in better pricing and will allow the Corporation to generate higher overall margins. This will also make a considerable impact on the ability to compete on the higher volume business allow the Corporation to expand sales through growth in market share.

Infrastructure and expanded distribution outlets: Diversified has recognised that CFR Chemicals' primary focus is the distribution and manufacturing of production and process chemicals, supplying customer specific blended product, proprietary chemicals and bulk commodity chemicals. At the CFR Kuusamo location there is approximately 7,500,000 litres of storage capacity spread over 50 tanks ranging in size from 20,000 to 320,000 litres. With service being a key component to gaining market share the company has strategically expanded bulk and packaged goods storage into eight new locations over the past 6 months.

2. OVERALL PERFORMANCE

For the three months ended May 31, 2009 operations were supported 45% by gross margin and 55% from financing initiatives. Operations for the same three month period in 2008 were supported 101% by gross margin. The Company's consolidated loss for the quarter was $348,000 compared to a profit of $11,000 for the same period ending May 31, 2008.

The past 9 months have been extremely challenging due in part to a significant down turn in the price of oil and gas and in part due to the overall weakness in the worlds economies. In addition, the company has seen a marked decrease in the price of many commodities and significant fluctuations of the Canadian dollar over the same period. These two factors have had a negative affect on the company's performance even though our overall volume of business has increased over the same period one year ago. With many commodities at or close to what is expected to be the bottom and with a stabilizing of the Canadian dollar, the company feels that many of the factors that have negatively affected the company over the past 6 to 9 months have improved.

a. Revenue:

Revenue for the corporation decreased from $4,320,000 to $2,970,000 for the comparative quarter ended May 31, 2009, a difference of $1,350,000.

The Corporation will continue to market itself mainly in Alberta, British Columbia and Saskatchewan with some international marketing efforts in the Middle East, the United States, South America and South East Asian markets. At this point, the majority of all sales and marketing will be carried out through CFR Chemicals Inc. The oil and gas industry exhibits a strong demand for all the family of products, however, there are barriers to entry that Diversified and its distribution partners are working to overcome. Research and testing and successful field trial efforts have shown promise for expanding product applications and are part of an effort to generate more data to assist in building the customer's willingness to implement use of products. Customer trials and testimonials are also helping in this area. The Corporation has and will continue to increase its marketing efforts.

During the quarter consolidated sales were made to over 146 companies. The percentage of revenue for the top five was 47% (2008 – 47%). The current period consolidated revenue for Diversified is generated through CFR Chemicals operations, bulk and blended product, tank and product rental and specialty chemical blends and StaSweet 6000.

b. Direct Costs:

Direct costs decreased from $4,320,000 to $2,973,000, a decrease of approximately $1,347,000 for the comparative quarters. Cost of Goods sold as a percent of revenue in the quarter was, 80.76% (2008 75.91%). The result is a decrease in overall gross margin for the Corporation. The increase in direct costs as a percentage of revenue in 2009 versus 2008 was due to the mix of products sold which included distribution of several commodity type chemicals. The Corporation is working with key suppliers to ensure stable costing and supply of material.

c. Operating Expenses:

The following table shows the percentage change for each area of operating expense for the quarter ended May 31, 2009 and May 31, 2008.

Three months ended May 31, 2009 and May 31, 2008			
Operating Expenses	2009	2008	% Change
Personnel	$ 556,111	$ 456,647	17.89%
Rent, property and utilities	$ 183,024	$ 155,981	14.78%
Professional fees	$ 54,287	$ 26,774	50.68%
Bank charges and interest	$ 45,139	$ 26,940	40.32%
Long-term debt interest	$ 202,986	$ 198,861	2.03%
General and administrative (Schedule)	$ 63,186	$ 69,339	-9.74%
Research and testing	$ 19,532	$ 14,174	27.43%
Investor relations	$ 1,500	$ 5,756	-283.73%
Marketing and promotion	$ 15,598	$ 10,785	30.86%
Amortization	$ 117,655	$ 63,826	45.75%
	$ 1,259,017	$ 1,029,083	18.26%

Operating expenses in the quarter have increased by 18.26% over the comparative quarter last year. This is due to changes in CFR operations in response to the changing business and economic environment, as mentioned above we have added several new sales positions through the province. The following table outlines the expenses for each of the five most recent quarters:

