

Bri-Chem Announces 2024 Third Quarter Financial Results

Edmonton, Canada, November 14, 2024 – Bri-Chem Corp. (“Bri-Chem” or “Company”) (TSX: BRY), a leading North American oilfield chemical distribution and blending company, is pleased to announce its 2024 third quarter financial results.

(in '000s except per share amounts)	Three months ended September 30				Nine months ended September 30			
	2024	2023	Change \$	%	2024	2023	Change \$	%
Financial performance								
Sales	\$ 21,975	\$ 26,830	\$ (4,855)	(18%)	\$ 62,452	\$ 79,260	\$ (16,808)	(21%)
Adjusted EBITDA ⁽¹⁾	587	1,051	(464)	(44%)	851	4,638	(3,788)	(82%)
As a % of revenue	3%	4%			1%	6%		
Operating earnings	234	1,185	(951)	(80%)	710	3,698	(2,988)	(81%)
Adjusted net (loss) / earnings ⁽¹⁾	(549)	(293)	(256)	87%	(2,900)	812	(3,712)	(457%)
Net (loss) / earnings	\$ (269)	\$ (376)	\$ 107	(28%)	\$ (2,263)	\$ 442	\$ (2,705)	(612%)
Per diluted share								
Adjusted EBITDA ⁽¹⁾	\$ 0.02	\$ 0.04	\$ (0.02)	(51%)	\$ 0.03	\$ 0.17	\$ (0.14)	(80%)
Adjusted net (loss) / earnings ⁽¹⁾	\$ (0.02)	\$ (0.01)	\$ (0.01)	91%	\$ (0.11)	\$ 0.03	\$ (0.14)	(458%)
Net (loss) / earnings	\$ (0.01)	\$ (0.01)	\$ -	0%	\$ (0.09)	\$ 0.02	\$ (0.11)	(661%)
Financial position								
Total assets					\$ 57,101	\$ 70,532	\$ (13,431)	(19%)
Working capital					13,740	16,012	(2,271)	(14%)
Long-term debt					6,564	6,771	(208)	(3%)
Shareholders equity					\$ 21,248	\$ 22,780	\$ (1,532)	(7%)

⁽¹⁾ Non-GAAP financial measure. Refer to “Non-GAAP Financial Measures” in this press release.

Key Q3 2024 highlights include:

- Consolidated sales for the three months ended September 30, 2024 were \$22 million, which is an 18% decrease from the prior year. The decrease is primarily due to decreased US drilling activities, driven by a lower average rig count.
- Consolidated gross margin for the three months ended September 30, 2024 decreased by \$1.1 million compared to the same period last year. The gross margin dollar decrease is primarily related to the decrease in sales in the US divisions.
- Adjusted EBITDA for the third quarter 2024 decreased by \$464 thousand when compared to the same period in the prior year and operating earnings decreased by \$951 thousand for the three months ended September 30, 2024 compared to the prior year.
- Adjusted net loss per diluted share for the three months ended September 30, 2024 was \$0.02 per share compared to adjusted net loss of \$0.01 per diluted share for same period last year.
- Working capital, as at September 30, 2024, was \$13.7 million compared to \$16 million at September 30, 2023, a decrease of 14%. The decrease in working capital relates to an increase in accounts payable. Decreases in accounts receivable and inventory were offset by a decrease in bank indebtedness.

Summary for the three months ended September 30, 2024:

Consolidated sales for the three months ended September 30, 2024 were \$22 million compared to \$26.8 million for the same period in 2023, representing a \$4.9 million decrease over the comparable period. Revenue was negatively impacted by lower US drilling activity, specifically natural gas drilling regions, compared to 2023.

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$3.8 million for the three months ended September 30, 2024 compared to \$3.9 million in the comparable prior period. The slight decrease in sales relates to the slowing of sales of select commodity items. The number of active operating land rigs in Q3 2024 averaged 206, compared to 187 in the same period last year representing an increase of approximately 10% (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of \$11.7 million for the three months ended September 30, 2024 compared to sales of \$15.5 million for the comparable period in 2023, representing a quarterly decrease of 24%. This decrease mainly relates to a decrease in the US rig count as the number of active operating land rigs in Q3 2024 averaged 566, compared to a 2023 Q3 average of 627 representing a decrease of approximately 10% (Source: Baker Hughes).

Bri-Chem's Canadian blending and packaging division generated sales of \$4.6 million for the three months ended September 30, 2024 compared to Q3 2023 sales of \$3.9 million, representing a quarterly increase of \$682 thousand. The increase in sales relates to higher cementing and stimulation activities in Western Canada. US blending and packaging sales for the three months ended September 30, 2024 were \$1.8 million compared to \$3.5 million in the prior year. The \$1.7 million decrease relates to the loss of commodity sales due to customer self supply initiatives.

