Bri-Chem Corp.

Management Discussion and Analysis

Three Months Ended March 31, 2009

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, 2009. During the quarter, Bri-Chem's revenue improved by 36.7% while achieving diluted earnings of $0.06 per share. A complete copy of Bri-Chem's report is available on the Internet at www.sedar.com.

The first quarter 2009 results demonstrates Bri-Chem's successful business model of low operating overheads while maintaining a concentrated market presence in a declining market. Consolidated revenues were $30,337,102 for the first quarter of 2009, an increase of 36.7% when compared to $22,200,532 from the same period last year. Net earnings from operations for the three months ended March 31, 2009 is $859,983 or $0.06 diluted earnings per share compared to earnings of $1,264,775 from the same period last year. Earnings before interest, taxes, depreciation and amortization (EBITDA) is $2,406,539, a decrease of $169,575 or 6.6% compared to the same period last year.

Bri-Chem's operating performance remains positive, despite drilling activity, based on drilling operating days, being down 38.5% for the three months ended March 31, 2009 compared to the same period of 2008. Drilling rig utilization rates experienced a decline of 19.2% with average rig utilization of 37.1% for the three months ended March 31, 2009 compared to 56.3%for the same period of 2008. The overall increase in revenues is due to the product and geographic diversification through the acquisition of the steel wholesale distributor, Weifang Steel Canada Ltd. ("Weifang").

Outlook

Although we continued to have increased sales growth of 36.7% for Q1, the Company is operating cautiously due to the current economic instability that exists in the international credit markets. It is uncertain what the short-term impact of this instability will have on industries and the Company. There is little doubt that we continue to face a more uncertain marketplace which will challenge our ability to maintain our margins. Throughout 2009 we will remain focused on finding opportunities to maximize cash flow and continue to monitor our debt levels. We anticipate Q2 2009 to be challenging but still remain optimistic for the remainder of 2009.

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

This Management's Discussion and Analysis ("MD&A") was prepared as of May 25, 2009. 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, 2009 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, 2008.

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 leading Canadian based wholesale distributor of drilling fluids, steel products and services to the resource, industrial and construction industries in North America. The Company is headquartered in Acheson, Alberta located 20 kilometers west of Edmonton, Alberta. Bri-Chem owns a 100% interest in Bri-Chem Supply Ltd. ("Bri-Chem Supply"), 100% interest in Sodium Solutions Inc. ("Sodium") and 100% interest in Weifang Steel Canada Ltd. ("Weifang"). Bri-Chem continues to concentrate on expanding its market presence in the wholesale distribution market with the focus being on the following four divisions:

OIL AND GAS FLUIDS DIVISION

Western Canadian Sedimentary Basin (WCSB)

Bri-Chem's is one of Canada's largest wholesale distributors 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 17 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 established a 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 an operating division focused on technologically advanced industrial fluids. 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.

STEEL PRODUCTS DIVISION

Bri-Chem has recently entered into the wholesale distribution market for steel pipe, fittings, flanges, tubular products and casing. Bri-Chem primarily services the resource and construction markets in Western Canada and Eastern United States. Bri-Chem sells various diameters of carbon steel welded pipe, carbon steel seamless pipe, stainless steel pipe, drill pipe, tubing and casing, sucker rods as well as fittings and flanges. Bri-Chem's superior vendor relationships have provided access to hard to find products and increased marketshare in a competitive industry.

Bri-Chem manages its steel product inventory through two warehouses. The Nisku, Alberta warehouse is the primary stock location for steel products in North America and also maintains a pipe yard in New Orleans, Louisiana which allows the Company to service major pipe distributors throughout the Southeastern USA. Bri-Chem's broad base of steel products are primarily used in the oil and gas industry, however the Company does distribute steel products to non-oilfield related industries such as construction, industrial and mining.

Seasonality of Operations

Weather conditions can affect the sale of the Company's fluid and chemical 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 have 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.

Growth Strategy

The Company will continue to focus on growth by expanding its market presence in the industrial wholesale 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 product, geographical, industry and seasonal diversification.

FINANCIAL SUMMARY

Consolidated statement of operations	For the three months ended March 31 2009	2008	Change $	%
Sales	**$ 30,337,102**	$ 22,200,532	$ 8,136,570	36.7%
Gross margin	**4,816,917**	4,337,633	479,284	11.0%
Gross margin %	**15.9%**	19.5%	-	-3.7%
Operating expenses [1]	**2,410,378**	1,761,518	648,860	36.8%
EBITDA [2]	**2,406,539**	2,576,115	(169,576)	-6.6%
Depreciation and amortization	**518,869**	215,017	303,852	141.3%
Interest	**681,901**	475,896	206,005	43.3%
Earnings before income taxes	**1,205,769**	1,885,202	(679,433)	-36.0%
Income taxes	**345,786**	620,427	(274,641)	-44.3%
Net earnings	**$ 859,983**	$ 1,264,775	$ (404,792)	-32.0%
Earnings per share				
Basic	**$ 0.06**	$ 0.10	$ (0.04)	-40.0%
Diluted	**$ 0.06**	$ 0.10	$ (0.04)	-40.0%
Weighted average shares outstanding				
Basic	**14,513,408**	12,926,838	n/a	n/a
Diluted	**14,513,408**	12,926,838	n/a	n/a

(1) See page 24 for a further explanation of this non-GAAP measure.
(2) Represents earnings before interest, taxes, depreciation and amortization (see page 24 for a further explanation of this non-GAAP measure).