Quarterly Operating Expenses:	3rd Quarter May 31, 2009	2nd Quarter Feb. 28, 2009	1st Quarter Nov. 30 2008	4th Quarter August 31, 2008	3rd Quarter May 31, 2008
Personnel	$ 556,111	$ 530,274	$ 529,587	$ 472,735	$ 456,647
Rent, property and utilities	$ 183,024	$ 155,845	$ 149,011	195,727	$ 155,981
Professional fees	$ 54,287	$ 89,177	$ 54,465	104,723	$ 26,774
Bank charges and interest	$ 45,139	$ 67,690	$ 50,726	44,829	$ 26,940
Long-term debt interest	$ 202,986	$ 200,117	$ 187,719	176,572	$ 198,861
General and administrative (Schedule)	$ 63,186	$ 59,419	$ 51,152	111,551	$ 69,339
Research and testing	$ 19,532	$ 18,563	$ 39,255	43,732	$ 14,174
Investor relations	$ 1,500	$ 6,055	$ 4,925	9,888	$ 5,756
Marketing and promotion	$ 15,598	$ 38,896	$ 47,070	14,604	$ 10,785
Amortization	$ 117,655	$ 114,639	$ 114,214	133,923	$ 63,826
	$ 1,259,017	$ 1,280,675	$ 1,228,124	$ 1,308,284	$ 1,029,083

Personnel expenses for the current quarter are for approximately 23-26 full-time employees. Professional fees have fluctuated over the quarters and are for legal, accounting and auditing services related to the CFR purchase, year-end requirements and bank reporting requirements. Bank charges and short term interest have increased over the past several months due to increased credit line usage. Long term interest expense has increased due to long term loans used to finance fixed asset additions. The majority of research and testing expenditures over the past five quarters are associated with lab work and field trials on StaSweet 6000, the a second H_2S scavenger under development and an industrial solvent line. Marketing and promotion expense has fluctuated from quarter to quarter over the past five quarters. The first quarter of fiscal 2009 saw a sizeable increase due to the sales increase in the fall and winter seasons from the slow down during the spring and summer.

Investor relations expense consists of communications and news dissemination costs, retainer or consulting fees to investor relations firms, and non-cash stock-based compensation expense. Amortization expense has continued to increase due to asset additions. The new assets have enabled increased service levels.

The above personnel and investor relations costs include amortization of non-cash, stock-based compensation for the past five quarterly periods as follows:

Non-Cash, Stock-Based Compensation Expense:

Non-Cash, Stock-Based Compensation Expense

Quarter	Quarter End Date	Investor Relations Stock-based Compensation	Personnel Stock-based Compensation	Total Stock-based Compensation Expense
Q3-2009	May 31, 2009	-	18,340	18,340
Q2-2009	February 28, 2009	-	18,933	18,933
Q1-2009	November 30, 2008	-	22,798	22,798
Q4-2008	August 31, 2008	-	22,799	22,799
Q3-2008	May 31, 2008	-	25,123	25,123

A further breakdown of the Corporation's general and administrative expenses for the current and comparative periods is found below. During the current period, general and administrative costs have decreased relative to the first three months of the prior fiscal year by $6,153. This decrease is attributable to lower office and miscellaneous costs for the period.

Schedule of General and Administrative Costs

	3rd Quarter May 31, 2009	2nd Quarter Feb. 28, 2009	1st Quarter Nov. 30 2008	4th Quarter Aug. 31, 2008	3rd Quarter May 31, 2008
Office and miscellaneous	16,711	13,477	33,978	71,141	34,616
Telephone and internet	16,858	11,858	13,570	14,043	13,960
Insurance	25,918	26,364	20,956	21,194	21,024
Accreted Interest	6,695	6,549	6,622	6,573	5,513
Regulatory	1,083	13,068	684	800	750
Other Income	(4,078)	(11,897)	(24,658)	(2,200)	(6,523)
	63,186	59,419	51,152	111,551	69,339

Overall, there has been a swing in general and administrative costs over the past year from a high of $111,551 to a low of $51,152. The swings are attributable to the different quarter's seasonality and activities occurring in the general business environment.

d. Net Income and Earnings per Share:

Net loss and loss per share have both increased from the prior year. The current quarter's net loss of $348,105 is a decrease from that of the comparative period net income of $48,934. The Net Income per share change from $0.002 in 2008 to a loss per share of $0.012 in 2009. There was also an increase in the basic and fully diluted weighted average number of shares outstanding, but it has no significant effect on the net loss per share.

e. Assets:

At May 31, 2009, total assets have decreased to $14,405,876 from $14,564,181 at August 31, 2008.

