Bri-Chem Corp.
Management's Discussion and Analysis
Three Months Ended March 31, 2014

INTRODUCTION:

This Management's Discussion and Analysis ("MD&A") was prepared as of May •, 2014. 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, 2014 and significant trends that may affect future performance of the Company. This MD&A should be read in conjunction with the unaudited interim financial statements for the period ended March 31, 2014, as well as the annual audited consolidated financial statements for the twelve months ended December 31, 2013.

The Company's consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard 34, "Interim Financial Reporting", and are presented in Canadian dollars unless otherwise indicated.

The Company's consolidated financial statements include the accounts of Bri-Chem Corp. and its subsidiaries: Bri-Chem Supply Ltd., Sodium Solutions Inc., Bri-Steel Corporation, Bri-Steel Manufacturing Inc. (70%) and Bri-Corp USA, Inc., including its three subsidiaries Bri-Chem Supply Corp, LLC, Sun Coast Materials, LLC and Bri-Chem Logistics, LLC. All references in this report to financial information concerning the Company refer to such information in accordance with IFRS.

This report also makes reference to certain non-IFRS measures in assessing the Company's financial performance. Non-IFRS measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These non-IFRS financial measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. These measures are discussed in the "Non-IFRS Measures" section of the report.

References in this MD&A to "Bri-Chem", the "Company", "us", "we", and "our" mean Bri-Chem Corp. and its subsidiaries, unless the context otherwise requires. Additional information relating to the Company, including the annual information form for the year ended March 31, 2014 is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or Bri-Chem's future plans and performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Bri-Chem believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- adequacy of capital resources required to finance the Company's inventories and other operations;
- the business objectives of the Company;
- results of operations and the performance of the Company;
- the ability of the Company to extend its credit facilities;
- the ability of the Company to develop its relationships with customers and potential new customers; and
- the ability of the Company to expand and broaden its areas of operation.

With respect to the forward-looking information contained in the MD&A, Bri-Chem has made assumptions regarding, among other things:

- the Company's relationships with its key suppliers and customers;
- economic conditions that influence the demand of the Company's customers for supplies and services;
- the Company's cash flow from sales; and
- the availability of existing credit facilities.

Although the forward-looking information contained in this MD&A is based upon what Management believes are reasonable assumptions, Bri-Chem cannot assure readers that actual results will be consistent with this forward-looking information. Although the Company believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Some of the risks and other factors, some of which are beyond the Company's control, which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A, include but are not limited to:

- supply and demand for oilfield services, drilling fluids and steel pipe products;
- competition for, among other things, capital and skilled personnel;
- incorrect assessments of the value of acquisitions;
- fluctuations in the market for steel pipe, oil and natural gas and related products and services;
- liabilities and risks, including environmental liabilities and risks inherent in steel pipe, chemical storage and handling and oil and natural gas service operations;
- fluctuations in foreign exchange or interest rates;
- political and economic conditions;
- failure of counter-parties to perform on contracts;

- regional competition;
- the Company's ability to attract and retain customers;
- amounts retained by the Company for capital expenditures;
- volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oil and gas services generally;
- stock market volatility and market valuations;
- volatility in prices for raw materials and steel and the effect of this volatility on the demand for steel pipe products generally and on the value of inventory;
- unplanned equipment outages and other unforeseen disruptions that may affect operations;
- the presence of heavy competition in the industry in which the Company currently operates;
- general economic conditions in Canada and the United States and globally;
- the availability of capital on acceptable terms; and
- the other factors disclosed under "Risk & Uncertainties" in this MD&A.

Many of these risk factors are discussed further in detail herein, specifically in the "Risks and Uncertainties" section, and in the Company's Annual Information Form on file with Canadian securities commissions at www.sedar.com. Readers are also referred to the risk factors described in other documents filed with Canadian securities commissions periodically throughout the year.

Readers are cautioned that these factors and risks are difficult to predict. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the list of factors above and the risk factors set forth under the heading "Risks & Uncertainties" are not exhaustive. Before placing any reliance on any forward-looking statements to make decisions with respect to an investment in securities of Bri-Chem, prospective investors and others should carefully consider the factors identified above and other risks, uncertainties and potential changes that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. In addition, the forward-looking statements contained in this MD&A are made as of the date of this MD&A. Bri-Chem does not undertake any obligation to publicly update or to revise any forward-looking statements except as expressly required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by the cautionary statements contained herein.

2014 FIRST QUARTER OVERALL PERFORMANCE:

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A. This Overview section is provided for information purposes only and readers are cautioned the information contained herein may not be appropriate for other purposes.

During the first quarter of 2014, Bri-Chem's consolidated revenues increased to $52,854,261 compared to $49,386,190 from the comparable period in 2013. Q1 sales growth continued to be driven by a 61.5% increase in USA drilling fluids distribution sales over the same period in 2013. Bri-Chem's North American drilling fluids distribution and blending divisions recorded combined sales of $45,947,219 for the three months ended March 31, 2014 compared to sales of $41,525,559 in 2013, representing an increase of 11% quarter over quarter.

Subsequent to March 31, 2014, and as follow-up to the strategic review of the steel pipe division announced late November 2013, Bri-Chem has entered into a non-binding letter of intent for the sale of its steel pipe manufacturing division assets and ongoing operations. In connection with this transaction, and pursuant to the non-binding letter of intent, the steel pipe manufacturing division has recorded non-cash asset impairment charges, net of the 30% non-controlling interest, of $7,768,779 in Q1. In addition, the Company is negotiating to sell its steel pipe distribution assets and ongoing operations as part of the overall transaction with the same purchaser. It is Bri-Chem's intention to work towards concluding a purchase and sale transaction for both steel pipe divisions in 2014. As a result of this adjustment for the three months ended March 31, 2014, the Company incurred net loss, not including non-controlling interest, of $5,084,529 with diluted loss per share of $0.21 compared to net earnings of $1,859,851 or $0.11 diluted earnings per share for the same period in 2013.

Adjusted earnings before interest, taxes, amortization (EBITDA) were $3,421,045 or $0.14 per share for the three month period ended March 31, 2014, compared to $4,525,582 or $0.26 per share for the same period in 2013. Separating the steel division's financial results from operations, Bri-Chem's adjusted EBITDA for Q1 would have been $4,100,999 as compared to $3,989,101 for the same prior year period. As of March 31, 2014, the Company's net book value per share was $1.90.

Bri-Chem's Canadian drilling fluids distribution division generated sales of $26,294,781 for the three months ended March 31, 2014, compared to sales of $28,782,730 over the same comparable period in 2013. The decrease in sales was due to the decline in drilling activity during the first quarter of 2014 in Western Canada. The rig count for Q1 2014 in Western Canada was 3,393 rigs, compared to the rig count for Q1 2013 of 3,540 rigs, representing the decline of 4.2% quarter over quarter.

The USA drilling fluids distribution division recorded sales of $12,501,056 for the three months ended March 31, 2014, an increase of 61.5% over the same period in 2013. In the USA, the number of active rigs running during the first quarter was 1,780, an increase of 1.3% quarter over quarter. The sales increase is due to the strategic warehouse, inventory and infrastructure investment that continued to be built in 2013. With seventeen warehouses operating in all the major resource plays in the USA, the division will focus on continuing to grow its overall market share.

The Canadian fluids blending and packaging division also continues to grow as the Company generated sales of $5,509,638 compared to the same prior year period sales of $5,000,229 representing a 10% increase for the three months ended March 31, 2014. The division continues to increase market share by utilizing new expanded capacity to meet the increasing demand of our customers. The acquisition of Sun Coast Materials LLC in the third quarter of 2013, our USA fluids blending and packaging division, generated sales of $1,641,744 for the first quarter of 2014.

The steel pipe distribution division recorded sales of $3,459,313 for the three months ended March 31, 2014, compared to revenues of $3,526,946 for the same period in 2013. The steel pipe manufacturing division recorded sales of $3,447,729 for the three month period ended March 31, 2014, a decrease of 20% over the prior comparable period.

Outlook Summary

The Petroleum Services Association of Canada (PSAC) has forecasted 10,930 wells to be drilled in Western Canada for 2014, a forecasted decrease of 1.3% over 2013. PSAC also has forecasted 1,320 wells to be drilled in Canada for the second quarter of 2014, an increase of 10.5% compared to Q2 2013. During the first quarter of 2014, the USA has been negatively impacted by some adverse weather and field conditions; however, the average rig count year over year is expected to increase approximately 4%. Bri-Chem will continue to invest into its USA drilling fluid market expansion plan with the goal of obtaining new market share. As we continue to gain market share in the USA drilling fluids market, more product and acquisition opportunities become available. Bri-Chem will continue to evaluate its opportunities in the USA marketplace for fluids blending and packaging. Throughout 2014, we will examine a number of opportunities that will provide product expansion, while exploring alternatives to enable us to become basic in certain commodity chemicals. We are committed to completing a transaction for the steel pipe divisions over the short term and will continue to manage inventory, costs and production while a transaction is being concluded .

DESCRIPTION OF BUSINESS

Bri-Chem has established two primary segments of business through a combination of internal growth and acquisitions: Bri-Chem's Drilling Fluid Division is North America's largest independent wholesale supplier of drilling fluids for the oil and gas industry. We sell, blend, package and distribute a full range of drilling fluid products, cementing, acidizing and stimulation additives from 33 strategically located warehouses throughout Canada and the United States; Bri-Chem's Steel Pipe Division distributes a broad range of seamless pipe and is the first company to introduce and construct a Thermal Pipe Expansion (TPE) facility in North America for manufacturing, testing and supply of large diameter seamless steel pipe for the energy industry. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

The Company is headquartered in Edmonton, Alberta and owns a 100% interest in Bri-Chem Supply Ltd. ("Bri-Chem Supply"), 100% interest in Sodium Solutions Inc. ("Sodium"), 100% interest in Bri-Steel Corporation ("Bri-Steel"), and a 70% interest in Bri-Steel Manufacturing Inc. ("Manufacturing"). The Company also owns 100% interest in Bri-Corp USA Inc. ("Bri-Corp"), which has three 100% owned subsidiaries, Bri-Chem Supply Corp, LLC, ("Bri-Chem USA") Sun Coast Materials, LLC ("Sun Coast") and Bri-Chem Logistics, LLC ("Logistics"). Bri-Chem continues to concentrate on expanding its market presence with the focus being on the following two divisions:

OIL AND GAS FLUIDS DIVISION

Canadian Drilling Fluids Division

Bri-Chem is one of Canada's largest wholesale distributors of drilling fluid products to the oil and gas industry in the Western Canadian Sedimentary Basin ("WCSB"). Bri-Chem focuses on the oil & gas drilling stage, providing over 150 critical drilling fluid products and custom-blended products to major and independent oilfield service providers. Bri-Chem distributes its drilling fluid products from 16 strategically located warehouses throughout the WCSB. Drilling fluids are used in the process of drilling deep vertical or horizontal boreholes. The drilling fluids are an integral part of the drilling process, serving a number of functions, including controlling subsurface pressures, lubricating the drill bit, stabilizing the wellbore, and carrying the cuttings to the surface, among other functions.

USA Drilling Fluids Distribution Division

Bri-Chem services its USA drilling fluids customers through its 17 warehouse locations strategically placed in the major resource plays in the USA. The division is establishing its market presence as a leading full service independent national wholesaler of drilling fluids to service the USA unconventional resource plays. The USA does not experience the seasonality of that in the WCSB and therefore maintains a more consistent active rig count. Bri-Chem will continue to focus on expanding its product offerings in the regions it currently services as well as expanding into new geographic regions in the USA to meet the increasing demand for drilling fluids from independent drilling fluid engineering companies.

Fluids Blending and Packaging Division

The WCSB oil and gas drilling process also uses cementing, stimulation, and fracturing fluids. Many of these products are a blended formulation utilizing specialty additives that Bri-Chem can supply in both packaged and truckload quantities. Cementing is performed when the cement slurry is deployed into the well via pumps, displacing the drilling fluids still located within the well, and replacing them with cement. Well stimulation involves introducing special blends of chemicals and acid to oil or gas producing formations in order to diminish or eliminate unwanted materials. The fracturing process injects fluids and sand at high pressure which creates small fractures in the rock that extend out from the well. The addressable size of these markets is significant and Bri-Chem continues to grow its business presence in each of these critical fluid applications. Bri-Chem has dedicated facilities, located in Acheson and Camrose, Alberta, with capacity to blend and package specialty additive fluids for customer specific products. Bri-Chem is pursuing to diversify into the liquid fracturing and stimulation blending market for further customer penetration and industry diversification.

