Bri-Chem Corp.
Management Discussion and Analysis
Three Months Ended March 31, 2008

To Our Shareholders:

We are pleased to report on the activity and results of Bri-Chem Corp. ("Bri-Chem") for the first quarter ended March 31, 2008. During the quarter, Bri-Chem's financial performance marked its highest-ever quarterly revenue, EBITDA and net income. Bri-Chem also opened a new strategic warehouse location in Williston, North Dakota, USA, during the quarter, signifying another step in its corporate growth strategy. A complete copy of Bri-Chem's report is available on the Internet at www.sedar.com.

The first quarter 2008 results are reflective of Bri-Chem's lean operational infrastructure during a continued decline in oilfield activity. First quarter net earnings from operations for the three months ended March 31, 2008 increased to $1,264,775 or $0.10 diluted earnings per share as compared to $900,505 or $0.07 diluted earnings per share for the prior year period representing a 40.5% increase. Earnings before interest, taxes, depreciation and amortization (EBITDA) has increased $1,263,118 or 96.20% to $2,576,115 compared to $1,312,997 for the comparative period. Consolidated revenues were $22,200,532 for the first quarter of 2008, an increase of 69% when compared to $13,136,256 from the same period last year.

Bri-Chem's operating performance remains sound, despite drilling activity, based on drilling operating days, being down 14.8% in the first quarter of 2008 compared to the same period of 2007 and drilling rig utilization rates declining to 56% from 61%. The overall increase in financial performance is due to Bri-Chem's ability to maintain and increase market share and the acquisition of Millennium in July 2007 which has provided additional revenue growth from new customers in geographic locations previously not serviced by Bri-Chem, particularly in southeastern Saskatchewan. Bri-Chem's continued market penetration in core geographic regions of Northern British Columbia and the continued diversification into other non-oilfield markets have also contributed to the sales growth.

During the first quarter Bri-Chem entered into an exclusive distribution agreement with Colloid Environmental Technologies Company ("CETCO"), an industrial fluids manufacturing company based out of Illinois, USA and a wholly-owned subsidiary of AMCOL International Corp., a company listed on the New York Stock Exchange. As a result of the agreement with CETCO, Bri-Chem is pursuing further expansion plans for its Industrial Fluids Division which supplies technologically advanced industrial fluids to various markets including horizontal directional drilling, mining exploration, geothermal and geotechnical, seismic and construction. The agreement with CETCO provides product exclusivity for the provinces of Alberta and Saskatchewan and offers Bri-Chem a significant advantage in technology driven fluids including horizontal de-watering applications for the oil sands.

Outlook

Bri-Chem remains optimistic that a continued strong rebound in natural gas prices and reduced industry uncertainty surrounding the Government of Alberta's New Royalty Framework will strengthen prospects for growth in revenue, EBITDA and net income for the second half of 2008. The second quarter is traditionally the slowest quarter of the year due to seasonal factors, however, industry forecasts for activity in the second half of 2008 and beyond are improving.

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) D.P. Caron, Chairman

This Management's Discussion and Analysis ("MD&A") was prepared as of May 27, 2008. It is provided to assist readers in understanding Bri-Chem Corp.'s ("Bri-Chem" or the "Company") financial performance for the three months ended March 31, 2008 and significant trends that may affect future performance of the Company. This MD&A should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2007.

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("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 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

Bri-Chem is a fluid supply specialist and industry leader in the wholesale distribution of drilling fluid chemicals and additives to the resource industry in North America. The Company was founded in 1985, and is headquartered in Acheson, Alberta located 20 km's west of Edmonton, Alberta. Bri-Chem owns a 100% interest in Bri-Chem Supply Ltd. ("Bri-Chem Supply") and a 100% interest in Sodium Solutions Inc. ("Sodium"). Bri-Chem continues to concentrate on expanding its market presence in the chemical and fluids market with the focus being on the following three divisions:

OIL AND GAS FLUIDS DIVISION

Western Canadian Sedimentary Basin (WCSB)

Bri-Chem's core business activity is the wholesale distribution of drilling fluid supplies to the oil and gas industry in the WCSB. Bri-Chem sells over 150 different products in a wide variety of weights and clays, lost circulation materials, chemicals and oil mud products to mud engineering companies who sell directly to drilling firms engaged by the oil companies. Much of Bri-Chem's success is attributed to their comprehensive network of 19 strategically placed and fully stocked warehouses throughout Alberta, Saskatchewan and British Columbia as mud engineering companies and drilling companies prefer to use one wholesaler for all of their projects. The drilling fluid supply business experiences some seasonality with the late spring generally being the slowest period, as customers in the natural resource sectors experience a slowdown in their activity. The peak season is in the late fall and winter when customers are not constrained by environmental forces to perform their activities.