- **Cash** increased to $41,170 from $15,099 at year end, an increase of $26,071. The increase in cash is the result of the timing of cheques clearing the bank relative to cash balance. A minimum of cash is kept in the chequing accounts in order to keep the revolving loan balance as low as possible.
- **Receivables** have decreased from $2,127,363 to $1,938,464 due to the typical sales in the spring and early summer season of the oil and gas industry. Average customer days to pay are approximately 59 to 65 days.
- **Inventory** has decreased from $3,065,354 at year-end to $2,606,856 due to conscience inventory control and preparations for the slower activity anticipated in the third quarter, spring breakup.
- **Pre-paid expenses** increased to $207,632 from $57,183 at the year end. This increase is due to prepaid property taxes, prepaid liability insurance and a performance bond issued in relation to the middle-east sale of StaSweet 6000.
- **Capital assets** increased to $6,403,476 from $6,090,905 at year-end. This increase is due to several more tanks purchased and tank farm setup. As well as several sales vehicles. (see Property, Equipment and leasehold improvements in note 4 of the August 31, 2008 financial statements).

f. Liabilities:

At May 31,2009 total liabilities have increase to $12,280,768 from $11,798,893 at August 31, 2008, year end.

- **Bank** indebtedness of $1,685,451 at May 31, 2009 decreased from the year-end balance of $1,716,932. The credit facility from the Bank of Montreal is supported by Accounts Receivable and Inventory through an Assets Based Lending agreement.
- **Accounts payable** and accrued liabilities have decreased to $1,433,902 from $1,512,994 at the August 31, 2008. These accounts payable and accrued liabilities have been incurred during the normal course of operations.
- **Total current liabilities** decreased to $3,341,288 from $3,624,024 at August 31, 2008.
- **Long term debt** of $8,854,878 is related to property plant and equipment financing. (see Long-term Debt in note 6 of the August 31, 2008 financial statements)

g. Industry and Economic Factors:

The economic and industry factors have changed since the last annual Management Discussion and Analysis (MD&A) was filed for the 2008 fiscal year end. The oil and gas industry has experienced continuing slowdown in drilling and exploration activity in Alberta. The slowdown in drilling and generally within the industry has resulted in the reduction in both sales and profits for the Corporation. Several companies in the Oil and Gas industry have laid-off workers over the past several months. The Canadian currency, which was stronger in value for approximately 9-10 months of last year weakened through the fall and winter to February 2009 and ended at approximately 1.27. From February to May the Canadian dollar has strengthen to 1.1295 Canadian to one U.S. dollar.

As mentioned previously, there has been a significant reduction in commodity prices, especially petrochemicals due to the rapid decline of crude oil prices from August 2008 and on. The fall in commodity prices has stabilized and the Corporation has seen an increase in margins and a significant increase in sales by volume.

3. SELECTED ANNUAL INFORMATION

This section is not required for the purposes of the interim management discussion and analysis. Please refer to the annual management discussion and analysis dated August 31, 2008 for the selected annual information.

4. SUMMARY OF QUARTERLY RESULTS

SUMMARY OF QUARTERLY RESULTS

(all figures are in Canadian dollars)	3rd 2009 31-May-2009	2nd 2009 28-Feb-2009	1st 2009 30-Nov-2008	4th 2008 31-Aug-2008
Revenue	$ 2,973,152	$ 5,569,590	$ 4,909,978	$ 2,779,434
Profit (Loss) from operations	$ (686,908)	$ (67,063)	$ (244,607)	$ (615,021)
Net Income (Loss)	$ (348,105)	$ (96,953)	$ (255,194)	$ (855,824)
-Per common share-Basis and Diluted	$ (0.012)	$ (0.003)	$ (0.009)	$ (0.029)
Weighted Average Shares Outstanding	29,587,743	29,587,743	29,587,743	29,587,743
	3rd 2008 31-May-2008	2nd 2008 29-Feb-2008	1st 2008 30-Nov-2007	4th 2007 31-Aug-2007
Revenue	$ 4,320,087	$ 8,607,958	$ 4,925,515	$ 25,509
Profit (Loss) from operations	$ 11,690	$ 442,612	$ (154,329)	$ (197,158)
Net Income (Loss)	$ 48,934	$ 449,999	$ (135,157)	$ (147,292)
-Per common share-Basis and Diluted	$ 0.002	$ 0.015	$ (0.005)	$ (0.010)
Weighted Average Shares Outstanding	29,519,816	29,519,816	29,519,816	14,372,594

