Q4 2021 MD&A

BRI-CHEM

Right product. Right place. Right time.

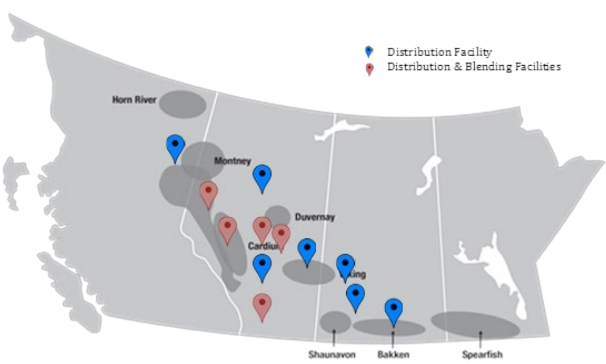
North America's Oilfield Chemical Distribution & Blending Company

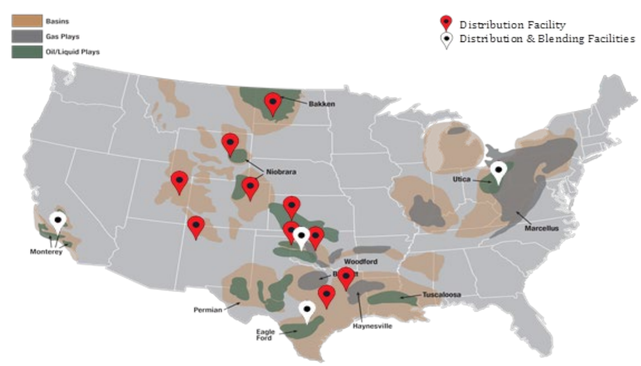
This Management's Discussion and Analysis ("MD&A") of Bri-Chem Corp. ("Bri-Chem" or the "Company" or "We") was prepared as at March 30, 2022 for the three months and twelve months ended December 31, 2021 and should be read in conjunction with the Company's December 31, 2021 and 2020 annual consolidated financial statements (the "financial statements") and notes thereto. The Company's annual consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and include the results of Bri-Chem Corp. and its subsidiaries, Bri-Chem Supply Ltd., Sodium Solutions Inc., Solution Blend Service Ltd., Bri-Corp USA, Inc., including its three subsidiaries Bri-Chem Supply Corp, LLC, Sun Coast Materials, LLC and Bri-Chem Logistics, LLC. All amounts presented in this MD&A are in Canadian dollars, except as otherwise noted. **Readers are encouraged to review the "Cautionary Statement Regarding Forward-Looking Information and Statements" and "Non-IFRS Measures" at the end of this document.**

BUSINESS OF BRI-CHEM

Bri-Chem, headquartered in Edmonton, Alberta, Canada, has established itself, through a combination of strategic acquisitions and organic growth, as a North American industry leader for the distribution and blending of oilfield drilling, completion, stimulation and production chemical fluids. We sell, blend, package and distribute a full range of drilling fluid products from 25 strategically located warehouses throughout Canada and the United States. Bri-Chem has been operating in Canada since 1985 and we expanded into the United States in 2011 where we have successfully established 13 warehouse locations that are strategically located in major drilling regions throughout the USA. Bri-Chem's main business activity is to provide 24/7 coverage of oilfield chemicals in a wide variety of weights and clays, loss circulation materials and oil mud products to mud engineering companies who sell directly to drilling firms engaged by the oil and gas companies. Much of Bri-Chem's competitive advantage is attributed to its comprehensive network of 25 strategically placed and fully stocked warehouses throughout North America as mud engineering companies and drilling companies prefer to use one supplier of drilling fluids for all their widely dispersed drilling rig locations. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

A summary of the Company's distribution network is as follows:





<u>Seasonality of Operations</u>

Weather conditions can affect the sale of the Company's products and services. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As a result, there are three cycles of drilling activity in the Western Canada: Winter drilling season from November to mid-March is the period when most of the drilling activity takes place as much of the ground is frozen allowing equipment to move into hard to reach regions during colder periods. Spring break up traditionally occurs between mid-March to mid-May and is the period when drilling activity is at its lowest as regions thaw and have road bans making heavy equipment difficult to move. Summer and fall drilling season operates from mid-May to end of October which focuses on areas not accessible during the winter drilling season. Spring break-up has a direct impact on the Company's activity levels. The timing of freeze-up and spring break-up affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company's slowest period in Canada.

FINANCIAL AND OPERATING INFORMATION HIGHLIGHTS

(in '000s except per share amounts)	Three months ended December 31 2021	2020	Change $	%	Twelve months ended December 31 2021	2020	Change $	%
Financial performance								
Sales	**$ 18,544**	$ 9,473	$ 9,071	96%	**$ 60,405**	$ 45,156	$ 15,249	34%
Adjusted EBITDA(1)	**1,408**	(461)	1,869	405%	**3,942**	(1,267)	5,209	411%
As a % of revenue	**8%**	-5%			**7%**	-3%		
Adjusted operating earnings	**1,143**	(30)	1,173	3909%	**2,862**	(2,762)	5,624	204%
Adjusted net earnings / (loss) (1)	**784**	(1,536)	2,320	151%	**1,330**	(5,017)	6,347	127%
Net earnings / (loss)	**$ 784**	$ (1,541)	$ 2,325	151%	**$ 1,317**	$ (5,148)	$ 6,465	126%
Diluted per share								
Adjusted EBITDA	**$ 0.06**	$ (0.02)	$ 0.08	404%	**$ 0.16**	$ (0.05)	$ 0.21	428%
Adjusted net (loss) / earnings	**$ 0.05**	$ (0.00)	$ 0.05	3896%	**$ 0.06**	$ (0.21)	$ 0.27	126%
Net earnings / (loss)	**$ 0.03**	$ (0.06)	$ 0.10	151%	**$ 0.05**	$ (0.22)	$ 0.27	125%
Financial position								
Total assets					**$ 43,796**	$ 26,289	$ 17,507	67%
Working capital					**5,150**	9,864	(4,714)	(48%)
Long-term debt					**6,764**	7,357	(593)	(8%)
Shareholders equity					**$ 11,716**	$ 10,558	$ 1,158	11%

(1) Refer to the "Non-IFRS Measures" section for a definition of non-GAAP terms as well as reconciliations for Adjusted EBITDA, Adjusted Operating Earnings/(Loss), and Adjusted Net Earnings/(Loss)).