Chemical Supplies and Packaging

The fluids market in the WCSB also includes completion fluids, cementing, acidizing and fracturing fluids. The addressable size of these markets is significant and Bri-Chem continues to grow its business presence in each of these end use applications. Bri-Chem has the ability to mix and blend products to grow and adapt to the changing environment and needs of their clients. The distribution of chemical supplies and packaging is operated through Bri-Chem's blending and packaging facilities located in Camrose and Acheson, Alberta and its principal activity is to offer an extensive product line in both packaged and truckload quantities. Bri-Chem continues to target different industries including agriculture and construction for product and industry diversification.

United States (US)

The US market is significantly larger than the WCSB and more geographically dispersed. Bri-Chem has recently established its first US based warehouse and distribution facility in Williston, ND and has undertaken a strategic move to take advantage of a vast opportunity available for an independent wholesale drilling fluids distributor to supply customers in the US. This expansion has been done in response to a number of requests from Bri-Chem's existing clients in Western Canada to accompany them in their endeavors south of the border.

INDUSTRIAL FLUIDS DIVISION

Bri-Chem entered into a Western Canadian exclusive distribution agreement with Colloid Environmental Technologies Company (CETCO), an industrial fluids product manufacturing company based out of Illinois, USA. The agreement with CETCO has prompted Bri-Chem to pursue a new operating division focused on technologically advanced industrial fluids. In the third quarter of 2007, the Company established Performance Industrial Products ("Performance") as a division of Bri-Chem Supply Ltd. that distributes chemicals to the non-oilfield sector. Performance offers chemicals to a diverse number of markets including mining exploration, water well drilling, geothermal and geotechnical drilling, seismic and construction projects.

SPECIALTY FLUIDS DIVISION

With a laboratory in Calgary, Alberta, Bri-Chem serves its customers throughout the WCSB with testing equipment, quality assurance, training, and research and analysis of critical fluids.

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 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.

Business Acquisition

On July 17, 2007, Bri-Chem completed its first acquisition by acquiring all the issued shares of Spirit Mountain Holdings Ltd. ("Spirit Mountain") and its wholly owned subsidiary, Millennium Technologies Ltd. ("Millennium"), a private Alberta wholesale chemical and fluid distributor to the oil and gas industry. The purchase price of Spirit Mountain and Millennium was $4.3 million. The acquisition of Millennium expands Bri-Chem's services to existing customers through new regional coverage in Saskatchewan and provides synergies across the combined operations. The operating results of Spirit Mountain and Millennium have been consolidated into Bri-Chem's financial statements following the closing of the acquisition.

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.

FINANCIAL SUMMARY

Consolidated Income Statement	For the three months ended March 31 2008	2007	Change $	%
Sales	$ 22,200,532	$ 13,136,256	$ 9,064,276	69.0%
Gross margin	4,076,801	2,338,597	1,738,204	74.3%
Gross margin %	18.4%	17.8%		0.6%
Operating expenses (1)	1,500,686	1,025,600	475,086	46.3%
EBITDA (2)	2,576,115	1,312,997	1,263,118	96.20%
Depreciation and amortization	215,017	88,176	126,841	143.8%
Interest	475,896	324,316	151,580	46.7%
Earnings before income taxes	1,885,202	900,505	984,697	109.3%
Income taxes (3)	620,427	-	620,427	100.0%
Net earnings	$ 1,264,775	$ 900,505	$ 364,270	40.5%
Earnings per share				
Basic	$ 0.10	$ 0.07	$ 0.03	n/a
Diluted	$ 0.10	$ 0.07	$ 0.03	n/a
Weighted average shares outstanding				
Basic	12,926,838	12,212,552	n/a	n/a
Diluted	12,926,838	12,224,739	n/a	n/a

(1) See page 20 for a further explanation of this non-GAAP measure.
(2) Represents earnings before interest, taxes, depreciation and amortization (see page 20 for a further explanation of this non-GAAP measure).
(3) In fiscal 2007, 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 were fully utilized in 2007.