3rd Quarter of 2009, ended May 31, 2009

Revenues for the 3rd quarter of 2009 decreased from those of the 1st and 2nd quarters of fiscal 2009. This is down from the comparative quarter from the prior year. Revenues going into the forth quarter are anticipated to be higher than the comparable forth quarter from last year due to the increased number of sales people. Decreased sales leading to decreased Gross Margin dollars, increased amortization expense and gain/loss on foreign exchange have been the significant differences in profitability this year versus last year.

2nd Quarter of 2009, ended February 28, 2009

Revenues for the 2nd quarter of 2009 increased from those of the 1st quarter of fiscal 2009. This is down from the comparative quarter from the prior year. Revenues going into the third quarter are anticipated to be higher than the comparable third quarter from last year. Decreased sales leading to decreased Gross Margin dollars, increased amortization expense and gain/loss on foreign exchange have been the significant differences in profitability this year versus last year.

1st Quarter of 2009, ended November 30, 2008

Revenues for the 1st quarter of 2009 increased from those of the 4th quarter of fiscal 2008. This is down slightly from the comparative quarter from the prior year. Revenues going into the second quarter are anticipated to be higher than first quarter. Gross Margin, amortization expense and gain/loss on foreign exchange have been the significant differences in profitability this year versus last year.

4th Quarter of 2008, ended August 31, 2008

Revenue for the 4th quarter of 2008 dropped dramatically, falling 36% from the prior quarter. This decline in revenue is attributable to the cyclical nature of the oil and gas industry. The loss from operations and net loss are due to several reasons: namely lower gross margins; increase in year-end amortization expense for fixed assets, income tax expense and minority interest adjustment. General and administrative expenses are also higher than in previous quarters, professional fees are up at year end due to audited year-end inventory counts and one time banking credit line changes.

3rd Quarter of 2008, ended May 31, 2008

Revenues for the 3rd quarter declined from the record high of the second quarter, due to the seasonal tread of the O&G industry going into spring breakup, April and May. The net income for the 3rd quarter has added to the year-to-date net income. Gross Margin for the quarter, 21.2%, was higher than the year-to-date, 19.95%, bringing up the overall average. More annual maintenance activities occurred in the quarter with the slow down of the industry. The 4th tank farm was commissioned in March and incurred one-time expenses.

2ND Quarter of 2008, ended February 29, 2008

Revenues for the 2nd quarter rose again over the first quarter to a new record. The net income for the second quarter has produced a year-to-date net income from the year-to-date loss last quarter. The tank farm expansion at Kuusamo added capacity and came into operations in late October 2007. Another tank expansion further increased capacity in January 2008.

1st Quarter of 2008, ended November 30, 2007

Revenues for the 1st quarter of 2008 rose considerably versus those of the 4th quarter of fiscal 2007 and were above the quarterly average of $60,697 for the four most recent quarters as at that date. The loss from operations and net loss were the lowest in the prior two years due to higher revenue which contributed more gross margin than previously. The impact of non-cash stock based compensation expense remained constant.

4th Quarter of 2007, ended August 31, 2007

Revenue for the 4th quarter of 2007 dropped dramatically, falling 26% from the prior quarter. This decline in revenue is attributable to the acquisition of CFR and the outsourcing of sales, distribution, blending and marketing to CFR effective May 1, 2007. The loss from operations and net loss have both decreased significantly verses prior quarters, mainly due to reductions in personnel expense and marketing and promotional expense. General and administrative expenses were also lower, however, they were still high in comparison to quarterly averages due to the acquisition of CFR and a higher than normal level of professional fee expenses. The net loss for the quarter is the lowest net loss over the past two years. This ranking is somewhat artificial given the recording of a recovery of aged payables totaling $53,714 which had a significant impact, lowering the loss for the quarter.