RESULTS OF OPERATIONS

Sales

Sales by segment	For the three months ended March 31		Change	
	2009	2008	$	%
Fluids	**$ 16,202,752**	$ 22,200,532	$ (5,997,780)	-27.0%
Steel	**14,134,350**	-	14,134,350	100.0%
	$ 30,337,102	$ 22,200,532	$ 8,136,570	36.7%

Fluids

In the first quarter of 2009, industry drilling rig utilization rates averaged 37.1%, representing a 19.2% decrease from the same period last year when drilling rig activity averaged 56.3%. With the decrease in drilling activity in the first quarter, the Company has experienced a decline in the demand for drilling fluids resulting in a 27% decrease in revenues in the first quarter of 2009 compared to the same period in 2008. The Alberta and Saskatchewan markets largely contributed to the decrease in revenues as both markets experience considerable slowdown in those regions. The month of March was particularly slow with average rig utilization for the month of 22% compared to 49% for March 2008.

During the first three months of 2009 the Company has seen a decrease in revenues from the Alberta warehouses of approximately 36.7% while the decline in overall drilling activity for the Alberta market is approximately 42%. Saskatchewan had 399 wells drilled during the three months ended March 31, 2009, which generated $574,809 in revenues for the Company from this region, which the Company had $947,662 in revenues for the same period in 2008. The drilling programs in Northern British Columbia have seen a decrease in drilling activity of 13.9% with 310 wells drilled in the region compared to 360 wells drilled during the same period last year. Revenues generated from the non-oilfield division were $291,165 for the three months ended March 31, 2009 compared to $252,691 for the same period in 2008, while sales to United States amounted to $219,666 compared to $538,314 for the same period in 2008.

Steel Products

During the three months ended March 31, 2009, the steel products division generated revenues of $14,134,350. The steel products division sells primarily to the oil and gas industry and therefore the decrease in drilling activity in Western Canada during the first quarter affected the divisions sales as there was less demand for steel products. Many oil and natural gas companies delayed many capital projects which impacted the demand for steel products. The global economic crisis has caused steel prices to become extremely volatile, which has led the Company to reduce selling prices to be competitive based on current market demand for steel products. It is anticipated that steel prices will remain depressed for the short term with a recovery to more reasonable prices in the second half of the year.

Sales in the United States amounted to $3,265,645. The Company will continue its growth in the US market as the US market is significantly larger than the Canadian market and more geographically dispersed, which mitigates some of the seasonality that occurs in the Canadian market. Bri-Chem has an inventory yard in New Orleans, Louisiana to warehouse and distribute tubing and casing to customers in the US. The Company is currently examining the opportunities in the US and feels given the current inventory levels in its New Orleans stock facility, the Company will be able to take advantage of the much wider customer base in Southeastern US. With the anticipated decrease in drilling activity in 2009, the steel products division has began concentrating on developing its customer base to distribute steel products to the construction industry for the purposes of building infrastructure.

Gross margin

	For the three months ended March 31		Change	
	2009	2008	**$**	**%**
Gross margin	**$ 4,816,917**	$ 4,337,633	$ 479,284	11.0%
% of sales	**15.9%**	19.5%		-3.7%

Consolidated gross margin for the three months ended March 31, 2009 were $4,816,917 an increase of 11.0%, compared to the same period in 2008. The gross margin as a percentage of sales decreased by 3.7% for the three months ended March 31, 2009 compared to the same period in 2008. The decrease in margins during the first quarter was due to pressure from customers to reduce selling prices given current market conditions. The fluids division had many customers requesting less costly alternatives for drilling fluids in an attempt to control their costs, resulting in lower margins on fluid sales. The steel products division maintained a margin of 16.4% for the three months ended March 31, 2009.

Given the current global economic crisis we anticipate our gross margin for future quarters to be comparable to our first quarter gross margin. Steel commodity prices are at depressed amounts and are not expected to recover until the later part of 2009, which will result in the Company lowering prices to stay competitive with the market place. The costs of drilling fluids should stabilize leading to a more stable gross margin in 2009. We are unable to predict the value of the Canadian dollar in relation to foreign currencies in the future; therefore, we are uncertain as to the potential impact on the Company's gross margin in relation to foreign purchases of product.