Key Q4 2021 highlights include:

- Consolidated sales for the three months ended December 31, 2021 were $18.5 million, an increase of 96% compared to the comparable period last year due to stronger performance in the fluids distribution divisions in Canada and the United States as the demand for oil increased following the continued worldwide easements of health and travel restrictions due to the COVID-19 pandemic.

- Adjusted EBITDA for the fourth quarter was $1.4 million versus a loss of $461 thousand over Q4 2020, representing a 405% increase year over year. The increase is primarily related to increased sales over the prior year realized in tandem with management's undertakings of cost saving initiatives and obtaining available government assistance programs.

- Adjusted operating earnings was $1.1 million for the three months ended December 31, 2021 compared to a loss of $30 thousand in the prior year comparable quarter, representing a 3909% increase.

- Net earnings per diluted share for the three months ended December 31, 2021 was $0.03 per share compared to net loss of ($0.06) per diluted share for same period last year.

- Working capital, as at December 31, 2021, was $5.2 million compared to $9.9 million at December 31, 2020, a decrease of 48%. The decrease predominantly relates to reclassifying the term loan to current liabilities, offset by notable increases in accounts receivable balances bolstered by stronger than anticipated sales in tandem with increased utilization to the ABL facility for stockpiling initiatives in strategic locations.

Summary for the three and twelve months ended December 31, 2021:

Consolidated sales for the three and twelve months ended December 31, 2021 were $18.5 million and $60.4 million respectively compared to $9.5 million and $45.2 million for the same periods in 2020, representing a $9.5 million and $15.2 million increase over the comparable periods. The sales growth is caused by increased rig count and well production across most operating regions within Canada and the United States.

Bri-Chem's Canadian drilling fluids distribution division generated sales of $3.1 million and $10.7 million for the three and twelve months ended December 31, 2021 compared to $2.0 million and $7.0 million in the comparable prior periods. The increase in sales predominantly relates to the higher drilling activity levels in 2021 than 2020. The number of active operating land rigs in Q4 2021 averaged 159, compared to 91 in the same period last year amounting to an increase of 75.4% over the Q4 2020 (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of $11.1 million and $33.6 million for the three and twelve months ended December 31, 2021 compared to sales of $3.8 million and $23.7 million for the comparable periods in 2020, representing a quarterly increase of 194% and a year to date increase of 42%. Both of these events relate to the corresponding increase in rig activity in Q4 2021. The number of active operating land rigs in Q4 2021 averaged 543, compared to a 2020 Q4 average of 295, representing an increase of 84.2%. (Source: Baker Hughes)

Bri-Chem's Canadian Blending and Packaging division generated sales of $2.6 million and $7.4 million for the three and twelve months ended December 31, 2021 compared to Q4 2020 sales of $1.8 million and 2020 twelve months sales of $7.0 million. The increase in sales relates to increased cementing and stimulation activities in response to increased drilling. US Blending and Packaging sales for the three and twelve months ended December 31, 2021 were $1.8 million and $8.6 million compared to $2.1 million and $7.4 million for the comparable period in 2020. The quarterly drop in sales was a result of the purchase of a major customer by their competitor through Chapter 11 proceedings, which ultimately delayed sales on a short-term basis. The annual increase relates to increased cementing activity in the California market.

Adjusted operating earnings for the three months ended December 31, 2021 was $1.1 million compared to $30 thousand operating loss during the same period last year. Adjusted EBITDA was $1.4 million for Q4 2021 compared to a loss of $461 thousand for Q4 2020. Adjusted EBITDA as a percentage of sales was 8% for the quarter. The increase is primarily related to increased rig count and well production across most operating regions within Canada and the United States in tandem with management's cost saving strategies and collecting on government assistance subsidies adopted early on in the pandemic.

OUTLOOK

While there are many positive market indicators, there are still challenges in the market relating to commodity availability, labour shortages or the emergence of a more concerning COVID-19 variant that could still materially impact the momentum in the oil and gas industry. Management will continue to be vigilant in these times and will cautiously look to ramp up operating overheads to increase cash flow with a renewed emphasis towards providing higher turnover on commonly consumed drilling fluids relative to specialty products with limited applications. Stockpiling initiatives will continue in the foreseeable future providing market conditions remain unchanged such that the business can adequately support the increasing activities of its customer base. Continued market acceleration and realized profitability will enable management to continue consideration of larger deployments of capital towards strategic initiatives with the aim of capturing additional market share, further reducing operational overheads and diversifying revenue streams.