3rd Quarter of 2007, ended May 31, 2007
Revenue for the 3rd quarter of 2007 dropped dramatically, falling by 64% from the prior quarter - which was the highest quarterly revenue since the 1st quarter of fiscal 2006. The loss from operations and the net loss both increased versus the three prior quarters mainly due to larger than normal professional expenses associated with the acquisition of CFR Chemicals Inc. Still, net loss, on average is in line with the average for the eight most recent quarterly periods ($298,676). It is anticipated that the net loss will improve going forward as the acquisition is closed.

5. LIQUIDITY & SOLVENCY

As at May 31, 2009, the Corporation had $41,170 in cash and cash equivalents (based on the Bank of Canada US$ noon exchange rate). A minimum of cash is kept in the bank accounts to reduce the amount of the credit line and the resulting amount of interest expense.

The average monthly net loss for the past 12 months has been $126,670 (this figure includes non-cash items such as depreciation of capital assets, and non-cash, stock-based compensation expense of approximately $46,942 per month; as well, the net loss figures also include any extraordinary items). The average monthly net loss over the past two year period is $55,816 (however this figure includes non-cash items such as depreciation of capital assets, and non-cash, stock-based compensation expense of approximately $34,240 per month; as well, net loss figures also include any extraordinary items). While the acquisition of 50% of CFR did reduce the cash in the Corporations reserve, nearly all of the overhead of the Corporation has been transferred to CFR Chemicals Inc. or has been eliminated due to duplication.

The Corporation is able to generate significant revenues from product sales, the solvency of the Corporation is directly related to CFR's. credit line with the Bank of Montreal. As of May 31, 2009 the $8,000,000 credit line had $1,685,451 funds advanced. Availability to the credit line is created by the discounting of Accounts Receivable and Inventory.

6. CAPITAL RESOURCES

Currently the Corporation has committed for an additional $125,000 in capital expenditures. The Corporation, closed a convertible debenture financing in 2007, and is responsible for the payment of 7% interest per annum on principal of $700,000 in the form of cash or through the issuance of common shares. In 2008 one debenture holder has converted their principal and interest into common shares during the year. In the near term the Corporation will finance through sales revenues and short term debt. The Corporation plans to extend the convertible debenture for an additional two years. As well as issuing a small private placement, less than $400,000, in the next quarter, this to be approved by the Board of Directors.

7. OFF BALANCE SHEET ARRANGEMENTS

The Corporation has several off balance sheet arrangements. This includes several vehicle leases for the Sales department and office equipment leases (photocopier, laptop, computers, server). This results in an approximate $6,800/month off balance sheet lease commitment.

8. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties for the period ended August 31, 2008 and 2007 are stated below. These amounts include wages for four different directors, one of whom is also an officer.

For the years ended August 31, 2008 and August 31, 2007	2008	2007
Paid to an officer or director for:		
Wages and benefits for one officer/director and three directors	$ 60,900	$ 191,200

9. Internal Control Over Financial Reporting

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for design of internal control over financial reporting or causing it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principals. The consolidation with CFR Chemicals Inc. has allowed the Corporation more depth and experience in the management of all accounting functions. Effective disclosure controls and procedures are achieved, despite the CFR material weakness, because of the CFO's direct involvement in the disclosure controls and procedures process.

10. OUTSTANDING SECURITY DATA

Description of Share Capital

Authorized Capital:

- Unlimited common shares, without par value

Issued and Outstanding:	**Number**	**Amount**
▪ Common shares	29,587,743	$4,269,177

For further detail see Note 5(b) of the annual financial statements for years ended August 31, 2008 and 2007.