On September 6, 2013, the Company acquired assets and business operations of Sun Coast Materials Co. ("Sun Coast"), a California based packager and specialty cement blender to oil well contractors operating in southern and central California. The purchase price of $6,722,296 (USD$6,470,816) consisted of all cash payments with terms of $6,493,506 (USD$6,250,000) on closing, and a promissory note payable with a fair value of $229,420 (USD$220,816) bearing interest at 4% per annum, repayable in September 2014. The acquisition of Sun Coast and their transportation fleet further expands Bri-Chem's product offerings into the USA market and provides a solid growth platform to offer cementing products and blending services throughout the USA. Sun Coast's business currently has no geographic overlap with Bri-Chem and they have built a strong market position with many long term customers.

Training and Fluid Analysis

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

STEEL PIPE DIVISION

Steel Pipe Distribution Division

Bri-Steel is the Company's wholesale distributor for steel pipe ranging in sizes from quarter inch to thirty-six inch. Bri-Steel manages its steel product inventory through one pipe yard in Edmonton, Alberta, which is the Company's primary stock location for the distribution of its steel pipe products. On the strength of the Company's international vendor relationships, the division is able to source and provide access to a broad range of steel pipe products on a timely basis. Bri-Steel's base inventory of steel pipe is primarily used in the energy industry, however the Company does distribute steel pipe to non-oilfield related industries such as construction, industrial and mining.

Steel Pipe Manufacturing Division

Bri-Steel's manufacturing division is the first business to introduce and construct an American Petroleum Institute (API) certified Thermal Pipe Expansion (TPE) facility in North America for manufacturing, testing and supply of large diameter seamless steel pipe for the energy industry. The division produces steel pipe ranging in diameter from 14" to 36" which is manufactured from carbon steel tubes using the TPE process that heats the steel tubes while being pushed by a horizontal hydraulic press over a mandrel, thereby expanding the pipe. The TPE process has been utilized for producing large diameter steel pipe for several years in other countries and Bri-Chem partnered with a Chinese corporation to in-source the technology to Canada. The manufacturing subsidiary is 70% owned by Bri-Chem and 30% owned by a Chinese corporation.

Seasonality of Operations

Weather conditions can affect the sale of the Company's fluids, chemical, steel 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 discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

Bri-Chem will continue to focus on its North American growth strategy by expanding its market presence in the oil and gas drilling fluids wholesale distribution markets. The Company will explore opportunities that will enable the division to become more basic in drilling fluids by seeking to become more directly involved in the manufacturing and blending of drilling fluid products. The Company is continuing to evaluate other drilling fluid and blending segments, such as stimulation and completion fluids, which adds support to Bri-Chem's focus on becoming the leading fully integrated drilling fluid supplier in North America.

In the USA, Bri-Chem will continue to aggressively pursue expanding its footprint and strive to become the leading national independent wholesale distributor of drilling fluids for the unconventional resource plays located throughout the USA. The recent acquisition of Sun Coast Materials, LLC, a California based packager and specialty cement blender to oil well contractors operating in southern and central California, is expected to further expand Bri-Chem's product offerings into the USA market.

Subsequent to March 31, 2014, and as part of the steel pipe division strategic review that was announced late November 2013, Bri-Chem has entered into a non-binding letter of intent with a potential purchaser for the sale of the steel pipe manufacturing division assets and ongoing operations. In addition, the Company is negotiating to sell its steel pipe distribution assets and ongoing operations as part of the overall transaction with the same purchaser. It is Bri-Chem's intention to work towards concluding a purchase and sale transaction for both steel pipe divisions in 2014.

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

The following selected three month consolidated financial information has been derived from and should be read in conjunction with the Company's Financial Statements for the period ended March 31, 2014 and 2013.

Consolidated statements of operations	For the three months ended March 31 2014	2013 (5)	Change $	%
Sales	$ **52,854,261**	$ 49,386,190	$ 3,468,071	7.0%
Gross margin	**7,726,544**	8,374,477	(647,933)	-7.7%
	14.6%	17.0%		
Operating expenses (1)	**4,558,818**	4,096,653	462,165	11.3%
EBITDA (2)	**3,167,726**	4,277,824	(1,110,098)	-26.0%
Depreciation - production equipment	**253,319**	247,758	5,561	2.2%
Adjusted EBITDA (3)	**3,421,045**	4,525,582	(1,104,537)	-24.4%
Depreciation and amortization	**808,382**	584,057	224,325	38.4%
Interest (6)	**1,003,317**	945,974	57,343	6.1%
Share-based payments	**242,213**	339,860	(97,647)	-28.7%
Impairment charges (7)	**11,098,255**	-	11,098,255	100.0%
(Loss) earnings before income taxes	**(9,731,122)**	2,655,691	(12,386,813)	-466.4%
Income tax expense - current	**596,223**	779,120	(182,897)	-23.5%
Income tax (recovery) expense - deferred	**(2,359,703)**	41,867	(2,401,570)	-5736.2%
Net (loss) earnings	$ **(7,967,642)**	$ 1,834,704	$ (9,802,346)	-534.3%
Net (loss) earnings attributable to shareholders of the Company	$ **(5,084,529)**	$ 1,859,851	$ (6,944,380)	-373.4%
Net loss attributable to NCI (4)	$ **(2,883,113)**	$ (25,147)	$ (2,857,966)	11365.0%
(Loss) earnings per share				
Basic	$ **(0.21)**	$ 0.11	$ (0.32)	-290.9%
Diluted	$ **(0.21)**	$ 0.11	$ (0.32)	-290.9%
Adjusted EBITDA per share				
Basic	$ **0.14**	$ 0.26		
Diluted	$ **0.14**	$ 0.26		
Weighted average shares outstanding				
Basic	**24,010,736**	17,461,806		
Diluted	**24,010,736**	17,527,623		

(1) See page 36 for a further explanation of this non-IFRS measure.
(2) Represents earnings before interest, taxes, depreciation, amortization, impairment charges and share-based payments (See page 36 for a further explanation of this non-IFRS measure).
(3) Adjusted EBITDA does not include depreciation of production equipment which is included in cost of sales for financial statement purposes to conform with IFRS (See page 36 for a further explanation of this non-IFRS measure).
(4) Bri-Steel Manufacturing Inc. is a 70% owned subsidiary of Bri-Chem Corp. NCI represents the 30% non-controlling interest's ("NCI") portion of loss of the subsidiary for the three months ended March 31, 2014.
(5) The Company reclassified amounts in the Statement of Operations relating to transaction costs of financial liabilities, sublease revenue and lease expense to categorize interest expense and net sublease income consistently. The 2013 comparatives have been reclassified as a result, and this reclassification did not impact the net earnings of the Company for the three months ended March 31, 2013.
(6) Interest expense for the three months ended March 31, 2014 includes amortization of capitalized deferred financing cost of $143,971 (March 31, 2013: $125,408).
(7) Impairment charges are related to inventory and property and equipment write down in the steel pipe manufacturing division.

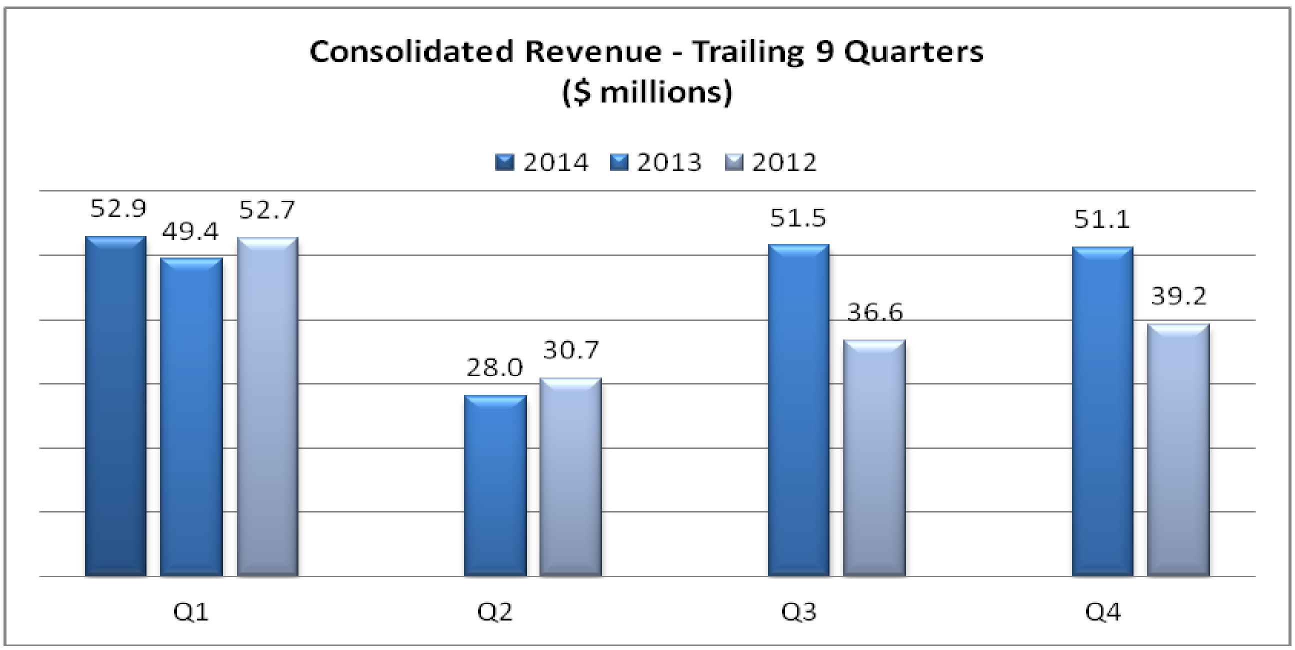
RESULTS OF OPERATIONS

Sales

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

	For the three months ended March 31					
	2014		2013		Change	
Sales by Segment	$	%	$	%	$	%
Fluids Distribution - Canada	$ **26,294,781**	**49.7%**	$ 28,782,730	58.3%	$ (2,487,949)	-8.6%
Fluids Distribution - USA	**12,501,056**	**23.7%**	7,742,600	15.7%	4,758,456	61.5%
Total Fluids Distribution	**38,795,837**	**73.4%**	36,525,330	74.0%	2,270,507	6.2%
Fluids Blending & Packaging - Canada (1) (2)	**5,509,638**	**10.4%**	5,000,229	10.1%	509,409	10.2%
Fluids Blending & Packaging - USA (3)	**1,641,744**	**3.1%**	-	0.0%	1,641,744	100.0%
Total Fluids Blending & Packaging	**7,151,382**	**13.5%**	5,000,229	10.1%	2,151,153	43.0%
Steel Distribution	**3,459,313**	**6.5%**	3,526,946	7.1%	(67,633)	-1.9%
Steel Manufacturing	**3,447,729**	**6.5%**	4,333,685	8.8%	(885,956)	-20.4%
Total	$ **52,854,261**	**100%**	$ 49,386,190	100%	$ 3,468,071	7.0%

(1) Fluids blending and packaging division sells products to the fluids distribution division, which in turn sells it to the end user. In Q1 2014 the three months sales to the fluids distribution division were an additional $2,700,073 (2013 - $3,599,023). This revenue has been eliminated upon consolidation.
(2) In July 2013, the fluids blending & Packaging division started selling certain products directly to end users. Q1 2013 sales was reclassified for presentation purposes.
(3) Includes sales resulting from the acquisition of Sun Coast which was effective September 6, 2013.



North American Drilling Fluids Distribution Divisions

The Company's North American drilling fluids distribution divisions recorded combined sales of $38,795,837 for the three months ended March 31, 2014 compared to sales of $36,525,330 in 2013, representing an increase of 6.2% quarter over quarter. The Canadian fluids distribution divisions' sales declined by 8.6% quarter over quarter, while the USA fluids distribution division experienced a growth in revenue by 61.5% over the same comparable period in 2013.