DISCUSSION OF Q4 OPERATING RESULTS

Divisional sales

(in 000's)	Three months ended December 31 2021	2020	Change $	%	Twelve months ended December 31 2021	2020	Change $	%
Fluids Distribution								
Canada	$ 3,123	$ 2,000	$ 1,123	56%	$ 10,726	$ 7,003	$ 3,723	53%
US	11,101	3,778	7,323	194%	33,661	23,721	9,940	42%
	14,225	5,778	8,447	146%	44,387	30,724	13,663	44%
Fluids Blending & Packaging								
Canada	2,561	1,607	954	59%	7,447	7,031	416	6%
US	1,758	2,088	(330)	(16%)	8,571	7,401	1,170	16%
	4,319	3,695	624	17%	16,018	14,432	1,586	11%
Consolidated sales	$ 18,544	$ 9,473	$ 9,071	96%	$ 60,405	$ 45,156	$ 15,249	34%
Geographic region								
Canada	$ 5,685	$ 3,607	2,078	58%	$ 18,173	$ 14,034	4,139	29%
US	$ 12,859	$ 5,866	6,993	119%	$ 42,232	$ 31,122	11,110	36%
Consolidated sales	$ 18,544	$ 9,473	9,071	96%	$ 60,405	$ 45,156	15,249	34%

Consolidated sales for the three months ended December 31, 2021 were $18.5 million compared to $9.5 million for the same period in 2020, representing a $9.1 million increase. The increase was due to increased rig count and well production across most operating regions within Canada and the United States.

Fluids Distribution Divisions

The US Fluids Distribution division for three and twelve months ended December 31, 2021, generated sales of $11.1 million and $33.7 million which was $7.3 million higher and $9.9 million higher than the same periods in 2020. The increase reflects the growing momentum in drilling activity, particularly in the states of Oklahoma and Texas which have experienced the most significant increase in rig activity. The average number of rigs operating in the US for Q4 2021 was 543 compared to 295 for Q4 2020, constituting a 84.2% increase. (Source: Baker Hughes).

For the three and twelve months ended December 31, 2021 the Canadian fluids distribution division generated sales of $3.1 million and $10.7 million compared to sales of $2.0 million and $7.0 million for the same periods in 2020, representing an increase of 56% and 53% respectively. The increase was due to the continued climb in the average number of rigs running in the fourth quarter. The average number of rigs operating in the fourth quarter of 2021 was 159 compared to 91 in the fourth quarter of 2020, representing a 75.4% increase (Source: Baker Hughes).

Fluids Blending & Packaging Division

US Fluids Blending and Packaging sales for the three and twelve months ended December 31, 2021 were $1.8 million and $8.6 million compared to $2.1 million and $7.4 million for the same comparable periods in 2020 representing a decreases of $330 thousand and an increase $1.2 million respectively. The quarterly drop in sales was a result of the purchase of a major customer by their competitor through Chapter 11 proceedings, which ultimately delayed sales on a short-term basis. The annual increase relates to increased cementing activity in the California market. The annual increase in sales predominantly relates to increased operating activity in 2021 for certain established customers.

The Canadian Fluids Blending and Packaging division for the three and twelve months ended December 31, 2021 recorded sales of $2.6 million and $7.4 million compared to sales of $1.6 million and $7 million for the comparable periods in 2020. The increase predominantly relates to an uptick in cementing and stimulation work that supports oil and gas drilling.

Divisional Gross Margin

(in 000's)	Three months ended December 31 2021	%(1)	2020	%(1)	Change $	%	Twelve months ended December 31 2021	%(1)	2020	%(1)	Change $	%
Fluids distribution												
Canada	**$ 698**	20.9%	$ 95	4.8%	$ 603	635%	**$ 1,726**	15.8%	$ 647	9.2%	$ 1,079	167%
US	**2,141**	18.2%	317	8.4%	1,824	575%	**6,546**	19.1%	3,008	12.7%	3,538	118%
	2,839	18.8%	412	7.1%	2,427	589%	**8,273**	18.3%	3,655	11.9%	4,618	126%
Fluids blending & packaging												
Canada	**643**	25.1%	522	32.5%	121	23%	**2,038**	27.4%	1,874	26.7%	164	9%
US	**326**	18.5%	424	20.3%	(98)	(23%)	**1,933**	22.5%	1,805	24.4%	128	7%
	970	22.4%	946	25.6%	24	2%	**3,971**	24.8%	3,679	25.5%	292	8%
Consolidated gross margin	**$ 3,809**	19.6%	$1,358	14.3%	$ 2,451	180%	**$ 12,244**	20.0%	$7,334	16.2%	$ 4,910	67%
Geographic region												
Canada	**1,342**	22.7%	617	17.1%	725	117%	**3,764**	20.5%	2,521	18%	1,243	49%
US	**2,467**	18.3%	741	12.6%	1,726	233%	**8,480**	19.8%	4,813	15%	3,667	76%
Consolidated gross margin	**$ 3,809**	19.6%	$ 1,358	14.3%	$ 2,451	180%	**$ 12,244**	20.0%	$ 7,334	16%	$ 4,910	67%

(1) Expressed as a percentage of divisional sales

Consolidated gross margin for the three and twelve months ended December 31, 2021 was $3.8 million and $12.2 million, $1.4 million and $7.3 million higher when compared to the gross margin dollars for the same periods last year. The increase in gross margin dollars is related to increased rig count and well production across most operating regions within Canada and the United States. Consolidated gross margin for the three and twelve months ended December 31, 2021 was 19.6% and 20% compared to 14.3% and 16% in the same periods of 2020. The increase in gross margin percentage is predominantly due to the elimination of pricing concessions implemented in 2020 in response to the declining market conditions realized by the COVID-19 pandemic.

Fluids Distribution Division

US Fluids Distribution gross margin for the three months ended December 31, 2021 was 18.2%, which was higher than the 8.4% margins in Q4 2020. Margins have improved over the course of the year due to the elimination of pricing concessions implemented in early 2020. There are certain regions such as the Rockies that traditionally have higher margins than the Texas region however this was not realized in the current Quarter due to logistical challenges with the supply of specific commodity items.

Canadian Fluids Distribution gross margin averaged 20.9% for the quarter ended December 31, 2021 compared to 4.8% for the same period last year. The Company has situated several price increases to customers over the year and quarter to maintain targeted performance margins in light of increasing commodity and freight prices.