Operating earnings for the three months ended September 30, 2024 was \$234 thousand which is a decrease from \$1.2 million in the same period in the prior year. Adjusted EBITDA was \$587 thousand for Q3 2024 compared to \$1.1 million for Q3 2023, the decrease is primarily driven by decreased margin due to lost sales. Adjusted EBITDA as a percentage of sales was 3% for the quarter, which is a slight decrease from the 4% achieved in Q3 2023. The Adjusted EBITDA as a percentage of sales decrease is primarily attributable to the decrease in margin during the quarter.

OUTLOOK

In the near term, the main challenges facing the oil and gas industry are volatile commodity prices and the restrained growth in USA drilling activity due to a preference of major oil and gas companies returning cash to shareholders rather than focusing on growing production. If commodity prices stabilize for an extended period, then we expect customers to strengthen their balance sheets which in turn will increase new drilling activity. As we move into fiscal 2025, we remain optimistic about our outlook given the recent US election results and the prospect for more favorable oil and gas drilling policies. We will continue to navigate current industry challenges, and will closely monitor future market conditions and adjust our strategies as necessary to mitigate risks and explore new opportunities.

About Bri-Chem

Bri-Chem has established itself, through a combination of strategic acquisitions and organic growth, as the North American industry leader for wholesale 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. Additional information about Bri-Chem is available at www.sedarplus.ca or at Bri-Chem's website at www.brichem.com.

To receive Bri-Chem news updates send your email to ir@brichem.com.

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Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking information or forward-looking statements (collectively, "forward-looking statements"). These statements relate to future events or future performance. The use of any of the words "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking statements and are based on the Company's current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially.

Although the Company believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. By their nature, such forward-looking statements are subject to various risks and uncertainties, which could cause actual results to differ materially from the anticipated results or expectations expressed herein. These risks and uncertainties, include, but are not limited to general economic conditions, prevailing and anticipated industry conditions, access to debt and equity financing on acceptable terms, levels and volatility of commodity prices, maintained demand for drilling fluids, market forces, ability to achieve geographic expansion through new warehouse locations, anticipated impact of new warehouse locations, ability to obtain equipment from suppliers, ability to maintain negotiating power with suppliers and customers, ability to obtain and retain skilled personnel, competition from other industry participants and regulatory conditions. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this press release or otherwise. Except as required by applicable law, the Company does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Non-GAAP Financial Measures

Bri-Chem uses certain measures in this press release which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures, which are derived from information reported in the Company's financial statements, may not be comparable to similar

measures presented by other reporting issuers. Investors are cautioned that these measures should not be construed as an alternative to net earnings and operating earnings determined in accordance with IFRS, and these measures should not be considered to be more meaningful than IFRS measures in evaluating the Company's performance. These measures have been described and presented in this press release 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 (Loss) Earnings, Adjusted (Loss) Net Earnings per share, Adjusted EBITDA, and Adjusted EBITDA per share.

Adjusted Net (Loss) Earnings are defined as net earnings/(loss) before non-recurring events, net of corporate income taxes ("**Adjusted Net (Loss) Earnings**"). Adjusted Net Earnings per share is defined as Adjusted Net (Loss) Earnings divided by diluted weighted average common shares. Management believes that in addition to net earnings, Adjusted Net (Loss) Earnings and Adjusted Net (Loss) Earnings per share are useful supplemental measures that represent normalized net earnings from the business so that financial statement users can make insightful comparisons between current periods 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**"). Adjusted EBITDA per share is defined as Adjusted EBITDA divided by diluted weighted average common shares. Management believes that in addition to net earnings, Adjusted EBITDA and Adjusted EBITDA per share are useful supplemental measures of operating performance that normalize 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 (Loss) Earnings under IFRS, as disclosed in the interim financial statements, to Adjusted Net Earnings and Adjusted EBITDA:

(in 000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2024	2023	2024	2023
Net (loss) / earnings	\$ (269)	\$ (376)	\$ (2,263)	\$ 442
Less:				
Deferred tax (credit) / expense	(280)	83	(637)	369
Adjusted net (loss) / earnings	(549)	(293)	(2,900)	812
Add:				
Financing costs	788	1,005	2,670	2,880
Income tax expense / (recovery)	41	19	116	(9)
Depreciation and amortization	307	320	965	955
Adjusted EBITDA	\$ 587	\$ 1,051	\$ 851	\$ 4,638