Canadian Drilling Fluids Distribution Division

Bri-Chem's Canadian drilling fluids distribution division generated sales of $26,294,781 for the three months ended March 31, 2014, compared to sales of $28,782,730 over the same comparable period in 2013. The decrease in sales was due to the decline in drilling activity during the first quarter of 2014 in Western Canada. The rig count for Q1 2014 in Western Canada was 3,393 rigs, compared to the rig count for Q1 2013 of 3,540 rigs, representing the decline of 4.2% quarter over quarter.

The Alberta market experienced a decrease in sales of 23.0% for the three months ended March 31, 2014, while the number of wells drilled decreased by 10.3% in the region. The decrease in sales in the Alberta region was due to a decrease in industry activity including an 18% decrease in invert sales in the Alberta region. The Saskatchewan market experienced a growth in revenue of 90.5% for the three months period ended March 31, 2014. The increase in sales for Q1 2014 in this region was due to higher industry activity levels compared to the same quarter in 2013, and the addition of a new warehouse in Rosetown SK, which made a significant contribution to the revenue growth in this province. The number of wells drilled for three months ended March 31, 2014 increased by 5.1% compared to the same 2013 period. British Columbia has seen an increase in sales of 78.8% for the three months ended March 31, 2014. This increase is due to higher rig activities, including natural gas drilling, in Q1 2014. The British Columbia region experienced growth of 28.1% in the number of wells drilled during the first quarter of 2014 compared to same period in 2013, which resulted in obtaining more work by our independent drilling fluid engineering customers in this area, particularly in Montney, during Q1 2014 and a surge of new liquid invert sales from independent fluid engineering companies.

Summary of the number wells drilled:

Area	Rig Count in Q1 2014	Rig Count in Q1 2013	Change	Change in %
Alberta	2,135	2,380	(245)	(10.3%)
British Columbia	214	167	47	28.1%
Saskatchewan	1,044	993	51	5.14%
Western Canada[1]	3,393	3,540	(147)	(4.2%)

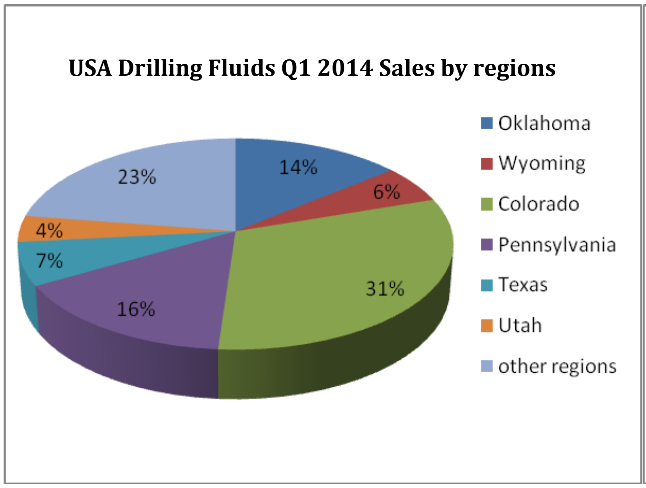
(1) Total Western Canada excludes Manitoba
(2) Source – PSAC
(3)

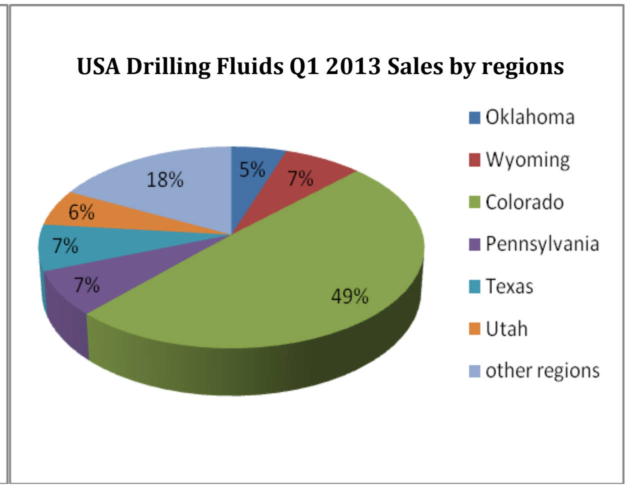
Summary of wells drilled in meters:

Area	Meters drilled in Q1 2014	Meters drilled in Q1 2013	Change	Change in %
Alberta	6,640,779	5,272,699	368,080	7.0%
British Columbia	780,485	578,162	202,323	35.0%
Saskatchewan	1,824,003	1,656,793	167,210	10.1%
Western Canada[1]	8,245,267	7,507,654	737,613	9.8%

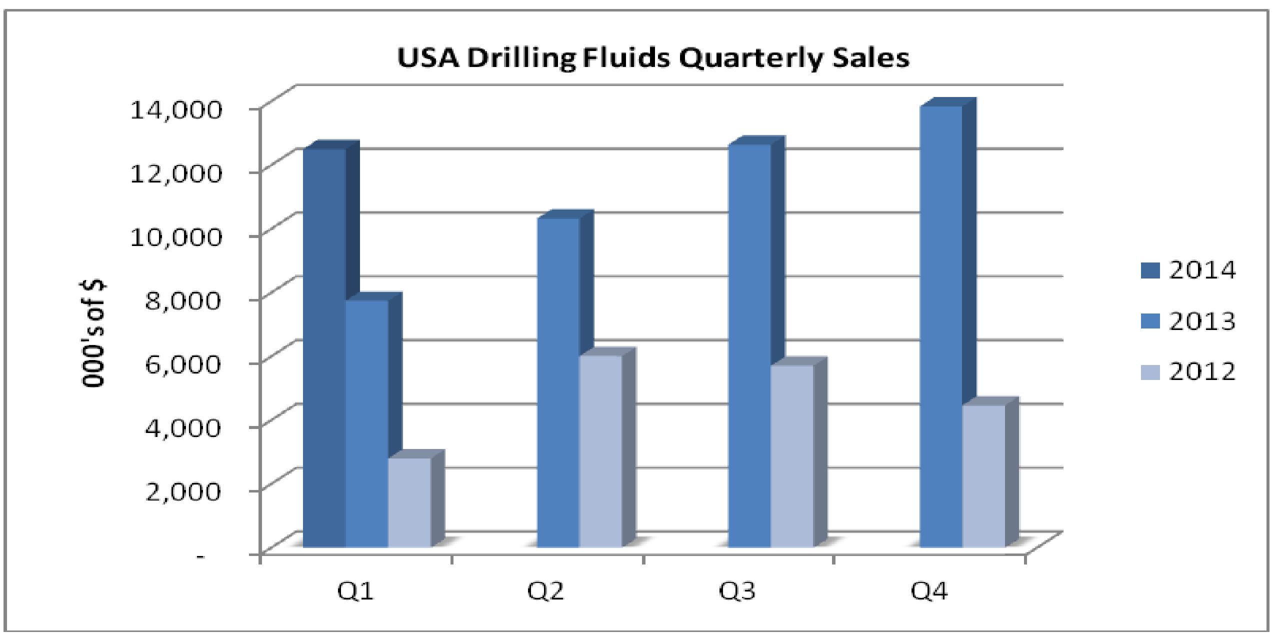
(1) Total Western Canada excludes Manitoba
(2) Source - PSAC

United States Drilling Fluids Distribution Division





Bri-Chem's United States fluids distribution division generated sales of $12,501,056 for the three month period ended March 31, 2014, compared to revenues of $7,742,600 in the same comparable period of 2013, representing an increase of $4,758,456 or 61.5%. Despite the severe winter weather in the USA that impacted activity in the Eastern USA and Rockies, Bri-Chem's USA fluids distribution division has continued to see sales growth throughout Q1 2014 as a result of product and geographic expansion throughout the major resource plays in the USA. The division has built a solid infrastructure with personnel and inventory to service the expanding needs of our customers. Colorado, Pennsylvania, Oklahoma, Texas and Wyoming generated the majority of sales in the USA for the three months ended March 31, 2014. In Q1 2014 the Company further expanded its footprint in the USA wholesale drilling fluids products by adding a new warehouse in Ellis, Kansas. At March 31, 2014 Bri-Chem had 17 operating warehouses, compared to 14 warehouses at March 31, 2013. The Company remains focused on expanding its product offerings as well as expanding into new geographic regions in the USA to meet the increasing demand for drilling fluids from an independent wholesaler.



Fluids Blending and Packaging Division

Canadian Fluids Blending and Packaging Division

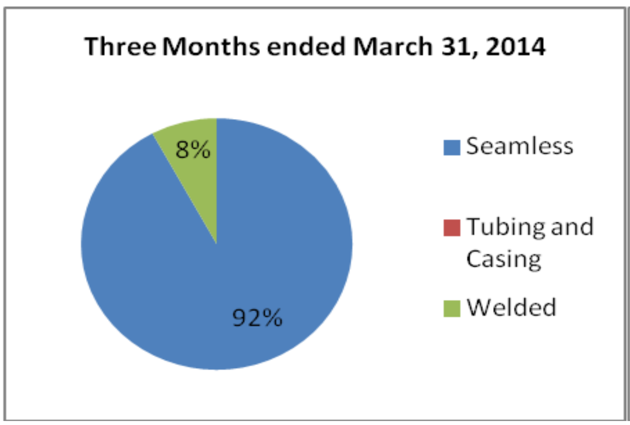
For the first quarter of 2014, sales were $5,509,638 compared to $5,000,229 in 2013 representing a 10.2% increase quarter over quarter. This increase is due to the division expanding its capacity and introducing new products and receiving more blending and packaging orders from customers within Western Canada. In particular the regions of British Columbia and Saskatchewan continue to contribute to the majority of sales growth for the three month period ended March 31, 2014, as existing and new customers started using more blended products in these regions.

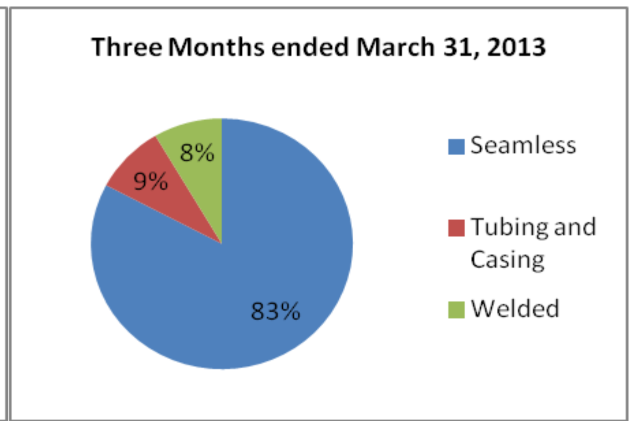
United States Fluids Blending and Packaging Division

On September 6, 2013, the Company acquired certain assets and business operations of Sun Coast Materials Co., a California based packager and specialty cement blender to oil well contractors operating in southern and central California. Sun Coast is expected to further expand Bri-Chem's product offerings into the USA market and provide a solid growth platform to offer cementing products and blending services throughout the USA. Sun Coast's business currently has no geographic overlap with Bri-Chem and they have built a strong market position with many long term customers. Sales were $1,641,744 for Q1 2014.

Steel Pipe Division

Steel Pipe Distribution Division

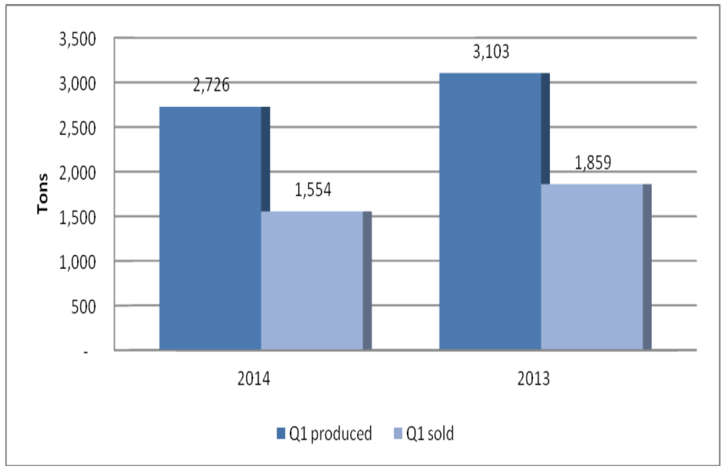




For the first quarter of 2014, the steel pipe distribution division generated revenues of $3,459,313, a decrease of $67,633 or 1.9% over the same comparable period in 2013. In Q1 2014, the Company has been vigilant in managing its inventory by replacing slow moving stock with approved manufactured seamless pipe which has provided a better selection to a broader range of customers. In March 2014 the steel distribution division experienced a delay in receiving certain pipes due to a Vancouver port truckers' strike, which resulted in limiting the division's ability to fulfill its customer backlog orders of approximately $400,000. In Q1 2014, the Company continued to sell off the remainder of its tubular products. Seamless pipe sales have increased on a quarter over quarter basis as the division streamlined its product offering to concentrate on seamless pipe products.