Fluids Blending & Packaging Division

The US Fluids Blending & Packaging division generated gross margins of 18.5% for the three months ended December 31, 2021 compared to 20.3% for same comparable period in 2020. The decrease in gross margins is the result of the continued pace of regional well abandonment and sealing activities which consume lower margin products. Margins are anticipated to improve slightly over the short to medium term, as those abandonment activities will yield further drilling permits in the region.

The Canadian Fluids Blending & Packaging division generated gross margins of 25.1% for the three months ended December 31, 2021 compared to 32.5% for same comparable period in 2020. The decrease in gross margins is the result of the loss of a high margining customer which was partially offset by increased blending of loss circulation materials which traditionally realize higher margins than other work in the division.

Salaries and Benefits

(in 000's)	Three months ended December 31 2021	2020	Change $	%	Twelve months ended December 31 2021	2020	Change $	%
Salaries and benefits	**$ 1,492**	$ 910	$ 582	64%	**$ 4,363**	$ 4,279	$ 84	2%

Salaries and benefits increased for the three months ended December 31, 2021 compared to the prior year quarter as the headcount was increased related to servicing specific territories with increased activity profiles, and the resumption of normal salaries at the conclusion of the reduced wage program. Year to date salary and benefit expense was $84 thousand higher than 2020 due to the wage rollback programs introduced in 2020 in tandem with maintaining higher headcount levels. The Company employed 57 (26 Canada and 31 US) employees at December 30, 2021 compared to 50 (25 Canada and 25 US) at December 31, 2020.

Selling, General, and Administration

(in 000's)	Three months ended December 31 2021	2020	Change $	%	Twelve months ended December 31 2021	2020	Change $	%
Selling	**$ 64**	$ 51	$ 13	25%	**$ 256**	$ 236	$ 20	9%
Professional and consulting	**55**	246	(191)	(78%)	**407**	814	(407)	(50%)
General and administrative	**431**	856	(425)	(50%)	**1,965**	2,120	(155)	(7%)
Rent, utilities, and occupancy costs	**390**	250	140	56%	**1,464**	1,453	11	1%
Total selling, general and administration	**$ 940**	$ 1,403	$ (463)	(46%)	**$4,092**	$ 4,623	$ (531)	(48%)

General and administrative expenses for the three and twelve months ended December 31, 2021 decreased by $425 thousand and $155 thousand respectively when compared to the same periods in 2020. The decrease relates to less bad debt expense in the period offset by increased waste disposal expenses due to increasing operational activity. Professional and consulting expenses for the three and twelve months ended December 31, 2021 decreased by $191 thousand and $407 thousand as the Company adjusted accruals related to the change in auditor and reduced frequency of audit requirements of the primary lender.

Rent, utilities, and occupancy costs increased by $140 thousand for the three months ended December 31, 2021 compared to the same period last year as a result of the Company performing elective maintenance work at its facilities in response to increased rig count and drilling activity. Year to date figures were comparable to 2020 as increases to repairs and maintenance were offset by increased rent subsidies received in the year and reduced rent expense realized given the reduction in the operating footprint of selected offices and warehouses. During the year the Company received $80 thousand in Government rent subsidies that further reduced these costs.

Selling expenses are related to meals and entertainment, transportation, and travel incurred by Bri-Chem's sales team. Selling expenses for the three months ended December 31, 2021 were 13k and 20k higher respectively when compared with the same periods of 2020 as there is increased travel and less Covid-19 restrictions in place in the sales territories.

Depreciation on Property and Equipment

(in 000's)	Three months ended December 31 2021	2020	Change $	%	Twelve months ended December 31 2021	2020	Change $	%
Depreciation on right of use	$ 113	$ 139	$ (26)	(19%)	$ 464	$ 645	$ (181)	(28%)
Depreciation on property and equipment	122	147	(25)	(17%)	476	$ 537	(61)	(11%)
Total depreciation	$ 234	$ 286	$ (52)	(18%)	$ 940	$ 1,182	$ (242)	(20%)

Depreciation on property and equipment has been relatively consistent between periods due to management's discipline on capital spending initiatives. Depreciation on right of use assets for the three and twelve months ended December 31, 2021 decreased $26 thousand and $181 thousand respectively compared to the same periods in 2020. The decrease was the result of a small number of assets becoming fully depreciated between comparative periods.

Financing Costs

(in 000's)	Three months ended December 31 2021	2020	Change $	%	Twelve months ended December 31 2021	2020	Change $	%
Interest on short-term operating debt	$ 180	$ 249	$ (69)	(28%)	$ 559	$ 685	$ (126)	(18%)
Interest on long-term debt	229	616	(387)	(63%)	941	1,270	(329)	(26%)
Interest on lease liabilities	11	18	(7)	100%	46	97	(51)	(52%)
Cash interest paid	419	883	(464)	(53%)	1,546	2,052	(506)	(25%)
Add non-cash interest expense:								
Amortization of deferred financing costs	35	(61)	96	(158%)	155	338	(183)	(54%)
Fair value of warrants issued	-	-	-	0%	-	153	(153)	(100%)
Non cash interest realized	35	(61)	96	(158%)	41	491	(450)	(92%)
Total interest expense	$ 454	$ 822	(368)	(210%)	$ 1,701	$ 2,543	(689)	(79%)

Interest on short term operating debt for the three and twelve months ended December 31, 2021 decreased by $69 thousand and $126 thousand respectively when compared to the same periods in 2020. The decrease in three and twelve months relates to reduced interest due to principal payments commencing on the BCAP loan in tandem with a more favorable interest rate negotiation on the ABL facility. Interest on long term debt for the three and twelve months ended December 31, 2021 decreased by $387 thousand and $329 thousand respectively when compared to the same periods in 2020. The decrease during the three and twelve month periods relates to reduced interest due to principal payments on the term loan and higher fee amortization and amendment costs realized in the prior year.

