Bri-Chem Corp.

Management Discussion and Analysis

Three Months Ended March 31, 2007

To Our Shareholders:

We are pleased to report on the activity and results of Bri-Chem Corp. (the "Company") for the first quarter ended March 31, 2007. As a result of the reverse take-over by amalgamation with Gwelan Supply Ltd. effective January 1, 2007, the comparative financial figures reflect those of consolidated Gwelan Supply Ltd. operating as a private company and certain of the prior period's figures have been reclassified to conform to the presentation of the current period consolidated financial statements. A complete copy of the Company's report is available on the Internet at www.sedar.com.

Net earnings from operations for the three months ended March 31, 2007 are $900,505 or $0.074 fully diluted earnings per share and earnings before interest, taxes, depreciation and amortization for the same period are $1,312,997. Consolidated revenues were $13,136,256 during the first quarter of 2007 a decline of 43.4% when compared to the same period last year.

The main factor negatively impacting the Company's revenues is the 22% decrease of the number of wells drilled in Canada during the first quarter as compared to the same period last year as drilling rig utilization rates declined to 58% from 80%. Traditionally, the Company's busiest region for the winter drilling season has been the north eastern portion of British Columbia or, more specifically, the Fort Nelson area and the Fort St. John area. These areas have, in the past, produced a large portion of overall winter sales. In the first quarter of 2007, drilling activity in these areas was down 46% with only 441 wells drilled in the area as compared to 811 wells drilled during the same period last year. More specifically, two major oil and gas companies drilling activity, which represented a significant amount of our customers work last year, dropped 63% from 267 wells to 98 wells. As well, the early arrival of spring like conditions in the first part of March further reduced oilfield activity. The Company has witnessed a decline in revenues from the Alberta warehouses of approximately 22% which is consistent with the decline in overall drilling activity.

Outlook

The downturn in industry activity is expected to continue through to the third quarter of 2007 before the Company expects to see any real indication of increased drilling activity. Notwithstanding, we continue to be cautiously optimistic that industry drilling activity for 2007 will provide normal anticipated demand for our products. Despite the short-term weakness currently being experienced in the industry to which the Company sells its products and services, we believe that the overall outlook remains very positive for the longer term. With $19 million in working capital, and unused credit facilities of $18 million, our Company is well positioned to take advantage of any acquisition opportunities that may develop.

I would like to thank our employees for their continued commitment and dedication, and our shareholders for their support.

On behalf of the Board of Directors,

(signed) "Don Caron"
D.P. Caron, Chairman

May 30, 2007

This Management's Discussion and Analysis ("MD&A") of the financial position and interim consolidated results of operations of Bri-Chem Corp. for the period ended March 31, 2007 should be read in conjunction with the audited financial statements of Gwelan Supply Ltd. and notes thereto for the year ended December 31, 2006. This MD&A is dated May 30, 2007.

The Company's financial statements are prepared in accordance with generally accepted accounting principles in Canada ("Cdn GAAP") and are presented in Canadian dollars unless otherwise indicated. All references in this report to financial information concerning the Company refer to such information in accordance with Cdn GAAP and all dollar amounts in this report are in Canadian dollars unless otherwise indicated. This report also makes reference to certain non-GAAP measures in assessing the Company's financial performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. The Company includes these non-GAAP measures as it believes they are used by investors to assess the performance of the Company, and is used by management to assist in assessing comparative performance of the Company.

Statements throughout this report that are not historical facts may be considered "forward looking statements." Such statements are based on current expectations that involve risks and uncertainties which could cause actual results to differ from those anticipated. Important factors that can cause anticipated outcomes to differ materially from actual outcomes include the impact of general economic conditions, industry conditions, competition from other industry participants, volatility of petroleum prices, the ability to attract and retain qualified personnel, changes in laws or regulations, currency fluctuations, continued ability to access capital from available facilities and environmental risks. References in this MD&A to "Bri-Chem", the "Company", "us", "we", and "our" mean Bri-Chem Corp.

Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

OVERVIEW OF BUSINESS

On January 1, 2007 mBase Commerce Inc. amalgamated with Gwelan Supply Ltd., a Canadian oil and gas drilling fluids distribution company, resulting in the amalgamated company Bri-Chem Corp. This reverse take-over by way of amalgamation received TSX Venture Exchange ("TSXV") final acceptance by way of issuance of a TSXV Bulletin dated January 10, 2007. As of the commencement of trading on January 11, 2007, the Company now trades as Bri-Chem Corp. under the symbol "BRY".

Bri-Chem operates out of its head office located in the Acheson industrial area of Parkland County on the outskirts of Edmonton Alberta. Bri-Chem owns the land and building comprising the head office, a 100% interest in Bri-Chem Supply Ltd. ("Bri-Chem Supply") and a 100% interest in Sodium Solutions Inc. ("Sodium").

The Company's principal activity is the wholesale distribution of drilling fluid supplies for the oil and gas industry. Bri-Chem sells its products to mud engineering companies who sell directly to drilling firms engaged by the oil companies. Bri-Chem also has a blending and packaging facility located in Camrose, Alberta and its principal activity is a fully integrated chemical supplier and packager servicing a variety of industries including oil, industrial, agriculture, construction and resource sector end users. Bri-Chem has 25 non-unionized employees which are split between the companies (9 in Bri-Chem Supply and 16 in Sodium).

In business since 1985, Bri-Chem has evolved into a premier wholesale supplier of drilling fluid chemicals and additives to the oil and gas industry. It provides over 100 domestic and foreign products at competitive prices to customers throughout Alberta, British Columbia and Saskatchewan. Bri-Chem has access to over 100 different products in a wide variety of weights and clays, lost circulation materials, chemicals and oil mud products. Bri-Chem ensures that each location is fully stocked to deal with every situation and guarantees that their supplies are delivered within 12 hours of request. The timely delivery and consistent adherence to this policy is a contributor to customer retention and growth.

Seasonality of Operations

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, spring months in Western Canada and the duration of the spring break-up has a direct impact on the Company's activity levels. In addition, many exploration and production areas in the northern Western Canadian Sedimentary Basis ("WCSB") are accessible only in winter months when the ground is frozen hard enough to support the weight of heavy equipment. 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.

Growth Strategy

The Company will continue to focus on growth by expanding its market presence in the chemical and fluids distribution markets. Acquisitions may play a significant role in the Company's growth. Management recognizes that the key determinants to successfully building shareholder value from acquisitions are reaching agreement on an appropriate valuation and efficiently integrating corporate cultures. Acquisitions are intended to increase geographical, industry and seasonal diversification.

Comparative figures

Certain of the prior period's figures have been reclassified to conform to the current period consolidated financial statement presentation.

Prior to the amalgamation on January 1, 2007, Gwelan Supply Ltd. year end was July 31. Gwelan Supply Ltd. was a private company and shareholders would bonus out a majority of the profits at year end. On July 31, 2006, $8,794,731 was declared as a bonus which represents a bonus for the 12 month period however the comparative figures are only for 7 of the 12 months of operations. The March 31, 2006 comparative financial statements include 3/7ths of the bonus in salaries and employee benefits representing $2,198,682.

Comparative earnings per share are presented using the amount of shares that were exchanged for Gwelan Supply Ltd. effective January 1, 2007 upon amalgamation.

FINANCIAL SUMMARY

Consolidated Income Statement	(Unaudited) For the three months ended March 31		Change $	%
	2007	2006		
Sales	**$13,136,256**	$23,210,755	(10,074,499)	(43.4)%
Gross Margin	**2,338,597**	3,956,567	(1,617,970)	(40.9)%
Gross Margin %	**17.8%**	17.0%		0.8 %
Operating expenses [(1)]	**1,025,600**	2,969,575	(1,943,975)	(65.5)%
EBITDA [(2)]	**1,312,997**	986,992	326,005	33.0 %
Depreciation and amortization	**88,176**	54,792	33,384	60.9 %
Interest	**324,316**	207,678	116,638	56.2 %
Earning before tax and non-controlling interest	**900,505**	724,522	175,983	24.3 %
Income taxes [(3)]	**-**	-	-	-
Non-controlling interest	**-**	1,137	(1,137)	(100)%
Net earnings	**$ 900,505**	$ 723,385	177,120	24.5 %
Earnings per share – Basic [(4)]	**0.074**	0.071	n/a	n/a
Earnings per share – Diluted [(4)]	**0.074**	0.071	n/a	n/a
Shares outstanding – Basic [(4)]	**12,212,552**	10,205,700	n/a	n/a
Shares outstanding – Diluted [(4)]	**12,224,739**	10,205,700	n/a	n/a