Subsequent to March 31, 2014, as part of the steel pipe division strategic review announced late November 2013, Bri-Chem has been in discussions with a potential purchaser for the steel pipe distribution division assets and ongoing operations.

Steel Pipe Manufacturing Division



The manufacturing division achieved sales of $3,447,729 for the three months ended March 31, 2014, representing a decrease of 20.4% over the same comparable period in 2013. During the three months of 2014, the division produced 2,726 tons; a decrease of 377 tons or 12.2% compared to 3,103 tons produced in the same period of 2013. The Company sold a total of 1,554 tons for the three months period ended March 31, 2014, compared to 1,859 tons for the same period in 2013. In March 2014 the steel manufacturing division experienced a delay in receiving materials due to a Vancouver port truckers' strike. As a result of this delay the division was not able to fulfill certain customer backlog orders of approximately $900,000. In addition, the production declined in Q1 2014 due to reduced working hours late in the quarter in an effort to reduce operating costs. The Company expects production tonnage for the rest of 2014 to be approximately 8,000 to 11,000 tons based on current production schedules; however production could increase should demand levels for product increase.

Subsequent to March 31, 2014, as part of the steel pipe division strategic review announced late November 2013, Bri-Chem has entered into a non-binding letter of intent for the sale of its steel pipe manufacturing division assets and ongoing operations.

Gross margin

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

	For the three months ended March 31					
	2014		2013		Change	
Gross Margin	$	%*	$	%*	$	%
Fluids Distribution - Canada	**$ 3,396,474**	**12.9%**	$ 4,320,811	15.0%	$ (924,337)	-21.4%
Fluids Distribution - USA	**2,437,380**	**19.5%**	1,789,970	23.1%	647,410	36.2%
Total Fluids Distribution	**5,833,854**	**15.0%**	6,110,781	16.7%	(276,927)	-4.5%
Fluids Blending & Packaging - Canada	**972,691**	**17.7%**	995,834	19.9%	(23,143)	-2.3%
Fluids Blending & Packaging - USA	**661,689**	**40.3%**	-	0.0%	661,689	100.0%
Total Fluids Blending & Packaging	**1,634,380**	**22.9%**	995,834	19.9%	638,546	64.1%
Steel Distribution	**378,442**	**10.9%**	808,533	22.9%	(430,091)	-53.2%
Steel Manufacturing	**(120,132)**	**-3.5%**	459,329	10.6%	(579,461)	-126.2%
Total	**$ 7,726,544**	**14.6%**	$ 8,374,477	17.0%	$ (647,933)	-7.7%

* As a percentage of divisional revenues

Fluids Distribution and Packaging Divisions

The drilling fluids distribution division margins declined by 1.7% for the three months ended March 31, 2014 compared to the same period in 2013. Margins on fluid sales vary based on product mix and drilling formations. Canadian fluid distribution margins averaged 12.9% for the three months period ended March 31, 2014, lower than gross margins in the same comparable period of 2013. The 2.1% decrease is due to increased pricing pressure in the market and a higher volume of low margin product sales, such as barite, being sold during the Q1 2014. Barite sales made up approximately 11% of Canadian fluid distribution sales in Q1 2014 compared to 9% in the same period in 2013. In addition, a weaker Canadian dollar increased prices of imported goods that increased cost of sales in Q1 2014. The USA fluid distribution margins are traditionally higher than those of the Canadian operations, and were 19.5% for the three months ended March 31, 2014; a decrease of 3.6% compared the same period in 2013. The decrease is related to lower margin commodity products, such as barite, being sold during the first quarter of 2014. In the short to medium term, margins are anticipated to remain consistent in the fluids distribution division, however a change in product mix could impact margins.

Average gross margin as a percentage of fluid blending and packaging sales was 17.7% for the three month period ended March 31, 2014 as compared to 19.9% in the same 2013 period. Bri-Chem has dedicated facilities, located in Acheson and Camrose, Alberta, with capacity to blend and package specialty additive fluids for customer specific products. As a result, the fluids blending and packaging division tends to have higher margins for this value-added service. With the weakened Canadian dollar during the quarter, the gross margin of Canadian fluids blending and packaging division for the three months ended March 31, 2014 decreased by 2.2% compared to the same prior year period. With the acquisition of Sun Coast in September 2013, the United States blending and packaging division generated gross margins of 40.3% for the three months ended March 31, 2014.

Steel Distribution and Manufacturing Divisions

The steel distribution division gross margins were 10.9% for the three month period ended March 31, 2014, compared to 22.9% in the same 2013 period. Increased selling price competition caused by excess steel inventory in the market forced the steel distribution division to lower selling prices to continue to stay competitive. Management has consciously determined to reduce selling prices on certain inventory to reduce inventory levels given current market demands. Gross margins are anticipated to return to more traditional levels given the positive trend in sales of approved manufacturer's seamless pipe and fulfilling the backlog of customer orders in back half of 2014.

Steel Pipe Manufacturing Division	For the three months ended March 31		Change	
Adjusted Gross Margins	2014	2013	$	%
Gross Margin ($) (1)	**(120,132)**	459,329	(579,461)	-126.2%
As percentage of sales	**-3.5%**	10.6%		
Addback: Fixed overheads in production (2)	**432,771**	483,976	(51,205)	-10.6%
Depreciation of production equipment	**253,319**	247,758	5,561	2.2%
Adjusted Gross Margin ($) (3)	**565,958**	1,191,063	(625,105)	-52.5%
As percentage of sales	**16.4%**	27.5%		

(1) In compliance with IFRS standards cost of sales include all overheads related to production regardless of whether or not the facility is operating at full capacity.
(2) Fixed overhead costs include production facility lease costs, utilities and indirect labour related to the steel manufacturing facility.
(3) Adjusted gross margins reflect the selling price less the cost of product and direct labour to manufacturer the product. (See page 36 for a further explanation of this non-IFRS measure).

The steel manufacturing division achieved gross margin of -3.5% for the three months ended March 31, 2014 compared to 10.6% in the same comparable period of 2013. Adjusted gross margin, which excludes fixed overheads and depreciation of production equipment, was 16.4% for the three months of 2014 compared to 27.5% for the same comparable period in 2013. The decrease in adjusted gross margin in 2014 was due to the decrease in production during the three month period ended March 31, 2014, which resulted in a higher fixed cost of production. The division produced 2,726 tons during the first quarter of 2014, which is less by 377 tons compared to the same period in 2013. The decline in production of finished goods in Q1 2014 is a result of a delay in receiving materials due to a Vancouver port truckers' strike and a reduction of work hours late in the quarter. As a result of this delay the division was not able to fulfill some of its customer backlog orders of approximately $900,000. The average selling price in Q1 2014 was 4.8% lower compared to the same period in 2013 due to the increased price competition. As production continues to become more consistent over the next several quarters combined with estimated sales prices from increasing demand, margins of the steel pipe manufacturing division should continue to improve compared to those experienced throughout the last four quarters. Margins have the potential to fluctuate depending on the size and grade of pipe being produced and sold. More specialized sizes such as 30" are anticipated to yield higher margins than common sizes such as 16" standard A106 pipe. Management is focused on meeting the size requirements of its customers, while being competitively priced.

Gross margins – outlook

For the second quarter of 2014, we are anticipating gross margins on fluid sales to be consistent with those experienced in the first quarter of 2014. 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. The steel distribution division will remain focused on improving margins from 2013, by offering a new line of pipe products not previously distributed in 2013. The steel manufacturing division continues to target adjusted gross margins between 15% and 20% based on current production levels, current raw material costs, and estimated finished product sale prices.

Operating expenses

Salaries and employee benefits

	For the three months ended March 31		Change	
Salaries and employee benefits	2014	2013	$	%
Salaries and benefits	**$ 3,249,683**	$ 2,839,154	$ 410,529	14.5%
% of sales	**6.1%**	5.7%		0.4%

Salaries and benefits have increased by $410,529 for the three months ended March 31, 2014 compared to the same period in 2013. Salaries for the three month period ended March 31, 2014 include $280,918 of wages and benefits related to the Sun Coast acquisition. Salaries and benefits during the quarter increased due to the hiring of a global procurement manager, warehouse supervisor, distribution manager in the Canadian fluids distribution division in mid 2013 as well as sales staff and two additional accounting personnel in late 2013 in the USA fluids distribution division and a production operator in the Canadian fluids blending & packaging division in order to keep up with sales growth. As a result of the overall increase in personnel, benefits increased by $193,481. In addition, sales commissions increased by $70,267 during three months ended March 2014 as a result of fluids sales growth in the USA. These increases were partially offset by decline of $97,647 in share-based payments and of $54,753 in salaries of the Canadian fluids distribution division for the three months ended March 31, 2014 from the prior comparable quarter.

The Company employed 173 (119 Canada and 54 USA) employees at March 31, 2014 compared to 139 (111 Canada and 28 USA) at March 31, 2013.

The Company expects salaries and employee benefits to remain consistent in 2014 as all divisions are adequately staffed given current business activities. As the Company continues with its growth plans, personnel requirements will be revisited as required.

Selling, general and administration

	For the three months ended March 31				
	2014			2013	
Selling, general and administration		$	%*	$	%*
Selling	$	**301,982**	**0.6%**	$ 203,582	0.4%
Professional and consulting		**100,619**	**0.2%**	212,747	0.4%
General and administration		**520,784**	**1.0%**	426,684	0.9%
Rent, utilities and occupancy costs		**975,546**	**1.8%**	707,648	1.4%
Foreign exchange (gain) loss		**(347,583)**	**-0.7%**	46,698	0.1%
Total	$	**1,551,348**	**2.9%**	$ 1,597,359	3.2%

* As a percentage of consolidated revenues

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

Selling expenses increased by $98,400 during the three months ended March 31, 2014 compared to the same period in 2013. The increase in selling expenses for three month period ended March 31, 2014 includes an increase of $59,731 in auto expenses, and an increase of $43,916 in advertising and promotional costs relating to sales efforts in both Canadian and USA fluids divisions. These increases were partially offset by a decrease in travel and accommodation costs. Selling costs relate to customer relations, promotion, and travel costs.

Professional and consulting expenses declined by $112,128 during the three months ended March 31, 2014 compared to the same period in 2013 as the Company did not perform significant acquisitions or transactions. On December 31, 2012 the Company acquired General Supply Company and as such incurred additional legal and advisory fees of $47,802. Professional and consulting expenses relate to audit, legal and other advisory fees.

General and administration expenses for the three month period ended March 31, 2014 increased by $94,100 compared to the same period in 2013. This increase was due to higher safety costs of $41,657, increased office expenses of $37,876, and insurance costs of $22,934 related to the USA fluids divisions. The increase of safety costs relates to security expenses on the property the Company purchased for the USA fluids blending & packaging division in late 2013. The increase insurance costs were due to increased insurance premiums on higher inventory levels throughout Q1 2014 in the USA fluids distribution division. All other expenses remained relatively consistent from the comparable prior year quarter. General and administration expenses include bank charges, insurance, office, and safety expenses.

Warehouse rent, utilities and occupancy costs increased by $267,898 for the quarter ended March 31, 2014 compared to the prior year period. The increase relates to infrastructure costs including warehouse rent as a result of continued geographic expansion in the USA. At March 31, 2014 Bri-Chem had 33 warehouses in total compared to 29 at March 31, 2013. The costs in this category are comprised mainly of rent, utilities, and warehouse expenses for the Edmonton, Leduc, Camrose, Acheson and USA locations as well as liquid storage tank rentals.