RESULTS OF OPERATIONS

Revenue

Consolidated revenues for the three month period ended March 31, 2008 were $22,200,532 compared to $13,136,256 for the same period for 2007. This represents an increase of 69% in revenue over the same period in 2007.

In the first quarter of 2008, industry drilling rig utilization rates averaged 56%, representing a 5% decline from the same period last year when drilling rig activity averaged 61%. Despite the decline in the drilling activity, the Company has seen sales activity increase from our strengthened presence in the marketplace through the addition of four new warehouse locations as a result of the Millennium acquisition which has lead to an increase in the volume of products sold. The acquisition of Millennium in July 2007 provided additional revenue growth from new customers in geographic locations previously not serviced by the Company.

The Company has seen an increase in revenues from the Alberta warehouses of approximately 60% while the decline in overall drilling activity for the Alberta market is approximately 14.6%. Additional customers from acquisition of Millennium and strong customer relationships contributed to the sales growth. Saskatchewan had 814 wells drilled during the first quarter of 2008, which generated $947,662 in revenues for the Company from this region, which the Company had no revenues in for the same period in 2007. The drilling programs have been slow to recover to normal drilling levels in both Fort Nelson and Fort St. John, British Columbia. For the first quarter of 2008, drilling activity in this region was down 18.4% with only 360 wells drilled in the area as compared to 441 wells drilled during the same period last year. Revenues generated from the non-oilfield division were $242,347 for the first quarter of 2008 compared to nil for the same period in 2007, while sales to United States amounted to $538,314 compared to $121,348 for the same period in 2007.

Gross margin

	For the three months ended March 31 **2008**	2007	**Change** **$**	**%**
Total gross margin	**$ 4,076,801**	$ 2,338,597	$ 1,738,204	74.3%
% of sales	**18.4%**	17.8%		0.6%

Consolidated gross margin was $4,076,801 for the three months ended March 31, 2008, an increase of 74.3% compared to the prior period in 2007. The gross margin as a percentage of sales increased by 0.6% from the prior comparative three months ended March 31, 2007. The Company's cost of inventory purchased in US dollars has had a significant impact on the increased margins as foreign exchange rates have improved resulting in a more favorable cost on foreign product purchased.

Operating Expenses

Salaries and employee benefits

	For the three months ended March 31 2008	2007	Change $	%
Expense amount	**$ 940,214**	$ 522,553	$ 417,661	79.9%
% of sales	**4.2%**	4.0%		0.2%

The increase in salary and employee benefits on a comparative basis to March 31, 2007 is related to seven additional staff brought on from the Millennium acquisition as well as 4 new administrative personnel. In addition, for the three months ended March 31, 2008, $107,111 of the salaries and benefits increase is related to the Company's stock based compensation plan for directors, officers and other employees of the Company, compared to $87,578 for the same comparative period for 2007.

Selling, general and administration

	For the three months ended March 31 2008	2007	Change $	%
Selling	$ 156,414	$ 203,425	$ (47,011)	-23.1%
Professional and consulting	131,694	86,716	44,978	51.9%
General and adminstration	133,658	115,258	18,400	16.0%
Rent, utilities and occupancy costs	138,706	97,648	41,058	42.0%
	$ 560,472	$ 503,047	$ 57,425	11.4%
Selling, general and administative expenses (as a % of sales)				
Selling	0.70%	1.50%		
Professional and consulting	0.59%	0.66%		
General and administration	0.60%	0.87%		
Rent, utilities and occupancy costs	0.62%	0.74%		

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

Selling expenses decreased by 23% in the first quarter of 2008 as less was spent on lab and equipment supplies, while operating costs for sales staff increased as the number of sales personnel increased from two to six since March 31, 2007. Selling costs relate to customer relation costs, promotion and travel costs.

Professional and consulting expenses increased by 51.9% in the first quarter of 2008. The increase is due to increased accounting fees relating to public reporting matters. Costs in this category comprise mainly accounting, legal, advisory and consulting fees.