(1) See page 14 for a further explanation of this non-GAAP measure.
(2) Represents earnings before interest, taxes, depreciation and amortization (see page 14 for a further explanation of this non-GAAP measure).
(3) The Company has approximately $1,603,980 of non-capital loss carry forwards available to reduce taxable income in the future years. The benefits of these losses has only been recognized as a reduction to the extent of current income tax liabilities as their realization beyond that is not considered more likely than not through the use of feasible tax planning strategies.
(4) As a result of the reverse take-over, the comparative financial figures reflect those of consolidated Gwelan Supply Ltd. when it was a private company. Comparative earnings per share are presented using the amount of shares that were exchange for Gwelan Supply Ltd. effective January 1, 2007 upon amalgamation.

RESULTS OF OPERATIONS

Revenue

Consolidated revenues declined by 43.4% during the first quarter of 2007 when compared to the same period last year as a result of the decline in oilfield activity levels in the WCSB precipitated by the continued weakness in natural gas prices and early spring break-up conditions. During the first quarter of 2007, there was a 22% decline in the number of wells drilled when compared to the same period last year as drilling utilization rates declined to 58% from 80%.

Traditionally, the Company's busiest region for the winter drilling season has been the north eastern portion of British Columbia, or more directly the Fort Nelson area and the Fort St. John area. These areas have, in the past, produced a large portion of overall winter sales. The drilling programs were drastically cut in both Fort Nelson and Fort St. John. While the majority of the Company's sales growth in the comparable period related to increased activity in the northern British Columbia regions, the first quarter of 2007, drilling activity was down 46% with only 441 wells drilled in the area as compared to 811 wells drilled during the same period last year.

Q1 2006	**Q1 2007**
811 wells - 1,160,803 meters drilled.	441 wells – 760,235 meters drilled

In addition to the 46% decline in total number of wells drilled, the mix of oil and gas companies that did actually drill in the northern British Columbia area had dramatically changed and our clients had a large portion of their expected projects cancelled. More specifically, two major oil and gas companies drilling activity, which represented a significant amount of our customers work last year, dropped 63% from 267 wells to 98 wells.

The Company has seen a decline in revenues from the Alberta warehouses of approximately 22% which is consistent with the decline in overall drilling activity.

Gross Margin	**(Unaudited) For the three months ended March 31**		**Change $**	**%**
	2007	2006		
Total Gross Profit	**2,338,597**	3,956,567	(1,617,970)	(40.9)%
% of sales	**17.8%**	17.0%		0.8 %

Consolidated Gross Profit decreased by 40.9% during the first quarter of 2007 when compared to the same period last year due to the overall decline in oilfield activity levels and competitive pricing pressures. However, consolidated gross profit as a percent of consolidated revenues improved by 0.8% to 17.8% from 17.0% for the comparative periods largely due to the benefits realized from seeking purchase discounts and cost effective buying.

Operating Expenses

Salaries and employee benefits	**(Unaudited) For the three months ended March 31**		**Change $**	**%**
	2007	2006		
Expense amount	**$522,553**	$2,549,500	(2,026,947)	(79.5)%
% of sales	**4.0%**	11.0%		(7.0)%

The 79.5% decrease in salary costs on a comparative quarterly basis is largely related to a year-end declared bonus at July 31, 2006 for Gwelan Supply Ltd. while it was a private company. For comparative purposes, the year-end declared bonus has been pro-rated on the basis of 7/12ths of the value calculated at July 31, 2006 and 3/7ths of that pro-ration, representing $2,198,682, is reflected in the quarterly statements for the period ending March 31, 2006.

Gross salaries and benefits for the current three month period were $522,553 compared to the comparative quarter of $350,818, before the year-end declared bonus, an increase of $171,735 (49%). Approximately $80,000 of this increase is directly related to two executive officers previously not drawing a comparable salary in the prior period due to Gwelan Supply Ltd. operating as a private company and management salaries were paid on a discretionary basis. In addition, $87,578 of the current expense is related to stock based compensation.