During the first quarter of 2014, the Canadian dollar lost strength in relation to the US dollar, and remained lower than the US dollar at March 31, 2014. This decrease in the Canadian dollar exchange rate caused the Company to have a favorable position on certain net advances which are denominated in USD. In addition, the Company realized a foreign exchange gain of $103,677 from the foreign currency derivative contract, settled late March 2014.

Impairment charge

The impairment charges of $11,098,255 for the three months ended March 31, 2104 relate to inventory net realizable value write down of $7,436,488 and impairment loss on property and equipment of $3,661,767 in the steel pipe manufacturing division. Management considered the recoverable amount of these non-financial assets based on preliminary values of net assets of the steel pipe manufacturing division in connection with the post-reporting date event. The recoverable amount using fair values less cost of disposal was determined to be less than the carrying amount at March 31, 2014 by $11,098,255. The impairment loss was allocated to inventory ($7,436,488) and manufacturing and other equipment ($3,661,767).

Depreciation and amortization

Depreciation and amortization	For the three months ended March 31 2014	2013	Change $	%
Property and equipment	**$ 488,582**	$ 402,941	$ 85,641	21.3%
Intangible assets	**319,800**	181,116	138,684	76.6%
Total	**$ 808,382**	$ 584,057	$ 224,325	38.4%

The depreciation of property and equipment increased during the three month period ended March 31, 2014 as the result of capital expenditures completed in Q1 2014 and depreciation taken on certain assets which had been put into use throughout 2013. Amortization of intangible assets has increased due to acquired intangible assets such as customer relationships and brands from the acquisition that occurred in the third quarter of 2013.

Interest

Interest	For the three months ended March 31 2014	2013	Change $	%
Interest on short-term operating debt	**$ 683,030**	$ 621,969	$ 61,061	9.8%
Interest on long-term debt	**315,740**	317,477	(1,737)	-0.5%
Interest on obligations under finance lease	**4,547**	6,528	(1,981)	-30.3%
Total interest expense	**$ 1,003,317**	$ 945,974	$ 57,343	6.1%
Deduct non-cash interest expense: Amortization of capitalized deferred financing costs	**$ 143,971**	$ 125,408	$ 18,563	14.8%
Cash interest expense[(1)]	**$ 859,346**	$ 820,566	$ 38,780	4.7%

(1) See page 36 for a further explanation of this non-IFRS measure.

Interest on short-term operating debt for the three months ended March 31, 2014 was higher compared to the same period in 2013, as the Company maintained a higher credit facility balance over the recent quarter due to the increased operations in both Canada and the USA.

Interest on long-term debt and interest on obligation under finance lease for the three month period ended March 31, 2014 were relatively consistent compared to the same period in 2013.

Income taxes

The provision for income taxes for the three months ended March 31, 2014 is a net current tax expense of $596,223 compared to $779,120 in the same period in 2013. The decrease in taxes is a result of the decrease in pre-tax earnings in the fluids and steel distribution divisions. The Company's effective tax rate is 18.1% for the three months ended March 31, 2014 (29.3% - March 31, 2013). The decrease in effective tax rate for the quarter ended March 31, 2014 compared to the prior year period is due to the significant non-cash impairment charges related to inventory and property and equipment write down adjustment in the steel pipe manufacturing division. The Company had a deferred tax recovery of $2,359,703 during the Q1 2014, largely as a result of the tax effect on losses incurred in both the steel distribution and steel pipe manufacturing divisions.

Net (loss) earnings and earnings per share

Net (loss) earnings and adjusted EDITDA	For the thee months ended March 31 2014	2013	Change $	%
Net (loss) earnings	**$ (7,967,642)**	$ 1,834,704	$ (9,802,346)	-534.3%
% of sales	**-15.1%**	3.7%		
Adjusted EBITDA [(1)]	**$ 3,421,045**	$ 4,525,582	$ (1,104,537)	-24.4%
% of sales	**6.5%**	9.2%		

(1) Represents adjusted earnings before interest, taxes, depreciation, amortization, and share-based payments (see page 36 for a further explanation of this non-IFRS measure).

The Company had consolidated net loss, including non-controlling interest, for the three months ended March 31, 2014 of $7,967,642 compared to net earnings of $1,834,704 in the same prior year period. The consolidated net loss/earnings as a percentage of consolidated revenues for the period was 15.1% compared to 3.7% from the prior year period. If the impairment charge was excluded for the three months ended March 31, 2014, the Company would have generated net earnings of $910,962. These net earnings decreased for the first quarter ended March 31, 2014 due to three significant items: being depreciation and amortization that increased by $224,325 as more assets were put into use over the last several quarters, an increase in interest expense of $57,343 and a decrease in gross margin of $647,933.

Adjusted EBITDA was $3,421,045 for the three months ended March 31, 2014 compared to $4,525,582 in the same comparable prior period; a decrease of $1,104,537. Adjusted EBITDA decreased for the three months ended March 31, 2014 mainly due to a lower gross margin by $647,933 and higher salaries and benefits by $410,529 compared to the same period in 2013.

Basic and diluted loss per share for the three months ended March 31, 2014 were $0.21 compared to earnings per share of $0.11 for the same period in 2013. The loss/earnings per share were based on the weighted average number of shares outstanding during the three months ended March 31, 2014. The basic and diluted weighted average numbers of shares outstanding for the three month period ended March 31, 2014 were 24,010,736 and 24,010,736 respectively.

SUMMARY OF QUARTERLY DATA

(in thousands of Cdn $)	2014 Q1	2013 Q4	2013 Q3	2013 Q2	Total TTM
Sales	$ 52,854	$ 51,151	$ 51,448	$ 27,961	$ 183,414
Gross margin ($)	7,726	6,673	8,485	4,323	27,207
Gross margin (%)	14.6%	13.0%	16.5%	15.5%	14.8%
EBITDA (1)	3,168	1,779	3,690	465	9,102
Depreciation - Production Equipment	253	283	273	253	1,062
Adjusted EBITDA (1)	3,421	2,062	3,963	718	10,164
Net (loss) earnings (2) (3)	$ (7,968)	$ (2,270)	$ 1,078	$ (1,044)	$ (10,204)
Basic earnings (loss) per share	$ (0.21)	$ (0.12)	$ 0.07	$ (0.05)	$ (0.31)
Diluted earnings (loss) per share	$ (0.21)	$ (0.12)	$ 0.07	$ (0.05)	$ (0.31)

(in thousands of Cdn $)	2013 Q1	2012 Q4	2012 Q3	2012 Q2	Total TTM
Sales	$ 49,386	$ 39,248	$ 36,650	$ 30,700	$ 155,984
Gross margin ($)	8,374	6,961	5,950	3,764	25,049
Gross margin (%)	17.0%	17.7%	16.2%	12.3%	16.1%
EBITDA (1)	4,278	3,149	2,857	83	10,367
Depreciation - Production Equipment	248	72	232	223	775
Adjusted EBITDA (1)	4,526	3,221	3,089	306	11,142
Net earnings (loss)	$ 1,835	$ 1,330	$ 1,439	$ (770)	$ 3,834
Basic earnings (loss) per share	$ 0.11	$ 0.06	$ 0.10	$ (0.03)	$ 0.24
Diluted earnings (loss) per share	$ 0.11	$ 0.06	$ 0.10	$ (0.03)	$ 0.24

(1) EBITDA and Adjusted EBITDA are non-IFRS measures which the Company defines as earnings before interest, taxes, depreciation and amortization and share-based payments expense. (See page 36 for a further explanation of these non-IFRS measures).

(2) In Q1, 2014, the Company recognized an inventory write down of $7,436,488 and impairment loss on property and equipment of $3,661,767 in the steel pipe manufacturing division in connection with the post-reporting date event.

(3) In Q4, 2013 the Company recognized impairment charges related to the steel pipe distribution division inventory, bad debts and other items in the amount of $3,194,759.

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 during Q2 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

Summary Balance Sheet As at		March 31 2014		December 31 2013
Current assets	$	**118,479,585**	$	125,644,692
Property and equipment		**11,928,120**		15,596,330
Other assets		**14,383,363**		11,970,638
TOTAL ASSETS	$	**144,791,068**	$	153,211,660
Current liabilities	$	**84,239,281**	$	83,713,484
Non-current lliabilities		**9,078,818**		9,320,310
TOTAL LIABILITIES		**93,318,099**		93,033,794
Share capital		**33,647,907**		33,647,907
Non-controlling interest		**(958,095)**		1,925,018
Retained earnings and contributed surplus		**18,783,157**		24,604,941
TOTAL SHAREHOLDERS' EQUITY		**51,472,969**		60,177,866
TOTAL LIABILITIES AND EQUITY	$	**144,791,068**	$	153,211,660

Financial Ratios	March 31 2014	December 31 2013
Working capital ratio	**1.41**	**1.50**
Days sales in receivables	**79.1**	**95.3**
Inventory turns	**2.5**	**2.0**
Days purchases in payables	**48.8**	**64.0**

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

As at March 31, 2014 the Company had positive working capital of $34,240,304 compared to $41,931,208 at December 31, 2013. The Company's current ratio (defined as current assets divided by current liabilities) was 1.41 to 1 as at March 31, 2014, compared to 1.50 to 1 as at December 31, 2013.

As at March 31, 2014, the Company had drawn $61,478,477 net of unamortized transaction costs of $372,404, on its available credit facilities of $90,000,000, as compared to $53,495,254 at December 31, 2013. Financial covenants under the Company's Asset Based Lending (ABL) Facility include the fixed charge coverage ratio and eligible capital expenditures. As at March 31, 2014, the Company was in compliance with its financial covenants.

The March 31, 2014 days sales in receivables are 79.1, lower than the ratio from December 31, 2013 of 95.3. 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. US companies usually pay their suppliers quicker than in Canada and as a result of the increased revenue in the US fluids divisions, both the days in sales and the days purchases in payables ratios decreased during the three months ended March 31, 2014. The decrease in the days' purchases in payables at March 31, 2014 compared to December 31, 2013 is also a result of the

Company's ABL Facility management closely linking the inflow of cash receipts to the outflow of cash to vendors, and to the increased operating activity of the Company in the USA.

As at March 31, 2014, accounts receivable was $45,731,841 a decrease of $145,744 or -0.3% from the December 31, 2013 balance of $45,877,585. The decrease is the result of the increased collection of trade receivables of $2,798,356 in both the Canadian and USA fluids divisions, including the steel divisions during the Q1 2014. This decline was partially offset by the increase of accounts receivable in the Canadian fluids distribution division of $2,330,857. Management is confident that there are no major concerns with the carrying amounts of accounts receivable as at March 31, 2014.

Inventory decreased by $6,811,714 or 9.1% to $67,923,369 compared to the 2013 fourth quarter end balance. Inventory turns stayed relatively consistent at March 31, 2014 compared to December 31, 2013. Inventory increased by $3.6 relating to the inventory in the USA fluid and the Canadian fluids blending & packaging divisions in order to keep up to the growing fluids demand from their customers. These increases were offset by a decline of inventory in the Canadian fluids distribution division of approximately $2.4 million, and in the steel manufacturing due to the inventory write down of $7.4 million. Inventory decreased in the Canadian fluids distribution division as a result of the decline in revenues over the recent several quarters, and more prudent inventory management.

The Company's prepaid expenses and deposits have decreased by $595,391 to $2,639,378 at March 31, 2014 as compared to the December 31, 2013 balance of $3,234,769. The decrease was due to the decline of deposits being made in steel distribution division on steel pipe purchases from international vendors that do not provide credit terms.

The Company's liquidity will depend upon operating cash flows, existing working capital, the unused credit facility and the ability to access debt and equity markets. The Company currently has sufficient liquidity of approximately $13,417,104 under its existing ABL facility. The Company is able 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. Based on current budgeted operating expenditures for 2014, the Company will have sufficient funds to meet its obligations.