Foreign Exchange (Gain) / Loss

(in 000's)	Three months ended December 31 2021	2020	Change $	%	Twelve months ended December 31 2021	2020	Change $	%
Foreign exchange (gain) / loss	**$ (31)**	$ 11	$ (42)	(382%)	**$ (140)**	$ 203	$ (343)	(169%)

The Canadian dollar stabilized compared to the US dollar for the fourth quarter of 2021 which resulted in a modest foreign exchange gain for the quarter. This increase in the Canadian dollar exchange rate caused the Company to have a favourable position on certain net advances denominated in USD, which resulted in a foreign exchange gain.

Income Tax Recovery/(Expense)

(in 000's)	Three months ended December 31 2021	2020	Change $	%	Twelve months ended December 31 2021	2020	Change $	%
Current	**$ (64)**	$ 18	$ (82)	(457%)	**$ (29)**	$ 76	$ (105)	(138%)
Deferred	**-**	(51)	51		**-**	(51)	51	
Total income tax expense	**$ (64)**	$ (33)	$ (31)	95%	**$ (29)**	$ 25	$ (54)	(217%)

The provision for income taxes for the three months ended December 31, 2021 is a net gain of $64 thousand as the Company was profitable in its US operations, however this expense was offset by the Canadian consolidated tax position, reversal of tax accruals and applicable carry forward losses. Bri-Chem's effective income tax rate was 23% 2021 (2020 - 24%).

Adjusted EBITDA and Net Earnings/ (Loss)

(in 000's)	Three months ended December 31 2021	2020	Twelve months ended December 31 2021	2020
Net earnings/(loss)	**$ 784**	$ (1,541)	**$ 1,317**	$ (5,148)
Add:				$ -
Restructuring costs [1]	**-**	5	**13**	131
Adjusted net earnings / (loss)	**784**	(1,536)	**1,330**	(5,017)
Add:				
Interest	**454**	822	**1,701**	2,543
Income tax expense	**(64)**	(33)	**(29)**	25
Depreciation and amortization	**234**	286	**940**	1,182
Adjusted EBITDA	**$ 1,408**	$ (461)	**$ 3,942**	$ (1,267)

(1) Represents paid cleaning costs related to oil based mud storage tanks as the Company is eliminating oil based mud in Canada and is included in general and administrative costs on the consolidated statement of operations and comprehensive earnings

Adjusted EBITDA was $1.4 million for the three months ended December 31, 2021 compared to a loss totaling $461 thousand in the same period last year. Fourth quarter adjusted EBITDA as a percentage of sales was 8% compared to negative 5% for the same period last year. The increase is primarily related to the increased rig count and well production across most operating regions within Canada and the United States in tandem with the continued realization of government assistance programs. Adjusted net earnings were $784 thousand for the three months ended December 31, 2021 compared to adjusted net loss of $1.5 million for the same period in the prior year.

SUMMARY OF QUARTERLY DATA

Bri-Chem's quarterly results are materially impacted by seasonality factors, particularly in its Canadian operations. Typically, the first quarter of the calendar year is very active, followed by a much slower second quarter due to spring breakup where provincial and county road bans restrict movement of heavy equipment which negatively impacts demand for the Company's drilling fluid products in Canada. The following is a summary of selected financial information for the last eight quarters:

(in 000's)	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4 [2]	2020 Q3	2020 Q2	2020 Q1
Sales	**$ 18,544**	$ 16,461	$ 13,910	$ 11,490	$ 9,473	$ 7,449	$ 6,819	$ 21,415
Gross margin ($)	**3,809**	3,402	2,835	2,197	1,358	1,180	1,130	3,664
Gross margin (%)	**20.5%**	20.7%	20.4%	19.1%	14.3%	15.8%	16.6%	21.4%
Adjusted EBITDA [1]	**1,408**	980	703	851	(461)	(765)	(423)	383
Net earnings/(loss)	**$ 784**	$ 348	$ 44	$ 141	$ (1,541)	$ (1,861)	$ (1,276)	$ (470)
Basic and diluted earnings/(loss) per share	**$ 0.03**	$ 0.01	$ 0.00	$ 0.01	$ (0.06)	$ (0.08)	$ (0.05)	$ (0.02)

(1) Refer to the "Non-IFRS Measures" section for a definition of non-GAAP terms as well as reconciliations for EBITDA, adjusted operating (loss) income, and adjusted (loss) / net earnings.

(2) During Q4 2020, Bri-Chem incurred impairment charges of $2.2 million on property, plant and equipment in relation to one of its CGUs related as market conditions declined resulting from the novel coronavirus and turmoil in global oil and gas markets.

Quarterly results generally reflect the seasonality factors discussed above. Q4 2021 gross margin % remained consistent with the previous trailing quarters and comparable to margins realized in Q1 2020. The Company has been able to lift specific price concessions on products as industry trends and demand for drilling fluids continue to normalize post the realization of the COVID-19 pandemic.

FINANCIAL CONDITION AND LIQUIDITY

The Company's primary liquidity needs are to fund ongoing operations, service existing debt obligations, and fund limited capital expenditures. Bri-Chem relies on cash from operations, bank indebtedness, long-term debt and equity financing.

The Company actively monitors its financing obligations to ensure that it has enough available funds to meet current and foreseeable future financial requirements at a reasonable cost. The Company mitigates liquidity risk by maintaining adequate Credit Facilities, and through the forecasting and management of its operational cash flows. Management of operational cash flows takes into consideration the Company's debt financing plans and covenant compliance.