General and administration expenses increased due to an increase in office and computer maintenance expenses as a result of a Calgary office brought with the Millennium acquisition. General and administration costs consist of licenses, office and computer expenses, and insurance and general bank charges.

Warehouse rent, utilities and occupancy cost expenses increased in the first quarter of 2008 due to the July 2007 Millennium acquisition which brought four new warehouses in Veteran, Swift Current, Estevan and Nisku, along with new office space in Calgary. There were also increases in the rent paid for liquid tanks in Edson, Alberta as a result in an increase in the amount of liquid invert blended and stored. Costs in this category comprise mainly of rent, utilities, warehouse expense for the Camrose, Acheson and Estevan locations as well as liquid storage tank rentals.

Amortization

	For the three months ended March 31		Change	
	2008	2007	**$**	**%**
Property and equipment	**$ 97,626**	$ 58,839	$ 38,787	65.9%
Intangibles	**117,391**	29,337	88,054	300.1%
Total	**$ 215,017**	$ 88,176	126,841	143.8%

Amortization expense increased by 143.8% during the first quarter of 2008 compared to the same period last year. The increase relates to $539,501 of capital additions over the past twelve months, including $400,976 of assets acquired from Millennium. As well, amortization of intangibles increased related to the customer relationships and non-compete agreements from the acquisition of Millennium.

Interest

	For the three months ended March 31		Change	
	2008	2007	**$**	**%**
Interest on long-term debt	**$ 124,106**	$ 149,920	$ (25,814)	-17.2%
Interest on short-term operating debt	**351,790**	174,396	177,394	101.7%
Total	**$ 475,896**	$ 324,316	151,580	46.7%

Interest on long-term debt decreased during the three month period ended March 31, 2008 when compared to the same period last year as the part of the long-term debt principal balance has been repaid over the past year. Interest on short-term operating debt has increased in the first quarter of 2008 when compared to the same period last year as the Company had a higher revolving line of credit balance this period compared to same period for 2007.

As at March 31, 2008, long-term debt consisted of a $3,200,000 6% note payable issued to shareholders of the Company as a result of the purchase of Gwelan Supply Ltd., a $1,905,281 prime plus 0.85% demand loan outstanding with a Canadian chartered bank, a $3,000,000 subordinated loan bearing interest at prime plus 7% with a financial institution and a $300,000 promissory note payable bearing interest at prime. Interest on short-term operating debt increased over the comparable periods last year due to the funding of the acquisition of Spirit Mountain and the investment into inventory.

Income taxes

The provision for income taxes in first quarter of 2008 is $620,427 compared to current tax expense of nil in the same period last year. The increase in current taxes for the three months ended March 31, 2008 when compared to the same quarter last year resulted from increased earnings and no income taxes were recorded in the first quarter of 2007, as the Company had approximately $1,603,980 of non-capital loss carry forwards available to reduce taxable income in future years. The benefits of these losses were fully utilized in fiscal 2007 and recognized as a reduction of income tax liabilities. The Company's current income tax effective rate is 32.9% for the three months ended March 31, 2008.

Net earnings and earnings per share

	For the three months ended March 31 **2008**	2007	Change **$**	**%**
Net earnings	**$ 1,264,775**	$ 900,505	$ 364,270	40.5%
% of revenue	**5.7%**	6.9%		
EBITDA [(1)]	**$ 2,576,115**	$ 1,312,997	$ 1,263,118	96.2%
% of revenue	**11.6%**	10.0%		

Net earnings from operations for the three months ended March 31, 2008 increased by 40.5% to $1,264,775 from $900,505 for the same period last year. Net earnings, as a percentage of revenues, for the first quarter of 2008 were 5.7% compared to 6.9% for the three months ended March 31, 2007. EBITDA from operations increased by 96.2% in the first quarter of 2008 when compared to the same quarter last year. The increase in net earnings and EBITDA is due to the increased sales activity experienced in the first quarter, without significant increases to operating overheads.

Earnings per share for the three months ended March 31, 2008 were based on the weighted average number of shares outstanding during the quarter. The basic and diluted weighted average number of shares outstanding for the three months ended March 31, 2008 was 12,926,838. The weighted average number of shares increased by 714,286 common shares as a result of issuance of common shares as consideration for the Millennium acquisition.