Summary of Consolidated Statements of Cash Flows Period ended		**March 31 2014**		March 31 2013
Cash used in operating activities	**$**	**(3,911,951)**	**$**	**(6,623,630)**
Cash provided by financing activities		**4,164,386**		**7,090,003**
Cash used in investing activities		**(252,435)**		**(466,373)**
Net increase in cash and cash equivalents	**$**	**-**	$	-
Cash and cash equivalents, beginning of the period		**-**		-
Cash and cash equivalents, end of the period	**$**	**-**	$	-

Cash flow used in operating activities

Cash used in operating activities for the three month period ended March 31, 2014 was $3,911,951 compared to cash used of $6,623,630 for the same period in 2013. The Company's cash used in operating activities relates to the decrease of accounts payable and accrued liabilities and income tax payable balances by approximately $7.8 million during the Q1 2014. This decrease was partially offset by the decrease of accounts receivable and prepaid expenses by approximately $1.5 million. The decrease in accounts receivable is the result of the increased collection of trade receivables in both the Canadian and USA fluids divisions, including the steel manufacturing division during the first quarter of 2014. The Company intends to continue to manage its inventory levels and spending in order to conserve its balance sheet strength and minimize any increase in debt levels.

Cash flow provided by financing activities

Cash provided by financing activities was $4,164,386 for the three months ended March 31, 2014, compared to cash provided of $7,090,003 in the comparable 2013 period. The cash provided by financing activities in Q1 2014 relates to advances on the operating line to fund period operations. The decrease in advances on the operating line was due to the increased collection of trade receivables experienced during the Q1 2014, and reduced deposits being made in steel distribution division on steel pipe purchases from international vendors that do not provide credit terms. In addition, the Company fully repaid the promissory note payable of $260,312 related to acquisition of General Supply Company, and made the first installment of $300,000 on a $10,000,000 subordinated debenture from Fulcrum Partners Inc. ("Fulcrum") in Q1 2014.

Cash flow used in investing activities

Cash used in investing activities amounted to $252,435 for the three months ended March 31, 2014 compared to $466,373 in the same period of 2013. This decrease is due to the less capital asset additions. Forecasted capital expenditures for the remainder of 2014 are approximately $4,300,000 and will be funded through existing operating facilities and possible finance leases where possible for specific equipment.

Covenants

	March 31, 2014		December 31, 2013	
	As calculated	**Minimum required**	As calculated	Minimum required
		To exceed		To exceed
Fixed charge coverage ratio	**1.77**	1.10	1.16	1.10
		Not to exceed		Not to exceed
Eligible capital expenditures	**$ 253,630**	$ 5,806,980	$ 3,277,181	$ 4,262,700
		Not to exceed		Not to exceed
Funded term debt to EBITDA	**0.77**	1.5:1	0.98	1.5:1

The Company is required to comply with two financial covenants under its ABL Facility being a minimum fixed charge coverage ratio and maximum annual eligible capital expenditures. In addition, there is an additional covenant under the subordinated debenture relating to funded term debt to EBITDA. 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 fixed charge coverage ratio is set at a minimum of 1.10 to 1 level and defined as the trailing twelve months of EBITDA, less non-funded capital expenditures, to the sum of cash interest paid, plus cash income taxes paid, plus the aggregate of all dividends, distributions and principal repayments, and any amortization in the borrowing base of any eligible real property and/or eligible machinery and equipment. EBITDA is net income before interest on debt, taxes on net income and depreciation and amortization and non-recurring charges (including transaction and acquisition expenses) and extraordinary items and share based payments during any of its recently completed four fiscal quarters. Capital expenditures limit is set at a maximum of 120% of the consolidated budgeted yearly capital expenditures. The funded term debt to EBITDA covenant is set at a maximum of 1.50 to 1. Funded term debt is any term debt including, without limitation, the subordinated debt facility and any capital lease obligations. EBITDA is net income before interest on debt, taxes on net income and depreciation and amortization and non-recurring charges (including transaction and acquisition expenses) and extraordinary items and share based payments during any of its recently completed four fiscal quarters.

The minimum covenants are noted in the above table. The Company monitors its covenants on an ongoing basis and reports on its compliance to its lender on a monthly basis. As at March 31, 2014, the Company was in compliance with all financial covenants.

Property and equipment

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

The Company's investment in property and equipment for the three month period ended March 31, 2014 was $243,727. The capital expenditures were funded from the Company's operating line of credit.

The budgeted future capital expenditures for the rest of 2014 are approximately $4,300,000. Proposed future equipment upgrades may include bulk storage tanks and blending and packaging equipment for the USA drilling fluids distribution division, three storage tents for fluids products as well as additional testing equipment for the steel manufacturing division. Capital expenditures typically are comprised of betterments and upgrades to existing assets, and additions incurred during the period. 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.

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, 2014, the Company incurred office sharing costs of $60,000 (March 31, 2013 – $60,000) that were paid to a company over which a director has control.

Post-reporting date events

Subsequent to March 31, 2014, as part of the strategic review announced in late November 2013, Bri-Chem has been in discussions with a potential purchaser for the steel manufacturing and distribution divisions. As a result, the Company will be classifying the group of assets and liabilities related to these divisions as assets held for sale on the statement of financial position in Q2 and the financial results attributable to these assets held for sale will be classified in Q2 as discontinued operations in the statement of earnings.

OUTLOOK

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A. This Outlook section is provided for information purposes only and readers are cautioned the information contained herein may not be appropriate for other purposes.

First quarter drilling rig activity decreased by 4.2% compared to the first quarter of 2013. The Petroleum Services Association of Canada (PSAC) has forecasted 10,930 wells to be drilled in Western Canada for 2014, a forecasted decrease of 1.3% over 2013. PSAC also has forecasted 1,320 wells to be drilled in Canada for the second quarter of 2014, an increase of 10.5% over the second quarter of 2013. In the USA, the number of active rigs running during the first quarter was 1,780, an increase of 1.3% quarter over quarter and the average rig count year over year is expected to increase approximately 4%. We are cautiously optimistic that increased activity in the USA will drive increased year over year sales and profitability in our fluids division during the second quarter and beyond. Continued strength in commodity prices should lead to improved activity as the year unfolds and analyst expectations are for positive longer term fundamentals for the North American oil and gas market which supports customer demand for the products Bri-Chem offers.

The Canadian fluids distribution division activity is expected to increase as rig activity is forecasted to increase in Q2/14 from the prior year. In addition, we are not anticipating an unusually wet spring break up such as the one we experienced in 2013, therefore spring breakup should be consistent to those in other years. Bri-Chem has actively been focused on seeking to acquire companies that formulate specialty drilling fluid products, aimed at production and stimulation fluids, for further penetration into the Canadian drilling fluids market place.

Bri-Chem's USA fluids distribution division has continued to see sales and earnings growth into the first quarter of 2014 as a result of product and geographic expansion throughout the major resource plays in the USA. With new infrastructure continually being added and strategically placed, well stock warehouses located throughout the USA, we are able to better service existing and potential customers in the major drilling regions which will continue to drive sales and earnings growth. In 2014, the division will continue to strive for further penetration into the independent wholesale fluids market and will focus expansion efforts in the Texas marketplace, which has a large number of rigs operating. In addition, the division will seek out opportunities to expand its liquid mud plants into regions that consume high volumes of this product and explore alternatives to become a direct supplier and processor of our basic commodity products such as barite and bentonite in an effort to increase margin on these products.

The Company's fluids blending and packaging division continued its growth in the first quarter of 2014. Management intends to continue adding additional product offerings, blending and packaging services to service both existing and new potential customers. In addition, Bri-Chem will focus to establish and expand its market presence in blending and packaging of cement and packaging products in the USA as it intends to move into its recently purchased blending and packaging facility in Bakersfield, CA in late Q2 or early Q3. Management believes that further opportunities exist to develop a liquid stimulation and specialty additives blending division to leverage additional business from existing clients that we currently service.

Late in fourth quarter of 2013, the Company announced a strategic review of its steel pipe divisions. The strategic review included seeking potential strategic purchasers of the divisions, a feasibility analysis to lower costs and reduce production until market demand increases, and a review of all costs and inventory as it relates to the steel pipe divisions. Subsequent to March 31, 2014, Bri-Chem has entered into a non-binding letter of intent for the sale of its steel pipe manufacturing division assets and ongoing operations. In addition, the Company is negotiating to sell its steel pipe distribution assets and ongoing operations as part of the overall transaction with the same purchaser. It is Bri-Chem's intention to work towards concluding a purchase and sale transaction for both steel pipe divisions in 2014. Over the short term, the Company will continue to work with the identified purchaser of the steel pipe divisions to complete a transaction by the end of the second quarter. During this time, the Company will continue to prudently manage inventory levels and maintain costs until such time that a transaction is complete.

Management and the Board of Directors are constantly evaluating additional acquisition opportunities and will continue to seek and identify targets that fit the corporate requirements as being accretive and geographically favorable. Management is aggressively seeking and evaluating a number of opportunities which meet the strategic growth initiatives of the Company including product and geographic diversification.

RISKS AND UNCERTAINTIES

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with; the detailed information appearing elsewhere in this MD&A and Bri-Chem's other public disclosure documents, including the Annual Information Form for the Company for the year ended December 31, 2013. These risks and uncertainties are not the only ones facing Bri-Chem. Additional risks and uncertainties not currently known to the Company or that the Company currently considers remote or immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.

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 to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost. The changes in the global financial markets and weak economic conditions, can have a significant impact on the ability of the Company to obtain funding for future financial requirements.

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.

Market Price Volatility of Common Shares

The market price of the Company's common shares may be volatile. The volatility may affect the ability of shareholders to sell the common shares at an advantageous price. Market price fluctuations in the common shares may be due to the Company's operating results failing to meet the expectations of investors and stock market analysts in any quarter, downward revision in securities analysts' estimates, governmental regulatory actions, adverse change in market conditions or economic trends, acquisitions, business or asset dispositions and material announcements by the Company or its competitors, along with a variety of additional factors, including, but not limited to, those set forth in *"Cautionary Statement Regarding Forward-Looking Information"* herein. In addition, the stock markets, including TSX, may experience significant price and trading fluctuations. These fluctuations may result in volatility in the stock market prices that often has been unrelated or disproportionate to changes in operating performance. These market fluctuations may adversely affect the market prices of the Company's common shares.

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 pipe 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. The Company attempts to mitigate this risk factor by assessing current drilling activity reports and future predictions from industry associations and reporting bodies when creating product demand forecasts.

Regulations Affecting the Oil and Natural Gas Industry

The operations of the Company and its customers are subject to or impacted by a wide array of regulations in the jurisdictions in which they operate. As a result of changes in regulations and laws relating to the oil and natural gas industry, the Company's customers' operations could be disrupted or curtailed by governmental authorities. The high cost of compliance with applicable regulations could cause customers to discontinue or limit their operations and may discourage companies from continuing activities. As a result, demand for the Company's products and services could be substantially affected by regulations adversely impacting the oil and natural gas industry.

Supply Risk

The Company distributes industrial products manufactured or supplied by a number of 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 fluctuation 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.

Commodity Price Risk

The cost and availability of steel and selling prices fluctuate due to a number of factors beyond our control, including global market conditions, foreign currency exchange rates, and demand for steel, trade sanctions, tariffs, competition and price surcharges. Fluctuations in availability and cost of steel and selling prices may materially affect our business, financial condition and cash flow. We attempt to pass along product costs increases to customers, however, to the extent we are not able to pass on the entire increase to our customers, our business, financial condition and cash flow may be materially affected.

Concentration risk

The top seven customers of the Company account for approximately 28% of revenue for the three months ended March 31, 2014, of which no single customer accounting for more than approximately 10%. The Company does not usually enter into long term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customers, any significant decrease in sales to a customer, or prices paid or any other changes to the terms of service with customers, could have a material adverse affect on the financial results, cash flows, and the overall financial condition of the Company.

Interest Rate Risk

The Company is subject to interest rate risk from its financial leverage of its inventory and accounts receivable because they are based on floating rates of interest. The cash flow required to service the debt will fluctuate with changes in market rates. Increases in prime lending rates may reduce net profits after income tax. The Company has not entered into derivative arrangements to mitigate these risks.