Operating expenses

Salaries and employee benefits

	For the three months ended March 31		Change	
	2009	2008	**$**	**%**
Salaries and benefits	**$ 1,688,682**	$ 940,214	$ 748,468	79.6%
% of sales	**5.6%**	4.2%		1.4%

The dollar increase in salary and employee benefits for the three months ended March 31, 2009 relates to twenty-two additional staff brought in from the Weifang acquisition in August 2008. Weifang had salaries and benefits of $694,523 during the three months ended March 31, 2009. In addition, the Company hired one new sales person, along with a purchasing manager and two accounting personnel in late 2008, resulting in increased salaries and benefits for the quarter.

Selling, general and administration

	For the three months ended March 31 2009	2008	Change $	%
Selling	$ 128,669	$ 156,414	$ (27,745)	-17.7%
Professional and consulting	173,431	131,694	41,737	31.7%
General and administration	337,704	133,658	204,046	152.7%
Rent, utilities and occupancy costs	377,649	138,706	238,943	172.3%
Foreign exchange (gain)/loss	(295,756)	260,832	(556,588)	-213.4%
	$ 721,697	$ 821,304	$ (99,607)	-12.1%
Selling, general and administrative expenses (as a % of sales)				
Selling	0.42%	0.70%		
Professional and consulting	0.57%	0.59%		
General and administration	1.11%	0.60%		
Rent, utilities and occupancy costs	1.24%	0.62%		
Foreign exchange (gain)/loss	-0.97%	1.17%		
	2.38%	3.70%		

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

Selling expenses decreased for the three months ended March 31, 2009 as customer relations and travel expenses for sales staff decreased as the Company has taken steps to control costs during the current global economic crisis. Weifang incurred $41,147 of selling costs during the first quarter of 2009. Sales personnel in Weifang were provided automobiles for travel which totaled $26,435, to meet customers and acquire new business. The Company will be providing steel sales personnel a vehicle allowance late in the second quarter of 2009, which will be included as part of the employees overall compensation. Selling costs relate to customer relation costs, promotion and travel costs.

Professional and consulting expenses increased due to increased consulting fees relating to the Company's International Financial Reporting Standards conversion implementation along with increased audit fees due to the acquisition of Weifang. Costs in this category are comprised of audit, legal, advisory and consulting fees.

General and administration expenses decreased significantly over the same prior period due mostly to foreign exchange. During 2008, the global economy took a dramatic downturn which resulted in a weakened demand for the Canadian dollar. The decrease in the exchange rate resulted in a major cost of funding purchases in foreign currencies. The Company reported a foreign exchange gain of $295,756 for the three months ended March 31, 2009 compared to a $260,832 loss for the same comparative period in 2008. These foreign exchange gains arose on the translation of the foreign denominated assets and liabilities held by the Company. General and administration expenses were $337,704 excluding the foreign currency translation effects, compared to $133,658 for the same comparative period in 2008. General and administration expenses relating to Weifang were $156,483 for the three months ended

March 31, 2009. Given the current global economic conditions, the Company recorded $30,606 in bad debts for the three months ended March 31, 2009 compared to a recovery of bad debts of $21,400 for the same period in 2008. General and administration costs consist of licenses, office and computer expenses, insurance and general bank charges.

Warehouse rent, utilities and occupancy cost expenses increased for the three months ended March 31, 2009 due to $201,609 of costs for the steel distribution warehouse in Nisku. Liquid storage tank rentals increased as the Company has expanded its storage capacity for liquid invert to include Edson, Estevan and Grande Prairie and Fort St. John. Costs in this category are comprised mainly of rent, utilities, warehouse expense for the Nisku, Camrose, Acheson and Estevan locations as well as liquid storage tank rentals.

Amortization

	For the three months ended March 31 **2009**	2008	**Change** $	%
Property and equipment	**$ 125,637**	$ 97,626	$ 28,011	28.7%
Intangibles	**393,232**	117,391	275,841	235.0%
Total	**$ 518,869**	$ 215,017	$ 303,852	141.3%

Amortization expense increased during the three months ended March 31, 2009 when compared to the same period last year. The increase relates to $1,069,597 of capital additions over the past year, including $738,248 of fixed assets from the acquisition of Weifang in August 2008. In addition, amortization of intangibles increased related to the customer relationships, tradename, sales backlog and non-compete agreements due to the acquisition of Weifang in 2008.

Interest

	For the three months ended March 31 **2009**	2008	**Change** $	%
Interest on long-term debt	**$ 177,445**	$ 124,106	$ 53,339	43.0%
Interest on short-term operating debt	**500,741**	351,790	148,951	42.3%
Interest on obligations under capital lease	**3,715**	-	3,715	
Total	**$ 681,901**	$ 475,896	$206,005	43.3%

Interest on long-term debt increased during the three month period ended March 31, 2009 when compared to the same period last year due to the addition of $3,000,000 in notes payable as part of the consideration on the acquisition of Weifang. Interest on short-term operating debt has increased for the three month period ended March 31, 2009 when compared to the same period last year as the Company had a higher revolving line of credit balance due to increased activity levels, carrying more inventories as a result of the downturn in economy.