Selling, general and administration	(Unaudited) For the three months ended March 31		Change $	%
	2007	2006		
Operating expenses ($'s)				
Selling	**$223,745**	$170,010	$53,735	31.6 %
Professional and consulting	**86,716**	17,669	69,047	390.8 %
General and administration	**115,258**	152,523	(37,265)	(24.4)%
Rent, utilities and occupancy costs	**77,328**	79,873	(2,545)	(3.2)%
	$503,047	$420,075	$82,972	19.8 %
Operating expenses (as a % of sales)				
Selling	**1.7%**	0.7%		
Professional and consulting	**0.7%**	0.1%		
General and administration	**0.9%**	0.7%		
Rent and utilities	**0.5%**	0.3%		
	3.8%	1.8%		

The following is an analysis of the selling, general and administration categories:

Selling expenses increased due to increased fuel costs of delivery vehicles, increased travel costs as a result of the reorganization and financing of the Company and a 24% increase in lab supplies.

Professional and consulting expenses increased due to legal and corporate costs with respect to the Company's reorganization. Costs in this category comprise mainly accounting, legal, advisory and consulting fees.

General and administration expenses decreased primarily due to timing difference in insurance costs.

Warehouse rent, utilities and occupancy costs expenses are comparable with the prior period. Costs in this category comprise mainly rent, utilities, warehouse expense and the Camrose location overhead.

Depreciation and amortization	**(Unaudited) For the three months ended March 31**		**Change $**	**%**
	2007	2006		
Property and Equipment	**$58,839**	$54,792	4,047	7.4%
Intangibles	**29,337**	-	29,337	100%
Total	**$88,176**	$54,792	33,384	60.9%

Amortization expense increased by 60.9% during the first quarter of 2007 when compared to the same period last year as a result of a $29,337 expense associated with the amortization of intangible assets related to the 30% minority interest acquired for Sodium Solutions Inc. on December 31, 2006.

Interest	**(Unaudited) For the three months ended March 31**		**Change $**	**%**
	2007	2006		
Interest on long-term debt	**$149,920**	$8,939	140,981	1577 %
Interest on short-term operating debt	**174,396**	198,739	(24,343)	(12.2)%
Total	**$324,316**	$207,678	116,638	56.2 %

Interest on long-term debt increased by $140,981 during the first quarter of 2007 when compared to the same period last year as a result of new financings completed pursuant to the reorganization of the Company. As at March 31, 2007, long-term debt consisted of a $3,248,000 6% note payable issued to shareholders of the Company as a result of the purchase of Gwelan Supply Ltd., a $1,905,268 prime plus 0.85% demand loan outstanding with a Canadian chartered bank and a $3,000,000 subordinated loan bearing interest at prime plus 7% with a financial institution.

Interest on short-term operating debt decreased by $24,343 over the comparable quarter last year due to timely collection of outstanding accounts receivable and overall reduced activity levels.

Income Tax	**(Unaudited) For the three months ended March 31**		**Change $**	**%**
	2007	2006		
Expense amount	**$-**	$-	-	-
Effective tax rate	**30%**	34%		

At December 31, 2006, the Company had approximately $1,603,980 of non-capital loss carry forwards available to reduce taxable income in the future years. The benefits of these losses has only been recognized as a reduction to the extent of current income tax liabilities as their realization beyond that is not considered more likely than not through the use of feasible tax planning strategies. Loss carry forwards will expire by 2016.

The reduction in the effective tax rate in the first quarter of 2007 to 30% from 34% for the same period last year resulted from the effects of substantively enacted changes in the Canadian Federal tax rates and the Alberta corporate tax rate in 2006 that are to be phased in over the next five years. The Federal tax rate reduction combined with the one time decrease in the Alberta corporate tax rate effective April 1, 2006 resulted in a statutory rate of 32.12% for 2007. This rate is scheduled to be reduced to 29% by the year 2010.

Net Earnings	**(Unaudited) For the three months ended March 31**		**Change $**	**%**
	2007	2006		
Net Earnings	**$900,505**	$723,385	177,120	24.5%
% of revenue	**6.9%**	3.1%		
EBITDA (1)	**$1,312,997**	$986,992	326,005	33.0%
% of revenue	**10.0%**	4.3%		

(1) EBITDA is a non-GAAP measure which the Company defines as earnings before interest expense, taxes, depreciation, amortization, accretion expense and write-downs. (See page 14 for a further explanation of this non-GAAP measure).