The Company's liquidity relies heavily on sellable inventory and collectability of accounts receivable. Timing of collections could cause liquidity of the Company to tighten. With the steady incline of rig count in Canada and the USA, as well as an increase in demand for oil and gas, management has built-up its inventory. Depending on the oil and gas market growth, management has stress tested the Company's liquidity position to meet all commitments as well as create various levels of mitigation actions to respond to sudden reductions in revenues. Should events surrounding the price or demand of oil and gas the liquidity of the Company could materially weaken and could cause materiality uncertainties and negatively impact the Company's ability to continue to operate as a going concern.

The Company's operating cash flow has historically been affected by the overall profitability of sales within the Company's segments, the Company's ability to invoice and collect from customers in a timely manner, and the Company's ability to efficiently manage its inventory and operating costs.

Working capital position (000's)	December 31 2021	December 31 2020
Current assets	**$ 36,793**	$ 18,708
Current liabilities	**31,643**	8,843
Working capital	**$ 5,150**	$ 9,865

As at December 31, 2021, the Company had positive working capital of $5.2 million compared to $9.9 million at December 31, 2020. The Company's current ratio (defined as current assets divided by current liabilities) was 1.16 to 1 compared to 2.12 to 1 as at December 31, 2020.

Summary of cash flows (000's)		December 31 2021		December 31 2020
Operating activites	$	(9,220)	$	10,223
Financing activities		9,179		(10,224)
Investing activities		40		1
Change in cash position	$	-	$	-

For the twelve month period ended December 31, 2021, 9.2 million of cash was used by operating activities compared to cash generated of $10.2 million for the same period in 2020. This decrease was mainly due to increased sales activity which has greatly bolstered trade receivable and inventory balances for the Company. Cash generated in financing activities was $9.2 million for the twelve months ended December 31, 2021, compared to cash used of $10.2 million for the same comparable period. This increase was due to advances on the ABL Facility in response to increased inventory purchasing in the quarter. Cash generated in investing activities was $40k for the fourth quarter of 2021 compared to $1 thousand dollars for the same period in 2020. The increase in cash related to disposals of redundant assets which offset some minor acquisitions of computer hardware in the period.

The ABL Facility requires the Company to maintain certain financial covenants which are monitored monthly. The same financial covenants apply to the subordinated term debt facility. Minimum total net worth is defined as 90% of forecasted equity less prepaids, intangibles, and goodwill.

On April 17, 2020, the Company amended the terms of it ABL Credit Facility that amended certain financial covenants. In particular, the amendment allows for the December 31, 2020 impairment charge of $2,207,116 to be added back to the adjusted tangible net worth covenant.

On July 16, 2020, the Company amended the terms of its ABL Facility that amended certain financial covenants and extended the term to October 31, 2021. In addition, the Company obtained a $6,250,000 loan under the Canadian government's Business Credit Availability Program ("BCAP"). Pursuant to the program, 80% of the principal of the BCAP Loan is guaranteed by The Business Development Bank of Canada. The BCAP Loan bears interest at a rate of 2.25% above CIBC's prime lending rate. The term of the BCAP Loan is 10 years and is interest only for the first 12 months. Under the terms of BCAP, the proceeds of the BCAP Loan must be used to finance operations and can be used to make normally scheduled interest and principal payments, as well as ordinary-course debt payments. Proceeds from the BCAP Loan cannot be used to refinance existing debt.

On July 16, 2020, the Company amended certain terms of its term debt facility which included a 2.0% payment in kind interest until loan maturity, amendments to certain financial covenants and the issuance of 2.5 million share purchase warrants in the Company.

On March 29, 2021, the Company entered into the First Amendment to the Third Amending Agreement to the ABL Facility, further reducing its minimum adjusted tangible net worth financial covenant requirement.

On October 20, 2021, the Company entered into the Second Amendment to the Third Amending Agreement to the ABL Facility and BCAP Loan to extend the term to maturity to the earlier of October 31, 2024 or six months prior to GreyPoint Capital Inc. term loan maturity. In addition, the Second Amendment to the ABL Facility further reduces the minimum adjusted tangible net worth financial covenant, and reduces the interest rate from 1.5% to 1.35% above CIBC's prime lending rate.

RISKS AND UNCERTAINTIES

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with the detailed information appearing elsewhere in this MD&A and Bri-Chem's other

public disclosure documents, including the Annual Information Form for the Company for the year ended December 31, 2021. These risks and uncertainties are not the only ones facing Bri-Chem. Additional risks and uncertainties not currently known to the Company or that the Company currently considers remote or immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.

Volatility of Oil and Natural Gas Industry Conditions

The demand, pricing and terms for Bri-Chem's drilling fluid products depend upon the level of industry activity for oil and natural gas in the resource basins it serves. Industry conditions can be influenced by factors over which the Company has no control, including: oil and natural gas prices; expectations about future oil and natural gas prices; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas; available pipeline and other oil and natural gas transportation capacity; demand for oil and natural gas; weather conditions; and political, regulatory and economic conditions in North America. Current global economic events and uncertainty have the potential to significantly impact commodity pricing. No assurance can be given that expected trends in oil and natural gas activities will continue or that demand for services provided by Bri-Chem will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas would likely affect activity levels in these industries and therefore affect the demand of Bri-Chem's products.

Credit Risk

As a result of the continued volatility in the North American oil and natural gas markets, the Company is exposed to heightened credit risk because a substantial portion of the Company's dealings are with entities involved in the oil and gas industry. Regarding accounts receivable, the Company remains focused on actively managing credit risk. Management has remained diligent in assessing credit levels granted to customers, monitoring the aging of receivables and taking proactive steps to collect outstanding balances. Revenue from one customer amounted to $7.6 million, representing 12.4% of consolidated sales, and 22.1% of USA fluids distribution segment sales, for the year ended December 31, 2021. Bri-Chem's top 5 customers' account for approximately 36.4% and of revenue for the twelve months ended December 31, 2021 (31.8% December 2020). The Company does not usually enter into long-term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customer, or any significant decrease in sales to a customer, or prices paid or any other changes to the terms of service with a customer, could have a material adverse impact on the financial results, cash flows, and overall financial condition of the Company. Significant fluctuations in global oil and gas prices, declines in drilling fluid product demand and significant declines in the stock market have occurred for various reasons linked to the COVID-19 pandemic. These events will have an impact on future revenues of the company and may accelerate financial conditions such as banking covenants in the foreseeable future. The Company has not yet experienced unexpected challenges with recoverability of accounts receivable balances and realization or inventory values on December 31, 2021 balances presented in these financial statements, however, uncertainty exists with respect to recoverability of accounts receivable and realization of inventories originated subsequent to the quarter.