Foreign Currency Risk

The Company is exposed to foreign currency fluctuations in relation to its sales and purchases in US dollars. Any change in the value of the Canadian dollar relative to the US dollar during a given financial reporting period would result in a foreign currency gain or loss on the translation of our US dollar denominated debt and assets into Canadian dollars. Therefore the Company is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not hedge inventories purchased specifically from USA markets, instead the Company relies on its inventory turnover. The Company has small amounts of sales to areas outside the USA and Canada periodically, for which transactions are entered into in US dollars.

Integration of Acquisitions

The Company is expected to continue to grow through acquisitions. The Company may experience difficulties in integrating an acquired business into the existing operations, including but not limited to integrating administrative functions, financial reporting, operational and information systems, improvements in operational effectiveness, standardization of controls, policies and procedures and recognizing the synergistic opportunities of the combined entity. The success of the integration also depends on the ability to retain key employees of the acquired company.

Entering New Business Lines

The Company may enter into new business lines with new acquisitions or other opportunities for growth related to the current business of the Company. There is no guarantee that these new business lines will be successful in the marketplace to which they are directed. Management makes its best efforts to research and forecast future profitability of any new business ventures prior to commencing in any new endeavor, however there are underlying risks that are intangible at the time of entry. The success of any new venture is also dependent on the areas of sales and marketing, customer demand, market stability, existing barriers to entry, and other factors of product introduction.

Divestiture business divisions or product lines

We continually evaluate the performance of all our businesses and may seek, from time to time, to sell a subsidiary company, assets, or product lines. Divestitures involve risks, including difficulties in the separation of operations, services, products and personnel, the diversion of management's attention from other business concerns, the disruption of our business, the potential loss of key employees and the retention of uncertain environmental and other contingent liabilities related to the divested business. There can be no guarantee, if Bri-Chem seeks to enter into a transaction to sell a subsidiary company, assets or product line, that it will be able to successfully complete a transaction or find a buyer once a decision to sell has been made. Changes in capital markets, economic environments and other factors could delay a sale or substantially reduce the planned selling price, thereby reducing the profitability and planned sources of future funding. In addition, divestitures may result in significant asset impairment charges, including those related to goodwill and other long lived tangible and intangible assets, which could have a material adverse effect on our financial condition and results of operations. We can not assure you that we will be successful in managing these or any other significant risks that we encounter in divesting a business. assets or product lines, and any divestiture we undertake could materially and adversely affect our business, financial condition, results of operations and cash flows.

Government Trade Tariffs

The Company imports its steel products. Many of these imports may be subject to USA or Canadian trade laws. Under these trade laws, duties can be imposed against dumped products, which are products sold at a price that is below domestic producer's sales price in its home market or at a price that is lower than its cost of production. Additional duties can be imposed against products that benefited from foreign government financial assistance. Both the USA and Canada have filed antidumping cases against certain steel pipe from China. These antidumping cases may have dramatic impacts on the Company's access to product from its current suppliers. As a result of these charges, Bri-Chem has established relationships with manufacturers in countries such as Vietnam, India and the United States, however further charges could affect the Company's ability to source product in a timely manner.

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.

Product Liability Claims

Although the Company believes it offers superior products in the market place, the Company may have claims for damages resulting from misapplication of products or from product defects. The Company mitigates this risk by providing standard Material Safety Data Sheets information for fluids products and complete specifications for steel pipe sold. However, the defense of claims could prove costly, therefore increasing the Company's expenses. If a claim would be successful or partially successful, it could result in monetary liabilities and future scrutiny from customers on products sold.

Ability to Achieve Profitability

There can be no assurance that the Company will be able to achieve profitability in future periods. The Company's future operating results will depend on a number of factors, including its ability to continue to successfully execute its corporate strategic plan. There can be no assurance that the Company will be successful in achieving the objectives of its corporate strategic plan or that its corporate strategic plan will enable it to maintain or sustain profitability. Failure to successfully execute any material part of the Company's strategic plan could have a material adverse effect on its business, financial condition, results or operations and cash flows.

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.

Inventory Risk

The Company distributes to markets that are highly sensitive to price, quality of product and timeliness of the delivery and adequate supply levels. In addition, product sales are dependent on demand and demand fluctuates with the seasonality of the drilling industry in Western Canada. The Company purchases products to stock warehouses to sufficient levels to meet the demands of customers. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and optimal customer service. Since the Company maintains significant quantities of inventory, the value is subject to the risk of changing prices.

Ability to Maintain Obligations Under Asset-Based Lending Facility and Other Debt

The Company has borrowed a significant amount of cash under its ABL Facility and is required to satisfy certain financial covenants in order to maintain its good standing under the ABL Facility. The Company may from time to time enter into other arrangements to borrow money in order to fund its operations and expansion plans, and such arrangements may include covenants that have similar obligations or that restrict its business in some way. Events may occur in the future, including events out of the Company's control that would cause the Company to fail to satisfy its obligations under the ABL Facility or other debt instruments. In such circumstances, the amounts drawn under the Company's debt agreements may become due and payable before the agreed maturity date and the Company may not have the financial resources to repay such amounts when due. The ABL Facility is secured by the majority of the Company's property. If the Company were to default on its obligations under the ABL Facility or other secured debt instruments in the future, the lender(s) under such debt instruments could enforce their security and seize all or significant portions of the Company's assets.

Income Tax Expense

The Company collects, accrues, and pays significant amounts of income taxes and has significant deferred tax liabilities and tax expense. The amounts reported are based on management's best estimates using currently enacted tax rules and accounting principles related to income tax reporting at the time of preparation. Tax interpretations, regulations, and legislation that pertain to the Company's activities are subject to continual change. There is a risk that the actual tax owing may differ from this amount, which could affect the Company's reported net income after tax and earnings per share reported. Management engages a third party specialist to review the calculation of deferred taxes at year end to help mitigate the risks in this area.

Workplace Safety, Health and Wellness

The Company's employees may face workplace health and safety risks and hazards, which could potentially result in injury or lost time. The Company's Safety Program is in place to reduce risks to people, the environment and the Company's business, and is continually updated as new risks and hazards are identified. These risks and hazards could result in personal injury, loss of life, environmental damage, or other damage to the Company's property or the property of others. The Company cannot fully protect or insure against all these risks, and could become liable for damages arising from these events against which are not insured.

Environmental Liability

As a result of the Company's operations dealing with petroleum products and chemical additives used in connection with the transportation, storage and disposal of drilling fluid products, the Company is exposed to potential environmental liability in connection with its business. The Company maintains compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials, however, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. Although the Company enforces a program to identify and address contamination issues before acquiring or leasing properties, and attempts to utilize generally accepted operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under properties owned, leased, or operated by the Company prior to the Company owning, leasing or operating these properties. These properties and the wastes disposed thereon may be subject to environmental laws that could require the Company to remove the wastes or remediate sites where they have been released. Laws and regulations relating to the environment that apply to the business and operations of the Company is likely to change and become more stringent in the future. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Company cannot predict the nature of the restrictions that may be imposed. The Company may be required to increase operating expenses or capital expenditures in order to comply with any new environmental restrictions or regulations which could have a materially adverse effect on the operations of the Company and its financial condition, results of operations and cash flow.

Dependence on Key Personnel

The success of the Company will be dependent on the services of the members of its senior management. The experience and talents of these individuals will be a significant factor in the success and growth of the Company. The loss of one or more of these individuals could have a material adverse effect on the operations and business prospects of the Company. Furthermore, as part of the Company's growth strategy, it must continue to hire highly qualified individuals, including financial, sales and operations personnel. There can be no assurance that the Company will be able to attract and retain qualified personnel in the future. The compensation program in place includes salary, benefits, and bonus structures, and is designed to provide fair compensation to all personnel and adequate performance incentives. Other non-monetary measures including training and development and recognition are used to ensure the culture stays focused on key personnel retention.

Insurance risk

The Company has insurance and risk management programs in place to protect its assets, operations and employees. Although the Company has obtained insurance against certain of the risks to which it is exposed, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, could have a material adverse effect on the results of operations and financial condition.

Fuel Prices

The Company incurs costs relating to fuel for its transportation company and as such higher fuel prices could have a material adverse effect on the Company's operations, results of operations and financial position. The

Company mitigates this risk by implementing fuel economy, asset utilization, routine repairs and maintenance programs.

Potential Liabilities from Acquisitions

In pursuing acquisitions, the Company conducts due diligence procedures on the business being acquired. It seeks to understand and identify all liabilities and representations of the business being acquired. Despite such efforts, there can be no assurance that the Company may not become subject to undisclosed liabilities as a result of acquisitions. Liabilities may exist which were not discovered during the due diligence process prior to completing the acquisition. This failure to discover potential liabilities may be due to various factors, such as our failure to accurately assess all of the pre-existing liabilities of the operations acquired or vendors failing to comply with laws. If this occurs, the Company may be responsible for such violations which could have a material adverse effect on the business.

CRITICAL ACCOUNTING ESTIMATES

In preparing the annual consolidated financial statements, in conformity with International Financial Reporting Standards ("IFRS"), management is required to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the reporting date and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and, consequently, the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired or the environment in which the Company operates changes. The accounting policies and practices that involve the use of estimates that have significant impact on the Company's financial results include the allowance for doubtful accounts receivable, the sales return provision, inventory obsolescence, net realizable value inventory write-downs and write-ups, the estimated useful life of property and equipment and intangible assets and the corresponding amortization rates, the valuation of deferred tax assets, the impairment testing of goodwill and long-lived assets, valuations of accrued liabilities and deferred tax liabilities, the fair value of derivative financial instruments, and stock based compensation. Management feels actual results will not be materially different from these estimates. The most significant estimates made by management include:

Impairment financial assets

All of the Company's financial assets are reviewed for indicators for impairment, in accordance with the accounting policy stated in the note 2 to the annual consolidated financial statements. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment if any.

Sales return provision

Accounts receivable is the most significant financial asset at March 31, 2014. Included in this balance is a sales return provision for the fluids distribution division. The division experiences product returns, as is common in the industry, for many reasons as customers buy bagged product for drilling sites and will return unused product upon drilling completion for a refund. Management closely monitors returns and estimates a provision based on sales each month. The provision factors in seasonality of operations, current market conditions, and past history to come to a current rate for the month. While management does not normally see significant variances from this provision, if unpredicted high or low returns are subsequently incurred there is the potential to affect accounts receivable and revenues over and above the estimated provision already recorded.

Inventory valuations

Inventory is measured at the lower of cost and net realizable value. Net realizable value is an estimate of future selling prices less the costs to sell. Management reviews inventory periodically and uses the most reliable evidence in determining the net realizable values of the inventories. This includes examining the value of inventory against aging of the inventory, current market conditions, past sales history, and future sales trends predictions to determine the recoverable amount. When impairment is recorded, management tracks the future sales of these items and reverses any write-down where the net realizable value has subsequently increased.

Impairment testing of intangible assets and property and equipment

The Company is required to test for impairment of intangible assets with definite useful life and property and equipment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortization (goodwill) are tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment. An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. Impairment losses are allocated first to goodwill, then to remaining assets. To determine the value-in-use, management estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management. Impairment loss is charged to the items in each cash-generating unit, first to goodwill, then to all other items on a pro-rata basis. An impairment charge relating to property and equipment, and intangible assets, excluding goodwill, is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Income taxes

Management calculates the provision for income taxes based on all available information at the time of reporting. This includes recording deferred tax assets related to losses incurred by the Company that are expected to be recovered in future periods. The calculation requires certain areas of significant judgment interpreting tax rulings and regulations, which are constantly changing. This includes the calculation of deferred taxes, which is based on the tax jurisdiction's substantively enacted rates at the time the differences between accounting and income tax are expected to reverse. The effect of a change in rates would be included in the period during which the change is considered to be substantively enacted.

Business combinations

The Company uses valuation techniques in determining fair values of the various elements of a business combination, including intangible assets, based on future expected cash flows and a discount rate. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risks and weighted average cost of capital. If future events or results differ significantly from these estimates and assumptions, the Company could record impairment charges in the future.

Stock-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuing its stock options to employees and directors at the date of issue. Management uses estimates of the expected life, the risk-free rate, expected volatility, and expected forfeiture rate when calculating the value of the options issued. These estimates may vary from the actual expense incurred and are updated at each reporting period based on information available at that time. The Company values options issued to non-employees based on available evidence of the value the transaction represents to the Company based on services provided in exchanging for the option.