Summary of options, warrants, and convertible securities outstanding at the end of the reporting period:

Options Outstanding as at May 31, 2009:

Date of Grant	Optionee Office	Expiry Date	Number of Options	Exercise Price/Share
26-Feb-2008	Directors & Officers	26-Feb-2013	100,000	0.10
4-Dec-2007	Consultant	4-Dec-2012	200,000	0.10
10-Oct-2007	Directors & Officers	10-Oct-2012	400,000	0.10
10-Oct-2007	Consultant	10-Oct-2012	700,000	0.10
21-Mar-2007	Directors & Officers	12-Mar-2012	200,000	0.10
21-Apr-2006	Consultant	21-Apr-2011	50,000	0.10
2-Mar-2006	Directors & Officers	2-Mar-2011	120,000	0.10
17-Feb-2005	Directors & Officers	17-Feb-2010	60,000	0.10
1-Dec-2004	Consultant	1-Dec-2009	100,000	0.10
3-Aug-2004	Directors & Officers	2-Aug-2009	100,000	0.10
Total options outstanding & weighted average exercise price			2,030,000	0.10

No options have been granted or expired during the quarter ended May 31, 2009. During the quarter the Company applied for and received approval, April 28, 2009, to amend options and re-price them from $0.40 to $0.10.

Share Purchase Warrants Outstanding as at May 31, 2009:

Date of Grant	Expiry Date	Number of Warrants	Exercise Price/Share
19-Jul-07	19-Jul-09	1,504,917	0.45
Total share purchase warrants outstanding & weighted average price:		1,504,917	$ 0.45

No warrants have been issued or expired during the quarter ended May 31, 2009. Warrants that were set to expire on July 19, 2008 were extended to July 19, 2009 with approval by the exchange on April 14, 2008.

Convertible Debentures Outstanding as at May 31, 2008**:**

Date of Grant	Due Date	Value of Debentures	Number of Common Shares on Conversion	Exercise Price/Share
9-Jun-06	9-Jun -09	$ 700,000	2,000,000	$ 0.35
19-Oct-07	Debenture converted	150,000	428,571	0.35
30-Nov-07	Debenture outstanding	550,000	1,571,429	0.35

11. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The financial instruments of the Corporation consist of Canadian and United States dollars, a convertible debenture, accounts receivable, accounts payable and accrued liabilities, a corporate credit card, a credit line consisting of a Canadian and American dollar short-term loans and long-term debt financing. The Corporation does not currently make use of any other financial instruments.

Convertible Debenture

In the fourth quarter of fiscal 2006, the Corporation issued $700,000 in convertible debentures to a small group of four placees, one of which is a company controlled by an insider and director of the Corporation. The debentures are convertible into common shares at $0.35 of principal outstanding. In addition, the Corporation has issued 490,000 share purchase warrants to purchase 490,000 common shares at an exercise price of $0.40 per common share for up to two years from the date of closing. The debenture will yield 7% interest payable annually, but which is also deferrable until the end of the full three year term of the debenture, at which time all principal and interest will become payable either in cash or in common shares of the Corporation.

On October 19, 2007 one debenture holder exercised their conversion privilege, converting their principal of $150,000 and accumulated interest of $14,471 into common shares at a conversion price of $0.35 per common share, resulting in the issuance of 469,916 common shares from treasury. In addition, the conversion reduced the debenture liability by the accumulated interest, and resulted in changes to share capital and other paid in capital.

In the forth quarter the Corporation plans to extend the convertible debenture for an additional two years and amend the exercise price.

Accounts Receivable

To date the Corporation has dealt predominantly with North American corporations in terms of sales and thus has limited exposed to the risk of dealing with overseas entities. The corporation has over 275 customers that it deals with over a twelve month period. The Corporation is in regular contact with clients regarding any outstanding receivables that go beyond both 30 and 60 days past due. This has proven to be very effective in ensuring that all accounts receivable are collected on time. Management has implemented the requirement of an irrevocable letter of credit for international sales. In one case management is putting accounts receivables insurance in place for a large international sale to eliminate the potential risk.

Foreign Currency Risk

The Corporation is exposed to currency risks as a result of sales and purchases in U.S. currency. Sales to the United States are less than US$10,000 for the period. Purchases of inventory in U.S. currency have been approximately $1,809,000 for the period. Payments in U.S. currency during the period were $1,615,000. Due to the large value of transactions to date, the Corporation is exposed to foreign currency risk. For the period of September 1 to November 30, 2008 the Corporation recognized a currency loss of $140,178. During the period of December 1, 2008 to February 28, 2009 the Corporation recognized a currency gain of $22,846. During the period of March 1 to May 31, 2009 the corporation recognized a currency gain of 95,437. The year prior the Corporation had a currency gain of $107,878.