SUMMARY OF QUARTERLY DATA

(in thousands of Cdn $)	2008 Q1	2007 Q4	2007 Q3	2007 Q2
Sales	$ 22,201	$ 21,358	$ 18,889	$ 6,136
Gross Margin ($)	4,077	4,047	3,307	1,204
Gross Margin (%)	18.4%	18.9%	17.5%	19.6%
EBITDA (1)	2,576	2,180	1,838	337
Net earnings	1,265	427	1,175	(102)
Basic earnings per share	0.10	0.03	0.09	(0.01)
Diluted earnings per share	0.10	0.03	0.09	(0.01)
Weighted average shares outstanding				
Basic	12,926,838	12,926,838	12,794,850	12,212,552
Diluted	12,926,838	12,926,838	12,797,911	12,241,740

(in thousands of Cdn $)	2007 Q1	2006 Q4 (2)	2006 Q3 (2)	2006 Q2 (2)
Sales	$ 13,136	$ 13,132	$ 17,097	$ 11,280
Gross Margin ($)	2,339	2,233	3,084	1,699
Gross Margin (%)	17.8%	17.0%	18.0%	15.1%
EBITDA (1)	1,313	950	1,737	(1,082)
Net earnings	901	203	1,168	(1,351)
Basic earnings per share	0.07	0.02	0.11	(0.13)
Diluted earnings per share	0.07	0.02	0.11	(0.13)
Weighted average shares outstanding				
Basic	12,212,552	10,205,700	10,205,700	10,205,700
Diluted	12,224,739	10,205,700	10,205,700	10,205,700

(1) EBITDA is a non-GAAP measure which the Company defines as earnings before interest, taxes, depreciation, amortization (See page 20 for a further explanation of this non-GAAP measure).

(2) As a result of the reverse take-over effective January 1, 2007, the comparative 2006 financial figures reflect those of the consolidated Gwelan Supply Ltd. when it was a private company. Comparative earnings per share are presented using the amount of shares that were exchanged for Gwelan Supply Ltd. effective January 1, 2007 upon amalgamation.

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 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.

Revenues increased in the first quarter of 2008 due to the winter drilling activity in the WCSB and due to the acquisition of Millennium providing additional strategic warehouses to enable Bri-Chem the ability to extend its services to its customers.

FINANCIAL CONDITION & LIQUIDITY

Balance Sheet For the period ended		March 31 2008		December 31 2007
Current assets	$	**48,872,798**	$	46,161,272
Property & equipment		**2,754,045**		2,688,781
Other assets		**2,950,845**		3,180,206
TOTAL ASSETS	$	**54,577,688**	$	52,030,259
Current liabilities		**27,695,410**		26,378,736
Long-term liabilities		**7,269,057**		7,410,188
TOTAL LIABILITIES		**34,964,467**		33,788,924
Share capital		**12,347,444**		12,347,444
Retained earnings & contributed surplus		**7,265,777**		5,893,891
TOTAL SHAREHOLDERS' EQUITY		**19,613,221**		18,241,335
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$	**54,577,688**	$	52,030,259

Financial Ratios	March 31 2008	December 31 2007
Working capital ratio	**1.76**	1.75
Days sales in receivables	**108.1**	132.9
Inventory turns	**2.4**	2.5
Days purchases in payables	**53.3**	63.6

As at March 31, 2007, the Company had positive working capital of $21,177,388 compared to $19,782,536 at December 31, 2007. The Company's current ratio (defined as current assets divided by current liabilities) was 1.76 to 1 for the three months ended March 31, 2008 compared to 1.75 to 1 at December 31, 2007. As at March 31, 2008, the Company had $8,437,881 outstanding under its available credit facilities of $25,000,000, with a Canadian chartered bank, as compared to $8,389,485 at December 31, 2007. The Company also has a $2,000,000 subordinated loan facility which can be drawn on at anytime in increments of $500,000. The decrease in days sales in receivables from December 2007 is due to quicker collections on 2007 fourth quarter sales. The decrease in days purchases in payables is due to faster payment of purchases made in quarter one of 2008, as vendors require faster payment in periods where inventory levels are being replenished more often. Due to the seasonal nature of the oil and gas industry in Western Canada, the Company collects many of its receivables during the spring and summer months and has significant receivable balances in the fall and winter when the drilling programs typically are at their busiest. This results in a significant timing difference in the calculation of the days sales in receivables.