As at March 31, 2009, long-term debt consisted of a $2,200,000, 6% note payable plus accrued interest issued to shareholders of the Company as a result of the January 2007 reverse takeover of Gwelan Supply Ltd., promissory notes payable of $3,000,000 plus accrued interest to the former owners of Weifang, a $1,782,341 prime plus 0.85% demand loan outstanding with a Canadian chartered bank, and a $2,880,000 subordinated loan bearing interest at prime plus 7% with a financial institution.

Income taxes

The provision for income taxes in the first quarter of 2009 is $345,786 compared to current tax expense of $620,427 in the same period last year. The decrease in current taxes for the three months ended March 31, 2009 resulted from decreased earnings and a reduction in the Company's effective tax rate for 2009. The Company's current income tax effective rate is 28.7% for the three months ended March 31, 2009.

Net earnings and earnings per share

	For the three months ended March 31		Change	
	2009	2008	**$**	**%**
Net earnings	**$ 859,983**	$ 1,264,775	$ (404,792)	-32.0%
% of revenue	**2.8%**	5.7%		
EBITDA [(1)]	**$ 2,406,539**	$ 2,576,115	$ (169,576)	-6.6%
% of revenue	**7.9%**	11.6%		

(1) Represents earnings before interest, taxes, depreciation and amortization (see page 24 for a further explanation of this non-GAAP measure).

Net earnings from operations for the three months ended March 31, 2009 decreased by 32% to $859,983 from $1,264,775 for the same period last year. Net earnings, as a percentage of revenues, for the first quarter of 2009 was 2.8% compared to 5.7% for the three months ended March 31, 2008. EBITDA from operations decreased by 6.6% in the first quarter of 2009 when compared to the same quarter last year. The decrease in net earnings and EBITDA is due to the decrease in fluid sales activity and decreased gross margin as the result lower selling prices on steel and fluid products in order to remain competitive in the marketplace.

Earnings per share for the three months ended March 31, 2009 were based on the weighted average number of shares outstanding during the period. The basic and diluted weighted average number of shares outstanding for the three months ended March 31, 2009 was 14,513,408. During the first quarter, the Company purchased 10,000 common shares under the Normal Course Issuer Bid.

SUMMARY OF QUARTERLY DATA

(in thousands of Cdn $)	2009 Q1	2008 Q4	2008 Q3	2008 Q2	Total TTM
Sales	$ 30,337	$ 46,240	$ 32,184	$ 10,658	$ 119,419
Gross margin ($)	4,817	6,639	5,493	1,969	18,918
Gross margin (%)	15.9%	14.4%	17.1%	18.5%	15.8%
EBITDA (1)	2,407	2,954	3,521	702	9,584
Net earnings	$ 860	$ 1,235	$ 1,883	$ 104	$ 4,082
Basic earnings per share	$ 0.06	$ 0.09	$ 0.14	$ 0.01	$ 0.30
Diluted earnings per share	$ 0.06	$ 0.09	$ 0.14	$ 0.01	$ 0.30

(in thousands of Cdn $)	2008 Q1	2007 Q4	2007 Q3	2007 Q2	Total TTM
Sales	$ 22,201	$ 21,358	$ 18,889	$ 6,136	$ 68,584
Gross margin ($)	4,338	3,915	3,281	1,269	12,803
Gross margin (%)	19.5%	18.3%	17.4%	20.7%	18.7%
EBITDA (1)	2,576	2,180	1,838	337	6,931
Net earnings (loss)	$ 1,265	$ 427	$ 1,175	$ (102)	$ 2,765
Basic earnings (loss) per share	$ 0.10	$ 0.03	$ 0.09	$ (0.01)	$ 0.21
Diluted earnings (loss) per share	$ 0.10	$ 0.03	$ 0.09	$ (0.01)	$ 0.21

(1) EBITDA is a non-GAAP measure which the Company defines as earnings before interest, taxes, depreciation, amortization (See page 24 for a further explanation of this non-GAAP measure).

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.

FINANCIAL CONDITION & LIQUIDITY

Balance Sheet As at		March 31 2009		December 31 2008
Current assets	$	**76,036,173**	$	88,089,363
Property and equipment		**4,125,793**		3,797,515
Other assets		**8,681,588**		9,074,821
TOTAL ASSETS	$	**88,843,554**	$	100,961,699
Current liabilities	$	**54,066,459**	$	66,756,163
Long-term liabilities		**8,083,955**		8,401,179
TOTAL LIABILITIES		**62,150,414**		75,157,342
Share capital		**15,284,774**		15,295,274
Retained earnings and contributed surplus		**11,408,366**		10,509,083
TOTAL SHAREHOLDERS' EQUITY		**26,693,140**		25,804,357
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	**88,843,554**	$	100,961,699