Net earnings from operations for the three months ended March 31, 2007 increased by 24.5% to $900,505 from $723,385 for the same period last year and EBITDA from operations increased by 33% in the first quarter of 2007 when compared to the same quarter last year. The increase is mainly related to a year-end declared bonus at July 31, 2006 for Gwelan Supply Ltd. while it was a private company. For comparative purposes, the bonus has been pro-rated on the basis of 7/12ths of the value calculated at July 31, 2006 and 3/7ths of that pro-ration reflected in the quarterly statements for the period ending March 31, 2006.

Summary of Quarterly Results

As a result of the reverse take-over (see Note 4 of the interim March 31, 2007 financial statements), the comparative financial figures reflect those of consolidated Gwelan Supply Ltd. operating as a private company. No quarterly results are presented for the comparative quarterly periods as the financial information was not prepared on a quarterly basis.

FINANCIAL CONDITION & LIQUIDITY

As at March 31, 2007, the Company had positive working capital of $19,213,010 compared to $13,523,893 at December 31, 2006. The Company's current ratio (defined as current assets divided by current liabilities) was 2.27 to 1 at March 31, 2007 compared to 1.37 to 1 at December 31, 2006. As at March 31, 2007, the Company had $9,279,018 outstanding under its available credit facilities of $25,000,000, with a Canadian chartered bank, as compared to $17,410,925 at December 31, 2006. The Company also has a $2,000,000 subordinate loan facility which can be drawn on at anytime in increments of $500,000.

Despite the recent weakness in oil and gas drilling activity, the Company's balance sheet, as at March 31, 2007, remains strong with total assets of $38,309,113 as compared to total liabilities of $23,432,499. Accounts receivable decreased by $5,378,398 (25.7%) from $20,950,162 to $15,571,764 with all major accounts due in 90 days or less. Payables and accruals were $5,025,371 (December 31, 2006 - $6,927,364), a decrease of $1,901,993 (27.5%).

Goodwill

Goodwill represents the excess of the purchase price of an acquisition over the fair value of the underlying net assets acquired at the date of acquisition. Goodwill arising from acquisitions is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate the asset might be impaired. Impairment is tested by comparing the carrying amount of the reporting unit, including goodwill, with its fair value. Fair value is determined using the discounted, estimated future operating cash flows of the reporting unit. When the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered to be impaired. When the carrying value of the reporting unit exceeds its fair value, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any.

Intangibles

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a business combination that meet the specified criteria for recognition apart from goodwill is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized over their useful lives. Intangible assets with infinite useful lives are reviewed for impairment annually.

The amortization methods and estimated useful lives of intangible assets, which are reviewed annually, are as follows:

Customer relationships	Straight-line –5 years
Proprietary technology, technological expertise and proprietary blends	Straight-line – 3 years

Property and equipment

The Company's March 31, 2007 investment in property and equipment was primarily due to the expansion of a blending facility in the Acheson, Alberta location. Future capital expenditures are expected to be nominal.

Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the current or comparable reporting period.

Transactions with Related Parties

During the period, the Company incurred expenses in the normal course of operations with affiliated companies, which certain directors control as follows:

	2007	2006
Advisory	$ 30,000	$ -
Accounting and administrative	4,500	-
Corporate	4,500	-

In management's opinion, these transactions are all in the normal course of operations and are conducted at fair market value.

OUTLOOK

Overall industry consensus is that oilfield activity levels will remain soft throughout the second and third quarters of 2007 and are not expected to rebound until late 2007 or early 2008. The forecast is for a total of 19,200 wells to be drilled in Canada this year broken down as follows:

Q1-6,045 wells; Q2-2,270 wells;
Q3-5,459 wells; Q4-5,426 wells.

This represents an overall 18% decline from 2006 totals.

Notwithstanding, we continue to be cautiously optimistic that industry drilling activity for 2007 will provide normal anticipated demand for our products. The long term fundamentals still require continued exploration in Western Canada to meet continued North American demand for commodities. Despite the short-term weakness currently being experienced in our industry, we believe that the overall outlook remains very positive for the longer term.