The Company's balance sheet, as at March 31, 2008 has total assets of $54,577,688 as compared to total liabilities of $34,964,467. Accounts receivable decreased by $596,642 (2.4%) from $24,885,748 to $24,289,106 as amounts owing from the winter drilling activity have started to be collected. Inventory has increased by $3,218,312 (15.2%) due to replenishment of product in warehouses which are required to be stocked with product.

Payables and accruals were $10,127,249 compared to $11,967,882 at December 31, 2007, a decrease of $1,840,633 or 15.4%, which was a result of quicker payment to vendors for products.

Cash used from operating activities for the three months ended March 31, 2008 was $3,216,513 from a source of $3,674,333 for the year ended December 31, 2007. The Company's decline in cash from operating activities relates to the Company purchasing more inventory to keep up to demand levels for product during the winter drilling program. We expect to see our cash from operations increase in the short to medium term, as we collect cash and minimize cash outlays as our warehouses are fully stocked, however these increases may be offset by changes to the working capital balances resulting from increased sales activity. We feel, with our strong balance sheet and available cash from credit facilities that we will be able to fund a reasonable and sustainable level of growth.

Commitments

The Company has committed to numerous operating lease arrangements for property and equipment. The minimum lease payments under the leases are as follows:

2008	$ 138,096
2009	97,131
2010	78,390
2011	29,775
2012	855
	$ 344,247

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. 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
Non-compete agreements	Straight-line – 3 to 5 years

Property and equipment

The Company's March 31, 2008 investment in property and equipment was primarily due to an upgrade of the Company's computer hardware and software to facilitate further growth. In addition, the Company added additional storage in Estevan to warehouse more inventory. Capital expenditures typically are comprised of maintenance to existing assets. The Company ensures equipment is efficient and profitable or the equipment is replaced when the cost of maintenance and operating the equipment is not feasible. Future capital expenditures of approximately $222,000 are being proposed to upgrade warehouse space in Acheson, Camrose and Estevan. The Company plans to fund these capital expenditures from the credit line available and from cash flow from operating activities.

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 ended March 31, 2008, the Company incurred selling, general and administration expenses in the normal course of operations with Western America Capital Group, an affiliated company, which a certain director controls as follows:

a) Management advisory services of $30,000 (March 31, 2007 – $105,000) to a Company over which a director has significant influence.

b) Accounting, administrative and corporate expenses of $15,000 (March 31, 2007 – $27,000) were paid to a Company over which a director has significant influence.

The Company accrued interest of $52,173 (March 31, 2007 - $48,000) on promissory notes payable issued in 2006 which are held by two of the Company's directors, officers and significant shareholders.

OUTLOOK

Bri-Chem remains optimistic that a continued strong rebound in natural gas prices and reduced industry uncertainty surrounding the Government of Alberta's New Royalty Framework will strengthen prospects for growth in revenue, EBITDA and net income for the second half of 2008. The second quarter is traditionally the slowest quarter of the year due to seasonal factors, however, industry forecasts for activity in the second half of 2008 and beyond are improving. The Petroleum Services Association of Canada has revised its estimates from 14,500 to 16,500 wells to be drilled in fiscal 2008, a decrease of 11% from 2007.

The Company continues to demonstrate that it can thrive during an industry slowdown with its strong balance sheet, ability to control costs and its solid platform to seek growth opportunities through acquisitions in an effort to diversify and broaden the Company's chemical and drilling fluids market presence. Management believes that it is well positioned with its expanding geographic diversification and strong customer base to continue to grow sales and gain market share.

In the United States, Bri-Chem plans to continue to grow its operations through the start-up phase to take advantage of increased activity in North Dakota, Montana and Saskatchewan as a result of the Bakken resource play. Our warehouses in Estevan and Williston will play a vital role in the expected growth in activity levels as a result of the Bakken. With the strengths of our technical sales team, Bri-Chem has the opportunity to further expand its product services into a lucrative niche market. The Company intends to pursue new opportunities domestically and abroad to expand its operating presence in an effort to improve seasonality of its financial and operating performance.

Bri-Chem's industrial fluids division in 2008 will continue to pursue opportunities in various geographic regions, leading to further concentration of non-oilfield services. The industrial fluids division is currently exploring new opportunities in Canada and abroad.