Financial Ratios	March 31 2009	December 31 2008
Working capital ratio	**1.41**	1.32
Days sales in receivables	**56.5**	99.8
Inventory turns	**3.9**	2.7
Days purchases in payables	**34.4**	58.2

As at March 31, 2009, the Company had positive working capital of $22,082,571 compared to $21,333,200 at December 31, 2008. The Company's current ratio (defined as current assets divided by current liabilities) was 1.41 to 1 for the three months ended March 31, 2009 compared to 1.32 to 1 at December 31, 2008. The increase in the working capital ratio is the result of Company increased inventory levels due to the dramatic slowdown in the resource industry. As at March 31, 2009, the Company had $33,219,327 outstanding under its available credit facilities of $45,000,000, with a Canadian chartered bank, as compared to $37,666,571 at December 31, 2008. Under the current credit facility with our senior lender, effective June 1, 2009, the credit facility is reduced to $35,000,000 as the Company has a temporary bulge in place to finance added fall and winter drilling season activity.

The decrease in days sales in receivables from December 2008 is due to increased efforts to collect outstanding amounts and the Company factoring approximately $4.6 million of receivables to meet payment requirements for steel products. 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 decrease in days purchases in payables is due to quicker vendor payments for fluid and steel products to ensure product availability during the winter drilling program. Weifang customers typically pay in 76 days.

Accounts receivable decreased by $15,556,733 (36.0%) from $43,175,808 to $27,619,075. The Company has receivables of $9,958,712 related to the steel products division. The Company collected many accounts from the fourth quarter sales while experiencing decreased sales in the first quarter of 2009. Inventory increased by $7,846,036 (19.6%) due to the unanticipated slowdown in oil and gas activity in the first quarter of 2009. The Company had made commitments to inventory on anticipated drilling activity levels, however drilling activity slowed down in early March causing the Company to have additional inventory. The Company's inventory turnover improved to 3.9 turns compared to 2.7 turns as the Company had manufacturer direct shipment sales of steel products in the late 2008 and the first quarter of 2009. These direct shipments from manufacturers improve the turns on inventory as the Company is not warehousing this inventory. The Company's prepaid expenses and deposits have decreased by $4,342,493 as much of the steel products that required prepayment in the fourth quarter of 2008, was received as inventory during the quarter. Due to the decline in market demand for steel products and given current inventory levels, the Company has suspended the purchase of any further inventory until current inventory levels are brought down to levels that will service current market demands.

Payables and accruals were $16,567,467 compared to $24,653,886 at December 31, 2008, a decrease of $8,086,419 or 32.8%, which was a result of the Company using its collection of receivables to pay vendors for products purchased.

Management is satisfied that the Company currently has sufficient liquidity and capital resources to meet the long-term payment obligations of its outstanding loans. The Company continues to assess its requirements for capital on an on-going basis and due to the recent turmoil in the financial markets, which has impacted the availability of both credit and equity in the marketplace, the Company cannot ensure if additional capital to finance growth plans or to finance any future working capital needs will be readily available.

Cash flow (used for) from operating activities

Cash from operating activities for the three months ended March 31, 2009 was $5,024,524 compared to cash used of $3,216,513 for the three months ended March 31, 2008. The Company's increase in cash from operating activities relates to less cash paid for inventory as approximately $4,000,000 was paid in advance at the end of 2008 with that inventory being received during the quarter. In addition that Company collected cash from accounts from outstanding fiscal 2008 fourth quarter accounts receivable. Despite the forecasted decrease in drilling activity, we expect to see our cash from operations increase in the short to medium term, as the Company will continue to collect receivables from winter work, and will not be required to pay out as much in payables as the Company is well stocked with inventory. These increases may be offset by changes to the working capital balances resulting from potential increased sales activity. The Company intends to closely manage its inventory levels and spending in order to conserve its balance sheet strength and minimize any increase in debt levels.

Cash flow from financing activities

For the three months ended March 31, 2009, cash used in financing activities was $4,570,609 compared to a source of cash of $3,379,749 for the same comparative period in 2008. The cash used in financing activities was mainly due to repayments on the operating line of credit from the collection of receivables.

On December 18, 2008, the Company negotiated an amended credit facility permitting a $10,000,000 temporary bulge to $45,000,000 effective January 1, 2009 to May 31, 2009, with a reduction to $35,000,000 thereafter. Due to the seasonal nature of the WCSB, the Company will collect a significant portion of its receivables during the second quarter, which it will use to repay the $10,000,000 bulge by May 31, 2009. With the downturn in drilling activity in 2009, the Company will not require as much inventory, therefore decreasing the amount of cash required to pay vendors. However, this decrease in bank indebtedness could be offset by an increase in market demand for fluids and steel. In addition, the Company commenced repayment of the $3,000,000 subordinated debt facility in February 2009. The repayments have been funded through the collection of receivables and the current operating credit facility. The Company will also be required to pay $1,000,000 plus interest in May 2009 and $1,000,000 plus interest in October 2009 of promissory notes as part of the acquisitions made by the Company. These payments will be funded through the operating credit facility provided funds are available, otherwise they will be postponed until such time the Company has the available funds to pay the amounts due.