Risk Factors

Need For Additional Financing – Diversified may require additional financing in order to support operations or make further investments in its various technologies. There can be no assurance that additional financing will be available to the Corporation on acceptable terms, or at all. Such financing, if available, might have the effect of diluting the holdings of existing shareholders.

Volatile Commodity Markets – As the majority of Diversified's revenues are generated through the chemical sales of CFR Chemicals Inc. there are certain risks due to volatile commodity prices. The corporation has been building stronger relationships with key suppliers and has developed a strategy to minimize risks associated with price fluctuations. The manufacturing costs and thus the marketability of products such as StaSweet 6000 could be affected directly or indirectly by significant changes in raw chemical prices. If energy prices as a whole were to decrease, there is risk that the overall business would suffer due to decreased activity in E&P markets.

Government Regulations / Policy – The Corporation may be subject to and adversely affected from time to time by changes in regulation and policy in the countries it is or plans to be operating in and such factors may create delays in project procurement and implementation that may result in the need for additional funding.

International Business – The Corporation undertakes business internationally. Securing of such business introduces currency risks, credit risks, political risks and other risks inherent to conducting business internationally. There can be no assurance that steps taken by management to address these risks will eliminate all adverse affects and, accordingly the Corporation may suffer losses.

Management of Growth and Key Personnel – Diversified's anticipated growth and expansion into new applications for its products will require additional management expertise and will place increased demands on Diversified's resources and management with respect to recruiting, training, budgeting, scheduling and technical skills. These demands will require the addition of new management and technical personnel and the development of additional expertise by existing personnel. A shortage of, or failure to retain, such personnel or develop or acquire the expertise could adversely affect prospects for Diversified's success.

Patents – The Corporation's success with its proprietary products will depend, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Corporation's rights. Diversified has filed, and is actively pursuing, applications for patents in Canada, the United States and other countries. Furthermore, there can be no assurance that others will not independently develop similar products, which duplicate any of Diversified's technology or products or, if patents are issued to Diversified, design around those patented products developed by Diversified.

Conflicts of Interest - Directors and officers of the Issuer may serve as directors of, or have shareholdings in, other reporting companies. To the extent that such other companies may participate in ventures in which the Issuer may participate, the directors or officers of the Issuer may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The laws of Canada, applicable to the Issuer, provide that the directors of the Issuer must act honestly, in good faith and in the best interests of the Issuer in resolving any conflicts that may arise, and all directors of the Issuer are aware of these fiduciary responsibilities. In determining whether or not the Issuer will participate in a particular venture, the directors will primarily consider the degree of risk to which the Issuer may be exposed, its financial position at that time and, depending on the magnitude of the venture and the absence of any disinterested directors, whether or not to subject any ventures in question to the shareholders of the Issuer for their approval. There are currently no such conflicts of interest as described above.

Reliance on Third Parties and Future Collaboration - Diversified has, and will continue, as it moves forward, to enter into, various arrangements with collaborators, licensors, licensees and others for the research, development, testing, manufacturing and marketing of its products and services. There can be no assurance that Diversified will be able to establish such collaborations on favorable terms, if at all, or that its current or future collaborative arrangements will be successful.

Product Liability and Uninsured Risks – The sale of products and services may expose Diversified to potential liability resulting from such use. Although liability insurance is currently maintained, the obligation to pay a claim in excess of insurance could have a material adverse effect on the business, financial condition and future prospects of Diversified.

Environmental Matters – As the Corporation supplies oilfield products and services there is the certainty that it will be subject to federal, provincial and local laws and regulations regarding the environment. Although management believes its safety procedures are appropriate, the risk of offence or liability cannot be completely eliminated. Moreover, there can be no assurance that Diversified will not be required to incur significant costs to comply with laws and regulations in the future.

12. SUBSEQUENT EVENTS

A Private Placement closed on July 14, 2009 and generated $391,950 in cash, 6,532,506 shares were issued and there were 3,266,253 Warrants issued The convertible debenture that was maturing on June 8, 2009 was extended on June 9, 2009 for an additional 2 years. The interest rate remained the same while the conversion rate for shares was modified from $0.30 share to $0.09. See related News Releases for more information.