ACCOUNTING POLICIES

The discussion in this section is qualified in its entirety by the "Cautionary Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

The interim consolidated financial statements for the quarter ended March 31, 2014 have been prepared in accordance with the accounting policies adopted in the Company's annual financial statements for the year ended December 31, 2013, except for the following:

Amendments to IAS 32 - Financial Instruments: Presentation

In January 2014, the Company adopted amendments to IAS 32, which relate to the application guidance in IAS 32, and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The Company assessed the impact of the amendment on its consolidated financial statements. The Company has made no changes as a result of this process in the current or comparative period.

Amendment to IAS 36 - Impairment of assets

In January 2014, the Company adopted the amendment to IAS 36, which includes the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment does not have a material impact on the Company's financial statements.

IFRIC 21 - Levies

In January 2014, the Company adopted IFRIC 21, which is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligation event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This amendment does not have a material impact on the Company's financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the interim financial statements for the quarter ended March 31, 2014. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective as at the date of authorization of the interim consolidated financial statements for the three month period ended March 31, 2014 and determined that the following may have an impact on the Company:

Amendment to IFRS 2 – Share based payment

The amendment is effective for share- based payment transactions for which the grant date is on or after July 1, 2014. This amendment clarifies the definition of a 'vesting condition' and defines 'performance condition' and 'service condition'.

Amendment to IFRS 3 – Business combinations

The amendment is effective for business combinations where the acquisition date is on or after July 1, 2014. The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as s financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial Instruments: Presentation'. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

Amendment to IFRS 8 – Operating Segments

The amendment is effective for annual periods beginning on or after July 1, 2014. The standard is amended to require the disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

SHARE DATA

As at May 8, 2014, the Company had 24,010,736 common shares issued and outstanding. As of March 31, 2014, the board of directors may grant options to purchase up to a maximum of 2,402,662 common shares. As of March 31, 2014, options to purchase 1,265,000 common shares were outstanding at an average price of $2.61 per common share.

NON-IFRS MEASURES

Certain supplementary information and financial measures referred to in the MD&A and explained below, namely Adjusted Gross Margin, EBITDA, Adjusted EBITDA, Operating Expenses, Operating EBITDA, and Cash Interest Expense are not recognized under IFRS.

Adjusted Gross Margin

In compliance with IFRS accounting standards, the Company's cost of sales must include all overheads related to production regardless of whether or not the facility is operating at full capacity. These overhead costs include production facility lease costs, utilities, indirect labour costs and amortization of production equipment related to the steel manufacturing facility. Adjusted gross margins reflect the product selling price less the cost of the product and direct labour to manufacture the product. Management believes that the adjusted gross margin is useful information as it provides a more accurate gross margin contribution in a more conventional format. The following is a reconciliation of adjusted gross margins to IFRS compliant gross margins for each of the periods presented in this MD&A.

Steel Pipe Manufacturing Division Adjusted Gross Margins	For the three months ended March 31 2014	 2013	Change $	 %
Gross Margin ($) (1)	**(120,132)**	459,329	(579,461)	-126.2%
As percentage of sales	**-3.5%**	10.6%		
Addback: Fixed overheads in production (2)	**432,771**	483,976	(51,205)	-10.6%
Depreciation of production equipment	**253,319**	247,758	5,561	2.2%
Adjusted Gross Margin ($) (3)	**565,958**	1,191,063	(625,105)	-52.5%
As percentage of sales	**16.4%**	27.5%		

(1) In compliance with IFRS standards, cost of sales includes all overheads related to production regardless of whether or not the facility is operating at full capacity.
(2) Fixed overhead costs include production facility lease costs, utilities and indirect labour related to the steel manufacturing facility.
(3) Adjusted gross margins reflect the selling price less the cost of product and direct labour to manufacture the product.

EBITDA and Adjusted EBITDA

Management believes that, in addition to net earnings, EBITDA and/or Adjusted EBITDA is a useful supplemental measure that provides a measure of operating performance without reference to financing decisions, depreciation or income tax impacts, which are not controlled at the operating management level. Investors should be cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA and Adjusted EBITDA may differ from that of other entities and accordingly may not be comparable to measures used by other entities.

EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment charges and share-based payments. Adjusted EBITDA also includes the add back of depreciation of the production equipment that is included in the IFRS compliant gross margins as described above in Adjusted Gross Margins. The following is a reconciliation of EBITDA and Adjusted EBITDA to net earnings for each of the periods presented in this MD&A.

EBITDA and Adjusted EBITDA	For the three months ended March 31 2014	 2013
Net (loss) earnings	**$ (7,967,642)**	$ 1,834,704
Add:		
Interest	**1,003,317**	945,974
Income taxes	**(1,763,480)**	820,987
Depreciation and amortization	**555,063**	336,299
Share-based payment	**242,213**	339,860
Impairment charges (1)	**11,098,255**	-
EBITDA	**3,167,726**	4,277,824
Depreciation of production equipment (2)	**253,319**	247,758
Adjusted EBITDA	**$ 3,421,045**	$ 4,525,582

(1) Impairment charges relate to the inventory and property and equipment write down in the steep pipe manufacturing division
(2) Depreciation of production equipment is included in cost of sales for financial statement purposes to conform with IFRS.

Operating Expenses

Operating expenses is not a concept recognized under IFRS as it does not include interest, share based payments, depreciation 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, 2014 interim consolidated financial statements:

Operating expenses	For the three months ended March 31 2014		2013	
Operating expenses	$	**4,558,818**	$	4,096,653
Add:				
Interest		**1,003,317**		945,974
Depreciation and amortization		**555,063**		336,299
Share-based payments		**242,213**		339,860
Impairment charge		**11,098,255**		-
Total expenses	$	**17,457,666**	$	5,718,786

Operating EBITDA

Management believes that, in addition to net earnings, Operating EBITDA is a useful supplemental measure that provides a measure of operating performance without reference to inter group corporate cost allocations, financing decisions, depreciation or income tax impacts, which are not controlled at the operating management level. Investors should be cautioned that Operating EBITDA should not be construed as alternatives to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating Operating EBITDA may differ from that of other entities and accordingly may not be comparable to measures used by other entities.

Operating EBITDA is defined as earnings before inter group corporate cost allocations, interest, taxes, depreciation, amortization, impairment charges and share-based payments. Operating EBITDA also includes the add back of depreciation of the production equipment that is included in the IFRS compliant gross margins as described above in Adjusted Gross Margins. The following is a reconciliation of Adjusted EBITDA, per interim consolidated financial statements for three months ended March 31, 2014, to Operating EBITDA for each of the periods presented in this MD&A.

	For the three months ended March 31, 2014					
	Adjusted EBITDA		Corporate cost allocation		Operating EBITDA	
	$	% *	$	% *	$	%
Fluids Distribution - Canada	**$ 2,166,058**	**8.2%**	$ (406,794)	-1.5%	$ 1,759,264	6.7%
Fluids Distribution - USA	**371,581**	**3.0%**	318,690	2.5%	690,271	5.5%
Total Fluids Distribution	**2,537,639**	**6.5%**	(88,104)	-0.2%	2,449,535	6.3%
Fluids Blending & Packaging - Canada	**660,578**	**12.0%**	40,200	0.7%	700,778	12.7%
Fluids Blending & Packaging - USA	**107,905**	**6.6%**	47,904	2.9%	155,809	9.5%
Total Fluids Blending & Packaging	**768,483**	**10.7%**	88,104	1.2%	856,587	12.0%
Steel Distribution	**(224,980)**	**-6.5%**	(210,000)	-6.1%	(434,980)	-12.6%
Steel Manufacturing * **	**(11,553,229)**	**-335.1%**	11,308,255	328.0%	(244,974)	-7.1%
**Other ** **	**794,877**	**N/A**	-	N/A	794,877	N/A
Total	**$ (7,677,210)**	**-14.5%**	$ 11,098,255	21.0%	$ 3,421,045	6.5%

* As a percentage of divisional revenues

* * Other includes corporate overhead costs

*** This amount include the impairment charges of $11,098,255 and corporate cost allocation of $210,000

	For the three months ended March 31, 2013					
	Adjusted EBITDA		Corporate cost allocation		Operating EBITDA	
	$	% *	$	% *	$	%
Fluids Distribution - Canada	**$ 2,646,413**	**9.2%**	$ -	0.0%	$ 2,646,413	9.2%
Fluids Distribution - USA	**624,794**	**8.1%**	-	0.0%	624,794	8.1%
Total Fluids Distribution	**3,271,207**	**9.0%**	-	0.0%	3,271,207	9.0%
Fluids Blending & Packaging - Canada	**844,812**	**16.9%**	-	0.0%	844,812	16.9%
Fluids Blending & Packaging - USA	**-**	**0.0%**	-	0.0%	-	0.0%
Total Fluids Blending & Packaging	**844,812**	**16.9%**	-	0.0%	844,812	16.9%
Steel Distribution	**168,003**	**4.8%**	-	0.0%	168,003	4.8%
Steel Manufacturing	**368,478**	**8.5%**	-	0.0%	368,478	8.5%
Other **	**(126,918)**	**N/A**	-	N/A	(126,918)	N/A
Total	**$ 4,525,582**	**9.2%**	$ -	0.0%	$ 4,525,582	9.2%

* As a percentage of divisional revenues

* * Other includes corporate overhead costs

Cash interest expense

Cash interest expense represents interest expense under IFRS adjusted to exclude non-cash interest expense related to the amortization of deferred financing costs on both the ABL Facility and Fulcrum debt. Management believes that this metric assists in determining the cash interest expense of the Company. Cash interest expense is calculated as follows:

Interest	For the three months ended March 31 2014	2013	Change $	%
Total interest expense	**$ 1,003,317**	$ 945,974	$ 57,343	6.1%
Deduct non-cash interest expense:				
Amortization of capitalized deferred financing costs	**143,971**	125,408	18,563	14.8%
Cash interest expense	**$ 859,346**	$ 820,566	$ 38,780	4.7%

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

Disclosure controls and procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company, together with management, have established and maintain disclosure controls and procedures ("DC&P") for the Company in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner, particularly during the period in which the annual filings are being prepared. The CEO and CFO, together with management, have evaluated the design and operating effectiveness of the Company's DC&P as of March 31, 2014 and, based on that evaluation, have concluded that these controls and procedures are effective in providing such reasonable assurance.

Internal controls over financial reporting

The CEO and CFO, together with management, are also responsible for establishing and maintaining internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO, together with management, have evaluated the design and operating effectiveness of the Company's ICFR as of March 31, 2014 and, based on that evaluation, have concluded that the controls are effective in providing such reasonable assurance.

Limitation on Scope of Design

In accordance with section 3.3(1) (b) of National Instrument 52-109, which allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days prior to the end of the fiscal period, the controls, policies and procedures of Sun Coast, which was acquired by the Company effective September 6, 2013, have been excluded from the control design assessments discussed above. The scope limitation is based on the time required to document and assess the DC&P and ICFR of Sun Coast in a manner consistent with the Company's other operations. The Company's management is currently in the process of integrating Sun Coast into the existing controls and procedures of Bri-Chem Corp.

Sun Coast constitutes 5.6% of total assets, 2.0% of net assets, 3.1% of net revenues, and $8,050 of earnings before income taxes of the consolidated financial statement amounts as at and for the three months ended March 31, 2014.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred in 2013 that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting.

It should be noted that while the CEO and CFO believe that Bri-Chem Corp.'s disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Corporate Information

Officers and Directors

Don Caron(2)
Chairman, President, CEO and Director
Edmonton, Alberta

Brian Campbell(1)
Director
Edmonton, Alberta

Jason Theiss, CA
CFO
Edmonton, Alberta

Trent Abraham
President, Fluids Division
Calgary, Alberta

Albert Sharp(1) (2)
Director
Spruce Grove, Alberta

Eric Sauze, CA(1) (2)
Director
Edmonton, Alberta

Neil Rasmussen
President, Steel Pipe Division
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Shares Listed

Toronto Stock Exchange
Trading Symbol – BRY

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Transfer Agent

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(1) Member of Audit Committee
(2) Member of Compensation Committee

Web Site

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