Management is seeking growth opportunities through acquisitions in an effort to diversify and broaden the Company's chemical and drilling fluids market presence. Assuming a continued strong economic environment, it is anticipated that within the next four quarters at least one acquisition would be completed.

RISKS AND UNCERTAINTIES

Competition and Industry Conditions

There is a strong correlation between drilling activity and demand for the Company's drilling fluids. Industry demand for the Company's drilling products is further determined by activity levels that are focused on deep well drilling and applications common to the foothills region and northern Alberta and British Columbia, areas known for deeper drilling. Oil and gas activity in these geographic regions is normally strong during winter months or other times when climatic conditions are favorable.

The capital expenditure programs of oil and gas companies largely affect the products provided by the Company. The magnitude of capital expenditures determines the demand for the Company's drilling fluids to the oil and gas industry. The primary catalysts to high expenditures and activity levels in the energy industry are oil and gas prices which, in turn, are influenced strongly by supply and demand expectations. The ability to forecast the price of crude oil or natural gas is extremely difficult as many global factors affecting commodity prices are beyond the control of the Company.

Supply-Side Risks

The Company distributes industrial products manufactured or supplied by a number of major suppliers. The Company does not have long-term contracts with any of its major suppliers. Although the Company believes that it has access to similar products from competing suppliers, any disruption in the Company's sources of supply, particularly of the most commonly sold items or any material fluctuation in the quality, quantity or cost of such supply, could have a material adverse effect upon the Company's results of operations and financial condition. Also, supply shortages occur at times as a result of unanticipated demand, production difficulties or delivery delays. In such cases, suppliers often allocate products among distributors. Future supply shortages may occur from time to time and may have a short-term material adverse effect on the Company's results of operations and financial condition.

Oil and Natural Gas Prices

The revenue, cash flow and earnings of the Company are substantially dependent upon and affected by the level of activity associated with oil and natural gas exploration. Both short-term and long-term trends in oil and natural gas prices affect the level of such activity. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, may affect both the demand for and the supply of oil and natural gas. Weather conditions, governmental regulation, levels of consumer demand, the availability of pipeline capacity and other factors beyond the Company's control may also affect the supply of and demand for oil and natural gas lead to future price volatility.

Seasonal Weather

In Canada, the level of activity in the oil and natural gas industry is influenced by seasonal weather patterns. Spring break-up during the second quarter of each year leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of energy services. The timing and duration of spring break-up is dependent on weather patterns and the duration of this period will have an impact on the level of business of the Company.

Credit Risk

The Company's revenues are predominantly from products sold to large oil and gas fluid engineering companies which may result in a significant exposure to one customer or on a combined basis to several individual customers. Concentration of credit risk on the Company's trade accounts receivable exists in the oil and gas industry. The Company's management regularly reviews outstanding accounts receivable and follows up with customers when settlement has not occurred on a timely basis. Management believes that the Company is exposed to minimal credit risk since the majority of its business is conducted with companies that have a large market presence in the industry and or are large publicly held companies.

CRITICAL ACCOUNTING ESTIMATES

In preparing the consolidated financial statements, in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates included in these financial statements are the valuations of accounts receivable, the sales return provision, inventory, future tax assets, carrying value of goodwill, intangibles and accrued liabilities. Actual results could differ from these estimates.

Revenue Recognition

Revenue from the sale of goods is recognized when title passes to customers, which is generally at the time the goods are shipped and when reasonable assurance exists regarding the measurement and collection of the consideration given. Provisions for estimated product returns are based on historical experience.

Stock-based Compensation

The Company has established a stock option plan under which options to purchase common shares may be granted to directors, officers and employees of the Company and to any other person or company permitted by the applicable regulatory authorities to purchase unissued common shares.

Change in Accounting Policy and New Accounting Policy

Effective January 1, 2007, the Company adopted the new provisions prescribed by the AcSB, “Financial Instruments – Recognition and Measurement”, “Hedges”, and “Comprehensive Income”. The application of these new standards did not have a significant effect on the Company’s financial position, earnings, or cash flows.