Cash flow used for investing activities

Cash used in investing activities amounted to $453,915 for the first quarter in 2009 compared to $163,236 for the same period last year. Cash used during the quarter related to the purchase of property and equipment. The Company is not expecting any major capital expenditures for the remainder of the year.

Commitments

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

2009	$ 500,309
2010	136,966
2011	70,498
2012	855
2013	-
	$ 708,628

Goodwill

Goodwill represents the excess of the purchase price of an acquisition over the estimated fair value of the underlying net assets acquired at the date of acquisition. Goodwill is recorded at cost and is not amortized but 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 the 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 impairment loss, if any. A reporting unit comprises business operations with similar economic characteristics and strategies, and is the level of reporting at which goodwill is tested for impairment. A reporting unit is either an operating segment or a level below and is the level at which information is available for management to make key decisions. For the purposes of goodwill impairment testing, the Company has three reporting units. The Company believes that goodwill is not impaired at the end of quarter.

Intangibles

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

Intangible assets with finite useful lives are amortized over their useful lives. Intangible assets with indefinite useful lives are reviewed for impairment annually. The Company has no intangible assets with indefinite lives.

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

Customer relationships	5 years straight-line
Sales backlog	6 months straight-line
Proprietary technology, technological expertise and proprietary blends	3 years straight-line
Tradename	5 years straight-line
Non-competition agreements	3 to 5 years straight-line

Property and equipment

The Company's investment in property and equipment for the quarter was a new liquid blending facility in Fort St. John, a new blender in Acheson, one product storage tent, and a new loader for steel products as well as new computers and furniture. The capital expenditures were funded from the line of credit. Capital expenditures typically are comprised of betterments and upgrades 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 $100,000 are being proposed to complete an blending unit in Acheson, and small machinery and lab facilities for the steel products division in Nisku. The Company plans to fund these capital expenditures from the credit line available and from financing arrangements for capital leases.

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 three months ended March 31, 2009, 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, 2008 – $30,000).

b) Accounting, administrative and corporate expenses of $9,150 (March 31, 2008 – $15,000).

c) The Company paid director fees of $4,500 (March 31, 2008 - nil) to Don Caron, Eric Sauze and Albert Sharp, three of the Company's directors.

The Company expensed interest of $33,000, (March 31, 2008 - $52,173) on promissory notes payable issued in 2006 which are held by two of the Company's directors and significant shareholders. In addition, the Company expensed $44,384 (March 31, 2008 – nil) on promissory notes payable issued on the acquisition of Weifang, which are held by three of the former owners of Weifang.

OUTLOOK

With the recent global economic and financial crisis, oil and gas markets are facing the challenges of volatile commodity prices, which will impact capital expenditure programs for 2009. Our customers are continuing to assess the impact of these changes on their business and the demand for fluid and steel products could be negatively impacted. In spite of the recent challenges facing the oil and natural gas industry, Bri-Chem remains focused on strong customer relationships, managing inventory levels and will continue to control costs. While there remains a great deal of uncertainty in the drilling activity in WCSB, Bri-Chem continues to demonstrate its successful business model of maintaining low overheads which will enabled the Company to position itself to capitalize on increased demand when the market returns to more reasonable levels.

Although we continued to have increased sales growth of 36.7% for Q1 2009 compared to the same period in 2008, the Company is operating cautiously due to the current economic instability that exists in the international credit markets. This instability could have a negative impact on the industries in which the Company operates in. It is uncertain what the short-term impact of this instability will have on industries and the Company. The volatile commodity market, combined with the continued uncertainity and reduced access to the debt and equity markets, increases the importance of maintaining strong financial flexibility. The Company will continue to focus on its unyielding customer service and will manage its operating costs through this period of instability.

Oil and gas well completions and rig utilizations have declined sharply during the first quarter of 2009 compared to 2008 and we are expecting the decline will continue through the remainder of 2009. The Petroleum Services Association of Canada (PSAC) has forecasted a total of 10,000 wells to be drilled in Canada for 2009, a decrease of 41% over the prior year. With the Company's strategically located warehouses and strong competitive position, the fluids division anticipates it will continue to maintain its marketshare in core regions in the WCSB.

Bri-Chem's industrial fluids division is focused on penetrating into new geographic regions. With the emphasis on infrastructure from government agencies, the industrial fluids markets will benefit from the increased demand for fluids in certain industrial, and construction applications.

The Company's steel products division continues to capture new marketshare through its strong sales force and availability of steel products. The division also intends to pursue new geographic opportunities to increase its presence in the marketplace and lessen the seasonality of fluid operations. Volatile steel commodity prices and competitive sales prices may lead to lower margins in the short term; however, the Company's broad territorial coverage and diverse product offering will allow the steel division to meet the diverse needs of customers when commodity prices and the demand for steel products return to more traditional levels.