Global Health Crisis and COVID-19

The Corporation may be impacted by global heath pandemics, including through supply chain disruption, business interruption, changes in customer demand for Bri-Chem's products and services, stock price volatility, among other risks. In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China which has resulted in global economic restrictions. These health crises could have an adverse impact on the Company's business including the Company's ability to continue as a going concern.

Transportation and Distribution Network Risk

The Company relies on a large distribution network to manage the sale of inventory from the point of initial material inventory purchase to final customer sale. Common to industry practice, the Company has no formal long-term contract with its major inventory storage and distribution supplier. A significant disruption to its transportation and distribution network could have a material adverse impact to the Company.

Cyber Security

Bri-Chem manages cyber security risk by ensuring appropriate technologies, processes and practices are effectively designed and implemented to help prevent, detect and respond to threats as they emerge and evolve. The primary risks to Bri-Chem include, loss of data, destruction or corruption of data, compromising of confidential customer or employee information, leaked information, disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. Bri-Chem applies technical and process controls in line with industry-accepted standards to protect its information assets and systems. Data backup and recovery processes are in place to minimize risk of data loss and resulting disruption of business. As result of the unpredictability of the timing, nature and scope of disruptions from cyber-attacks, Bri-Chem could potentially be subject to: operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of its systems and networks or financial losses, any of which could have a material adverse effect on Bri-Chem's reputation and competitive position, financial condition or results of operations.

Government Regulation

Bri-Chem is subject to a variety of federal, provincial, state, and local laws in Canada and the US, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Bri-Chem invests financial and managerial resources to ensure such compliance. Although such expenditures are generally not material to companies such as Bri-Chem, such laws or regulations are subject to change. Accordingly, it is impossible for Bri-Chem to predict the cost or impact of such laws and regulations on its future operations.

Climate Change

The Company is subject to climate change that relates to the consequences of a global transition to reduced carbon, including the risk of regulatory and policy change. Governments in Canada and around the world have responded to these shifting societal attitudes by adopting ambitious emissions reduction targets and supporting legislation, including measures relating to carbon pricing, clean energy and fuel standards, and alternative energy incentives and mandates. Concerns over climate change may result in additional or more stringent legislation. Such changes could impose higher standards or require significant reductions to greenhouse gas emissions or setback requirements for facilities and wells, which could result in significant penalties for failure to comply, or increased capital expenditures, operating expenses, abandonment and reclamation obligations and distribution costs or the loss of operating licenses. All of which could impact the demand for the Company's products.

Seasonal Operations

Bri-Chem's Canadian operations are affected by the seasonality normally associated with the western Canadian oil and natural gas drilling industry. During the year, the busiest months are January through March and the slowest months are April through September when soft ground conditions hinder the movement of heavy equipment. Bri-Chem's US operations are not impacted by seasonality to the same degree as its Canadian operations.

OFF-BALANCE SHEET FINANCING

Bri-Chem has no off-balance sheet financing.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended December 31, 2021 the Company incurred office sharing costs that were paid to a company over which a Director has control. A summary of these costs for the periods presented is as follows:

	Three months ended		Change		Twelve months ended		Change	
	December 31				December 31			
(in 000's)	2021	2020	$	%	2021	2020	$	%
Office sharing costs	**$ 9**	$ 9	$ -	0%	**$ 36**	$ 36	$ -	0%

ACCOUNTING ESTIMATES

Bri-Chem's critical accounting estimates are discussed in Note 2 of its annual audited consolidated financial statements for the years ended December 31, 2021 and 2020. There have been no changes to the Company's critical accounting estimates as at December 31, 2021.

CHANGES IN ACCOUNTING POLICIES

Bri-Chem's accounting policies are discussed in Note 2 of the annual audited consolidated financial statements for the years ended December 31, 2021 and 2020.

OUTSTANDING SHARES

As at August 11, 2020, the Company had 23,932,981 common shares issued and outstanding and no potentially dilutive shares. The Company had 995,000 stock options outstanding as at December 31, 2021.

On July 16, 2020, the Company issued 2.5 million warrants to GreyPoint Capital Inc. in conjunction with amendments to its subordinated term debt credit facility. The warrants have an exercise price of $0.10 and expire on July 15, 2024.