Management and the Board are constantly evaluating acquisition opportunities and have identified several that fit the corporate requirements as accretive and geographically favorable. With record oil prices and seemingly stable natural gas prices, Bri-Chem is well-positioned to benefit from a rebound in industry activity.

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.

Alberta Royalty Review

The Government of Alberta receives royalties on production of natural resources from lands in which it owns the mineral rights. On October 25, 2007 the Government of Alberta unveiled a new royalty regime that will introduce new royalties for conventional oil, natural gas and oil sands that are linked to price and production levels. The new royalty regime is expected to be implemented effective January 1, 2009.

The implementation of the proposed changes to the royalty regime in Alberta is subject to certain risks and uncertainties. The significant changes to the royalty regime require new legislation, changes to existing legislation and regulation and development of proprietary software to support the calculation and collection of royalties.

Additionally, certain proposed changes contemplate further public and/or industry consultation. There may be modifications introduced to the proposed royalty structure prior to the implementation thereof. The changes to the royalty regime may effect the exploration for, and the development of, oil and natural gas by entities operating in the Province of Alberta, which effects could negatively impact the business and cash flow 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 leading 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 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 the interim consolidated financial statements are the valuations of accounts receivable, the sales return provision, inventory, future tax assets, and carrying value of goodwill, intangibles and accrued liabilities. Management feels actual results are not materially different from these estimates.

CHANGE IN ACCOUNTING POLICY AND NEW ACCOUNTING POLICY

Effective January 1, 2008, the Company adopted two new Canadian Institute of Chartered Accountants ("CICA") standards, Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" which will replace Section 3861 "Financial Instruments – Disclosure and Presentation". The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The new presentation standard carries forward the former presentation requirements of Section 3861. These new standards have been applied prospectively without restatement of prior periods.

Effective January 1, 2008, the Company adopted CICA Section 3031 "Inventories". This section relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories. Under this section, inventory is to be measured at lower of cost and net realizable value. Net realizable value approximates the estimated selling price less all estimated costs of completion and necessary costs to complete the sale. Cost shall be assigned using the first-in, first-out (FIFO) or weighted average cost method. The section also requires the reversal of previous write-downs of inventory if original circumstances are reversed. This section has been applied retrospectively and had no impact on the current or previous operating results of the Company.

Inventory is measured at the lower of cost and net realizable value. Cost is determined using the first-in first-out method for direct purchase price of goods. Costs associated with freight transportation and handling fees are determined using the weighted average cost method. Net realizable value represents the estimated selling price for inventories less estimated selling costs. The cost of inventory expensed in cost of sales for the three months ended March 31, 2008 was $16,579,171 (March 31, 2007 - $9,466,635).

Effective January 1, 2008, the Company adopted paragraphs .08(a) to .08(c) of CICA Section 1400 "General Standards of Financial Statements". This section requires management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern.

Effective October 1, 2007, the Company adopted CICA handbook Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed in order that a user of the financial statements may evaluate the entity's objectives, policies and processes for managing capital.

Future Accounting Pronouncements

In February 2008, the CICA issued new handbook Section 3064 – "Goodwill and Intangible Assets" that supersedes Section 3062 – "Goodwill and Other Intangible Assets" and 3450 – "Research and Development Costs". This section provides additional guidance on when expenditures qualify for recognition as intangible assets and requires that costs can be deferred only when relating to an item meeting the definition of an asset. The new accounting standard is effective for interim or annual financial statements relating to fiscal years beginning on or after October 31, 2008. The Company does not expect the adoption of this standard will have a material impact on its consolidated financial statements.

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that Canadian public enterprises will need to adopt International Financial Reporting Standards (IFRSs), effective for years beginning on or after January 1, 2011. The Company is currently evaluating the impact this new framework will have on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of recorded amounts of cash, deposits, funds held in trust, accounts receivable, as well as, bank indebtedness, accounts payable and accrued liabilities, promissory notes payable, and long-term debt.

The Company has classified cash and deposits as held for trading measured at fair value with any gains and losses identified during periodical evaluations recorded in net income. The carrying value of these financial assets approximates their fair value due to their short period to maturity.

Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method.