Management and the Board are constantly evaluating additional acquisition opportunities and will continue to seek and identify targets that fit the corporate requirements as accretive and geographically favorable.

RISKS AND UNCERTAINTIES

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company actively monitors its financing obligations, as well as its cash and cash equivalents to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost. Global financial markets and economic conditions have been disrupted and volatile. The debt and equity markets have been distressed. These factors, together with the reprising of credit risk and the current weak economic conditions have made, and will likely continue to make it difficult to obtain cost effective funding. In addition, the cost of obtaining money from the credit market has generally increased as many lenders have increased interest rates, enacted tighter lending standards, and are not refinancing existing debt at maturity on terms similar to current debt and, in some cases, ceased to provide funding. Due to these factors, the Company cannot be certain that funding will be available when needed and to the extent required, on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, the Company may be unable to implement its business plans, or take advantage of business opportunities, or respond to competitive pressures, all of which could have a material adverse effect on the Company's financial conditions, results of operations, and cash flows.

Leverage and Restrictive Covenants

The Company has credit facilities which contain a number of financial covenants that require the Company to meet certain financial ratios and financial condition tests. Failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, would permit acceleration of the relevant indebtedness. The Company was in compliance with all of its bank covenants at March 31, 2009.

Competition and Industry Conditions

There is a strong correlation between drilling activity and demand for the Company's product. 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 and steel products 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 Framework

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 Framework ("NRF") that introduced new royalties for conventional oil, natural gas and oil sands that are linked to price and production levels. The NRF was implemented effective January 1, 2009. The NRF established new commodity price and volume sensitive rates for the calculation and collection of royalties. These rates may have an impact on capital expenditures related to drilling exploration. The changes to the royalty regime may affect 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. The drilling industry is cyclical and the fluctuations in the level of oil and natural gas exploration and development activity has a direct impact on the Company's business. Any significant reduction in industry forecasted levels of drilling activity in the WCSB and the United States may severely reduce activity levels for the Company and the resulting cash flows. Future changes in oil and natural gas prices could result in substantial increases or decreases in total revenues of the Company. Prolonged financial instability could result in oil and natural gas projects being deferred or cancelled thereby limiting new revenue streams to the Company.

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 oil and gas fluid engineering companies and steel pipe distributors 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. During times of weak economic conditions, the risk of increased payment delays and failure to pay increases due to a reduction in customer's cash flow. Failure to collect accounts receivable from customers could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. The Company generally grants unsecured credit to its customers; however, it evaluates all new customers as appropriate and analyzes and reviews the financial health of its current customers on an ongoing basis.

CRITICAL ACCOUNTING ESTIMATES

In preparing the interim 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 consolidated financial statements are the valuations of accounts receivable, the sales return provision, inventory obsolescence, future income tax assets, and carrying value of goodwill, intangibles and accrued liabilities and future income tax liabilities. Management feels actual results will not be materially different from these estimates.

CHANGE IN ACCOUNTING POLICY AND NEW ACCOUNTING POLICY

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the 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 1, 2008. The adoption of this standard did not have a material impact on its consolidated interim financial statements.

International financial reporting standards

During 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for interim and annual reporting purposes. The required transition date is for fiscal years beginning on or after January 1, 2011.

We commenced our IFRS conversion project during 2008 and established a formal project governance structure, including an IFRS Steering Committee, to monitor the progress and critical decisions in the transition to IFRS. This committee is comprised of members of finance management and is responsible for final approval of project recommendations and deliverables to the Audit Committee and the Board of Directors.
The project consists of three phases:

- **Preliminary planning and scoping** – This phase includes the establishment of a dedicated team to work on the IFRS transition, the development of a detailed work plan for the implementation and completion of a high level diagnostic. The high level diagnostic involved a review of the major differences between Canadian GAAP and IFRS and prioritized the IFRS requirements based on their financial reporting impact, business impact and complexity.

- **Detailed assessment and design** - This phase focuses on determining the specific impacts to the Company based on the application of IFRS requirements. This includes the design and development of detailed solutions and work plans by each key area to address implementation requirements. In addition, impact analysis will be performed on all areas of the business, including tax and information technology systems. Accounting policies will be finalized, first-time adoption exemptions will be considered, and a detailed implementation plan and timeline will be developed. This phase also includes the development of a training program.

- **Implementation** – This phase includes implementing the required changes necessary for IFRS compliance. The focus of this phase is the finalization of IFRS conversion impacts, approval and implementation of accounting and tax policies, implementation and testing of new processes, systems and controls, execution of customized training programs and preparation of opening IFRS balances.