NON-IFRS MEASURES

Bri-Chem uses certain measures in this MD&A which do not have any standardized meaning as prescribed by IFRS. These measures, which are derived from information reported in the annual consolidated financial statements, may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company. These Non-IFRS measures are identified and defined as follows:

Adjusted Net Earnings/ (Loss) and Adjusted EBITDA

Adjusted Net Earnings/Loss are defined as net earnings/(loss) before non-recurring events, net of corporate income taxes ("Adjusted Net Earnings/(Loss)"). Management believes that in addition to net earnings/(loss), Adjusted Net Earnings/(Loss) is a useful supplemental measure that represents normalized net earnings/(loss) from the business so that financial statement users can make insightful comparisons between current period and historical results. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment charges, share-based payments, and non-recurring events ("Adjusted EBITDA"). Management believes that in addition to net earnings Adjusted EBITDA is a useful supplemental measure of operating performance that normalizes financing, depreciation, income tax, and other non-recurring charges which are not controlled at the operating level. The following table provides a reconciliation of net earnings/(loss) under IFRS, as disclosed in the annual consolidated financial statements, to Adjusted Net Earnings/(Loss) and Adjusted EBITDA:

	Three months ended December 31		Twelve months ended December 31	
(in 000's)	2021	2020	2021	2020
Net earnings/(loss)	**$ 784**	$ (1,541)	**$ 1,317**	$ (5,148)
Add:				$ -
Restructuring costs [1]	**-**	5	**13**	131
Adjusted net earnings / (loss)	**784**	(1,536)	**1,330**	(5,017)
Add:				
Interest	**454**	822	**1,701**	2,543
Income tax expense	**(64)**	(33)	**(29)**	25
Depreciation and amortization	**234**	286	**940**	1,182
Adjusted EBITDA	**$ 1,408**	$ (461)	**$ 3,942**	$ (1,267)

[1] *Represents cleaning costs related to oil based mud storage tanks as the Company is eliminating oil based mud in Canada*

Adjusted Operating Earnings/Loss

Adjusted operating earnings/loss are defined as operating earnings/loss before non-recurring events ("Adjusted Operating Earnings/Loss"). Management believes that in addition to operating earnings, Adjusted Operating Earnings/Loss is a useful supplemental measure that represents normalized net earnings from the business so that financial statement users can make insightful comparisons between current period and historical results. The following table provides a reconciliation of operating earnings under IFRS, as disclosed in the annual consolidated financial statements, to Adjusted Operating Earnings/Loss:

	Three months ended December 31		Twelve months ended December 31	
(in 000's)	2021	2020	2021	2020
Operating earnings	**$ 1,143**	$ (54)	**$ 2,849**	$ (5,148)
Add:				
Restructuring costs	**-**	24	**13**	131
Adjusted operating earnings	**1,143**	(30)	**2,862**	(5,017)

MANAGEMENT'S EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company, together with management, have established and maintain disclosure controls and procedures ("DC&P") for the Company in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner, particularly during the period in which the annual filings are being prepared. The CEO and CFO, together with management, have evaluated the design and operating effectiveness of the Company's DC&P as of September 30, 2021 and, based on that evaluation, have concluded that these controls and procedures are effective in providing such reasonable assurance, except as noted below.

Internal controls over financial reporting ("ICFR")

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

The Chief Executive Officer and Chief Financial Officer have concluded, based on their assessment, that the design and implementation of the Company's disclosure controls and procedures and ICFR are not effective due to the material weaknesses in ICFR as described below. A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

- Control limitations were identified relating to segregation of duties, review of journal entries and various IT related weaknesses around passwords and monitoring of user access in the accounting process. These situations are common to many small companies. While deficiencies in segregation of duties could lead to a material misstatement in the financial statements, other checks and balances including direct involvement of senior management in the day to day operations of the Company are in place, and no misstatement has occurred related to segregation of duties. However, these mitigating procedures may not be considered enough to reduce the likelihood that a material misstatement would be prevented or detected in the future.

As the Company grows, it plans to expand the number of individuals involved in the accounting function and to implement additional oversight and review type controls around the specific control deficiencies noted above.

Changes in ICFR

There were no changes in the Company's ICFR in 2021 that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting. It should be noted that while the CEO and CFO believe that Bri-Chem Corp.'s disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, except as noted above, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain information and statements contained in this MD&A constitute forward-looking information, including the anticipated costs associated with the purchase of capital equipment, expectations concerning the nature and timing of growth within the various business divisions operated through affiliates of the Company, expectations respecting the competitive position of such business divisions, expectations concerning the financing of future business activities, and statements as to future economic and operating conditions. Readers should review the cautionary statement regarding forward-looking information that appears below.

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), the credit risk to which the Company is exposed in the conduct of its business, fluctuations in prevailing commodity prices or currency and interest rates, the competitive environment to which the various business divisions are, or may be, exposed in all aspects of their business, the ability of the Company's various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Company's various business divisions to attract and maintain key personnel and other qualified employees, various environmental risks to which the Company's business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Company's business divisions operate, timing and costs associated with the acquisition of capital equipment, the impact of weather and other seasonal factors that affect business operations, availability of financial resources or third-party financing and the impact of new laws and regulations or changes in existing laws, regulations or administrative practices on the part of regulatory authorities, including without limitation taxation and environmental laws and regulations and changes in how such laws and regulations are interpreted and enforced. Forward-looking information respecting the anticipated costs associated with the purchase of capital equipment are based upon historical prices for various classes of equipment, expectations relating to the impact of inflation on the future cost of such equipment and management's views concerning the negotiating position of the Company and its affiliates. Forward-looking information concerning the nature and timing of growth within the various business divisions is based on the current budget of the Company (which is subject to change), factors that affected the historical growth of such business divisions, sources of historic growth opportunities and expectations relating to future economic and operating conditions. Forward-looking information concerning the future competitive position of the Company's business divisions is based upon the current competitive environment in which those business divisions operate, expectations relating to future economic and operating conditions, current and announced build programs and other expansion plans of other organizations that operate in the energy service business. Forward-looking information concerning the financing of future business activities is based upon the financing sources on which the Company and its predecessors have historically relied and expectations relating to future economic and operating conditions. Forward-looking information concerning future economic and operating conditions is based upon historical economic and operating conditions, opinions of third-party analysts respecting anticipated economic and operating conditions. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in additional detail under the heading "Risk Factors and Risk Management" in the Company's Annual Information Form (AIF) on page 20 for the year ended December 31, 2021 which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.

Corporate Information

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Albert Sharp[1] [2]
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Eric Sauze, CPA, CA, CFA[1] [2]
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