Effective January 1, 2007, the Company commenced recording deferred costs associated with the acquisition of new debt instruments and amortized them on a straight line basis over the life of the debt. Other deferred costs are deferred and amortized over the related assets’ useful lives.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s financial instruments consist of cash, receivables, bank indebtedness, payables and accruals, income taxes payable, demand loans, note payable and long-term debt. Unless otherwise indicated, the fair values of these financial instruments approximate their recorded amounts due to their short term to maturity.

Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services may experience financial difficulty and be unable to fulfill their obligations. Concentrations of credit risk on trade accounts receivable are with customers in the oil and gas industry. Revenue from the Company’s largest three customers accounted for approximately 64.7% (March 31, 2006 - 56%) of total revenue during the period and 71.4% (March 31, 2006 – 63.4%) of total accounts receivable at period end.

Interest rate risk

Demand loans and bank indebtedness are subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. It is management’s opinion that interest rate risk is not significant.

SHARE DATA

As at March 31, 2007, the Company had 12,212,552 common shares issued and outstanding. The board of directors may grant options to purchase up to 1,400,000 common shares. As of March 31, 2007, options to purchase 1,110,000 common shares were outstanding at an average price of $2.00 per common share. Agent options totaling 283,000 are outstanding at an average exercise price of $2.00. Warrants totaling 250,000 with an exercise price of $2.00 may be exercised into common shares prior to January 30, 2010.

MEASURES NOT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The following measures included in this report do not have a standardized meaning under Canadian generally accepted accounting principles and, therefore, are unlikely to be comparable to similar measures presented by other companies:

EBITDA (Earnings before interest, taxes, depreciation and amortization) is not a concept recognized by generally accepted accounting principles, however is recognized in industry as an indirect measure for operating cash flow, a significant indicator of the success of any business. The following is a reconciliation of EBITDA to net earnings for each of the periods presented in this MD&A:

EBITDA	**(Unaudited) For the three months ended March 31**	
	2007	2006
Net Earnings before non-controlling interest	**$900,505**	$724,522
Add:		
Interest	**324,316**	207,678
Income Taxes	**-**	-
Amortization	**88,176**	54,792
EBITDA	**$1,312,997**	$986,992

Operating expenses as presented on page 5 is not a concept recognized by generally accepted accounting principles as it does not include interest and amortization expense related to operations. The following is a reconciliation of operating expenses as presented in this MD&A to total expenses as presented in the March 31, 2007 consolidated financial statements:

Operating Expenses	**(Unaudited) For the three months ended March 31**	
	2007	2006
Operating Expenses	**$1,025,600**	$2,969,575
Add:		
Interest	**324,316**	207,678
Amortization	**88,176**	54,792
Total Expenses	**$1,438,092**	$3,232,045

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, is made known to the Company's certifying officer(s). Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2007 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

It should be noted that while Management believes that the Company's disclosure controls and procedures provide reasonable assurance, they do not guarantee that the disclosure controls and procedures will prevent all errors and fraud because those controls and procedures can only provide reasonable assurance, not absolute assurance. A control system, no matter how well conceived or operated cannot provide absolute assurance because there are inherent limitations in all control systems. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Corporate Information

Officers and Directors

Don Caron
Chairman and Director
Edmonton, Alberta

Alan Campbell
CEO and Director
Edmonton, Alberta

Brian Campbell
COO, CFO and Director
Edmonton, Alberta

Albert Sharp
Director
Spruce Grove, Alberta

Eric Sauze
Director
Edmonton, Alberta

Doug Riopelle
President, Sodium Solutions Inc.
St. Albert, Alberta

Corporate Office

1500, 10025 - 102A Avenue
Edmonton, Alberta T5J 2Z2
Ph: 780.420.6885
Fax: 780.496.9172

Auditors

Grant Thornton LLP
1401 Scotia Place 2
10060 Jasper Avenue N.W.
Edmonton, AB T5J 3R8

Shares Listed

TSX Venture Exchange
Trading Symbol - BRY

Bankers

HSBC Bank Canada
10250 – 101 Street
Edmonton, Alberta T5J 3P4

Transfer Agent

Computershare Investor Services
530 – 8th Avenue SW, #600
Calgary, Alberta T2P 3S8

Share Capital

Issued: 12,212,552

Web Site

www.brichem.com