During the first quarter of 2009, the Company completed the first phase of the IFRS implementation. The Company has developed an IFRS committee consisting of the Chair of Audit Committee, Chief Financial Officer and other members of the accounting group. The committee has commenced the second phase of the implementation. The Company is currently analyzing accounting policy alternatives and identifying implementation options for the corresponding process changes, with a focus on the areas that have been identified as having the most significant impact. At this stage of the project, it is not possible to quantify the financial reporting differences between Canadian GAAP and IFRS.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of recorded amounts of accounts receivable, as well as, bank indebtedness, accounts payable and accrued liabilities, promissory notes payable, obligations under capital lease and long-term debt.

The carrying value of the financial instruments of the Company approximates their fair values. The estimated fair value approximates the amount for which the financial instruments could currently be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. The carrying value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair value because of the near term to maturity of these instruments. The fair value of promissory notes payable approximates the carrying value as the interest rate is similar to current market rate for similar debt, while the fair value of long term debt reflects the incremental cost of borrowing given current market interest rates.

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 16%, 10% and 8% respectively of revenue for the three month period ended March 31, 2009 (18%, 12% and 6% for the twelve months ended December 31, 2008) and 20%, 4% and nil respectively (December 31, 2008 – 19%, 9%, 8%) of total accounts receivable.

The Company manages its credit risk through the credit application process and through an extensive collections process. The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based on the best assessment of the collectability of the related receivable balances based, in part, on the age of the outstanding accounts receivable and on the Company's historical collection and loss experience. 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, 2009, the Company has recorded an allowance for doubtful accounts of $32,000 (December 31, 2008 - $3,435). The allowance is an estimate of the March 31, 2009 trade receivable balances that are considered uncollectible. Changes to the allowance during the three months ended March 31, 2009 consisted of trade accounts receivable balances written off of $1,807 and bad debt recovery of $1,511.

Concentrations of credit risk on trade accounts receivable are with customers in the oil and gas 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 105 days of invoice date.

The aging of accounts receivable was as follows:

March 31, 2009	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable
Current	$ 4,562,368	$ -	$ 4,562,368
31 to 60 days	9,161,945	-	9,161,945
61 to 90 days	9,002,723	-	9,002,723
91 to 120 days	4,091,729	-	4,091,729
Over 120 days	832,310	32,000	800,310
Total	$ 27,651,075	$ 32,000	$ 27,619,075

Interest rate risk

Demand loans, obligations under capital lease 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, 2009 was Canadian bank prime interest rate plus 100 basis points (3.50%). The long term debt bears interest at bank prime plus a fixed increment. As at March 31, 2009, with other variables unchanged, an increase or decrease of 25 basis points in the prime interest rate would impact the Company's net earnings by approximately $67,713 (March 31, 2008 - $34,495).

Currency risk

The Company is subject to foreign currency risk due to 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 $5,540,712 as at March 31, 2009 (December 31, 2008 - $10,027,922) and accounts payable in foreign currency outstanding as at March 31, 2009 is $3,993,475 (December 31, 2008 - $12,974,583). The Company does not currently use derivative instruments to reduce its foreign currency risk. For the three months ended March 31, 2009, the Company realized a foreign exchange gain of $211,465 (March 31, 2008 loss of $260,832). Based on the monetary assets and liabilities held in the United States ("US") at March 31, 2009, a five percent increase or decrease in exchange rates would impact the Company's net earnings by approximately $66,447 (March 31, 2008 - $69,933).

Commodity risk

Commodity risk arises from the effect that fluctuations of future commodity prices of steel and certain chemicals and may have on the fair value or future cash flows of financial assets and liabilities. The Company does not use derivatives to reduce its commodity risk.

SHARE DATA

As at May 25, 2009, the Company had 14,504,186 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, 2009, options to purchase 1,272,000 common shares were outstanding at an average price of $1.99 per common share. Warrants totaling 350,000 with an average exercise price of $2.03 may be exercised into common shares prior to July 17, 2010.

On December 9, 2008, the Corporation obtained approval from the TSX Venture Exchange to purchase up to 815,000 of the Corporation's common shares by way of a normal course issuer bid ("NCIB"). The NCIB commenced on December 10, 2008 and will terminate on December 9, 2009 or earlier if the number of shares sought in the NCIB has been obtained. The Corporation will purchase the shares in accordance with TSX Venture Exchange requirements with the Corporation paying the market price for the common shares at the time of acquisition. All purchased common shares will be cancelled. The Corporation has purchased a total of 10,000 common shares under the NCIB up to May 25, 2009.

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**	
	2009	2008
Net earnings	**$ 859,983**	$ 1,264,775
Add:		
Interest	**681,901**	475,896
Income taxes	**345,786**	620,427
Depreciation and amortization	**518,869**	215,017
EBITDA	**$ 2,406,539**	$ 2,576,115

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, 2009 consolidated financial statements:

Operating expenses	(Unaudited) For the three months ended March 31 **2009**		2008
Operating expenses	**$**	**2,410,378**	$ 1,761,518
Add:			
Interest		**681,901**	475,896
Depreciation and amortization		**518,869**	215,017
Total expenses	**$**	**3,611,148**	$ 2,452,431

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Edmonton, Alberta

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