Bank indebtedness, accounts payable and accrued liabilities, long term debt and promissory notes payable are classified as other financial liabilities and are measured at amortized cost. The carrying value of accounts payable and accrued liabilities approximates fair value due to the relatively short period to maturity. The carrying value of long term debt and promissory notes payable approximates its fair value as the interest rate on certain long term debt is variable and interest rates on the promissory notes are comparable to rates of similar debt.

Credit risk

Credit risk is the risk of a financial loss to the Company if a customer fails to meet its contractual obligations. The Company is exposed to credit risk through its cash and accounts receivable. The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. Bri-Chem also closely monitors the amount and age of balances outstanding. The Company establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information. For the three months ended March 31, 2008, the Company had recorded an allowance for doubtful accounts of $57,856 (December 31, 2007 - $64,265). The allowance is an estimate of the March 31, 2008 trade receivable balances that are considered uncollectible. Changes to the allowance during the three months ended March 31, 2008 consisted of trade accounts receivable balances written off of $6,408, and bad debt expense of $nil.

Concentrations of credit risk on trade accounts receivable are with customers in the oil and gas industry. This results in a concentration of credit risk from customers in this industry. A significant decline in economic conditions within the industry would increase the risk that customers will experience financial difficulty and be unable to fulfill their obligations. The Company's exposure to credit risk arising from granting sales is limited to the carrying value of accounts receivable. The Company's revenues are normally invoiced with payment terms of 30 days. Despite the established payment terms, customers in the oil and gas industry, typically pay amounts within 75 days of invoice date.

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.

The effective interest rate on the bank indebtedness balance at March 31, 2008 was Canadian bank prime interest rate plus 30 basis points (5.55%). The demand loan bears interest at bank prime plus 85 basis points. As at March 31, 2008, with other variables unchanged, an increase or decrease of 25 basis points in the prime interest rate would have a minimal impact on net income. There would be no effect on other comprehensive income.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collections of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows and the availability of borrowing facilities.

Foreign exchange risk

The Company is subject to foreign currency risk due its cash, accounts receivable and accounts payable and accrued liabilities denominated in foreign currencies. Therefore, there is risk of earnings fluctuations arising from changes in and the degree of volatility of foreign exchange rates arising on foreign monetary assets and liabilities. Although the majority of the Company's operations are in Canada, the Company continues to expand its operations outside Canada, which increases its exposure to foreign currency risk. Accounts receivable in foreign currency was $447,144 as at March 31, 2008 (December 31, 2007 - $63,034) and accounts payable in foreign currency outstanding as at March 31, 2008 is $2,617,450 (December 31, 2007 - $2,241,237). The Company does not currently use derivative instruments to reduce its foreign currency risk. For the three months ended March 31, 2008, the Company realized a foreign exchange loss of $139,892 (March 31, 2007 - $63,906). Based on the monetary assets and liabilities held in the US at March 31, 2008, a five percent increase or decrease in exchange rates would impact the Company's annual foreign exchange gain (loss) by approximately $ 7,000.

SHARE DATA

As at May 27, 2008, the Company had 12,926,838 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, 2008, options to purchase 1,343,000 common shares were outstanding at an average price of $1.99 per common share. Agent options totaling 283,000 are outstanding at an average exercise price of $2.00. Warrants totaling 350,000 with an exercise price of $2.03 may be exercised into common shares prior to July 17, 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. We believe that EBITDA is useful measure of earnings, in addition to net earnings as it provides an indication of the financial results and earnings generated by our primary business activities prior to financing and tax considerations and before non-cash amortization expense. 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**			
		2008		2007
Net earnings	**$**	**1,264,775**	$	900,505
Add:				
Interest		**475,896**		324,316
Income taxes		**620,427**		-
Depreciation and amortization		**215,017**		88,176
EBITDA	**$**	**2,576,115**	$	1,312,997

Operating expenses 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, 2008 consolidated financial statements:

Operating Expenses	**(Unaudited) For the three months ended March 31**			
		2008		2007
Operating expenses	**$**	**1,500,686**	$	1,025,600
Add:				
Interest		**475,896**		324,316
Depreciation and amortization		**215,017**		88,176
Total Expenses	**$**	**2,191,599**	$	1,438,092

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Edmonton, Alberta

Brian Campbell
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