

Q1

MD&A Report 2015



"For over 30 years we have proven our ability to combine strategic supplier relationships and expert logistics making us the premier supplier of drilling fluid chemicals and drilling fluid additives to the North American oil and gas industry."

North America's Largest Pure Play

Oil and Gas Drilling Fluids

Distribution & Blending Company

INTRODUCTION:

This Management's Discussion and Analysis ("MD&A") was prepared as of May 12, 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, 2015 and significant trends that may affect future performance of the Company. This MD&A should be read in conjunction with the unaudited interim condensed financial statements for the period ended March 31, 2015, as well as the annual audited consolidated financial statements for the twelve months ended December 31, 2014.

The Company's consolidated condensed 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 sold its steel pipe manufacturing and steel pipe distribution businesses ("Discontinued Operations") effective July 15, 2014. Bri-Chem's business operations, financial and corresponding operating results will be concentrated entirely on its North American leading oil and gas drilling fluids distribution, blending & packaging businesses ("Continuing Operations").

The Company's Continuing Operations consolidated financial statements include the accounts of Bri-Chem Corp. and its subsidiaries as follows:

- Bri-Chem Supply Ltd.,
- Sodium Solutions Inc.,
- Solution Blend Service Ltd.,
- Bri-Corp USA, Inc., including its three subsidiaries Bri-Chem Supply Corp, LLC, Sun Coast Materials, LLC and Bri-Chem Logistics, LLC,

The Company's Discontinued Operations include the accounts of 1100266 Alberta Ltd. (formerly Bri-Steel Corporation), and 1564316 Alberta Ltd. (formerly 70% owned Bri-Steel Manufacturing Inc.).

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 December 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, and drilling fluids;
- competition for, among other things, capital and skilled personnel;
- incorrect assessments of the value of acquisitions;
- fluctuations in the market for oil and natural gas and related products and services;
- liabilities and risks, including environmental liabilities and risks inherent in 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;
- 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.

2015 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 2015, drilling rig utilization, the number of wells drilled, and well completions, all indicators of oilfield activity, were significantly below the first quarter 2014 comparatives as weak oil and natural gas prices resulted in drastically reduced spending by exploration and production companies which directly impacted oilfield service activity leading to reduced customer demand for products and services.

For Q1 2015, Bri-Chem’s consolidated revenues from Continuing Operations decreased 43.0% to \$26,209,726 compared to \$45,947,219 from the prior period in 2014. This quarter-over-quarter revenue decrease is a direct result of the significant decline in overall drilling activity and the mid-February early arrival of the Canadian seasonal downturn in drilling activity. The blending and USA distribution divisions remained relatively resilient, under the circumstances, with a 16.7% and 9.7% quarter over quarter revenue decline respectively. Earnings before interest, taxes, amortization and depreciation, and share-based payments expense (“EBITDA”) was \$1,721,103 or \$0.07 per share for the three month period ended March 31, 2015, compared to \$3,954,019 for the same period in 2014. Net earnings for the three month period were \$372,895 or \$0.02 diluted earnings per share as compared to net earnings of \$1,721,201 for the same period in 2014. The adjusted Q1 2015 net earnings, net of after tax Q1 restructuring costs, was \$866,907 or \$0.04 diluted adjusted earnings per share as compared to net earnings of \$1,721,201 for the same period in 2014.

As at March 31, 2015 the Company had positive working capital of \$32,591,357 compared to \$29,448,685 at December 31, 2014. In addition, the Company has announced several initiatives in an effort to “Right-Size” business operations. In Q1 2015 these initiatives resulted in an \$8.5 million reduction of senior operating debt and a \$3 million reduction in inventory since December 31, 2014. These initiatives, as well as various cost cutting initiatives, will continue to be implemented throughout Q2 and will be regularly reviewed throughout the year.

North American Drilling Fluids Distribution Divisions

Bri-Chem’s Canadian drilling fluids distribution division was negatively impacted due to customers utilizing and reducing their existing inventory in preparation for the anticipated slowdown in drilling activity and the earlier than typical seasonal shut down of drilling rigs that began in mid-February, all of which led to extraordinary inventory returns in the amount of \$7.3 million for the months of February and March. Canadian distribution sales were \$8,967,569 for the three months ended March 31, 2015, compared to sales of \$26,294,781 over the comparable period in 2014. In the WCSB, active drilling rigs in the first quarter of 2015 were down approximately 45% over the prior year, averaging 232 compared to 521 for the same period in 2014. WCSB active rigs had declined to 100 by March 31, 2015, 77% lower than the same period in 2014. In the first quarter of 2015, industry drilling utilization rates averaged 36.7%, representing a 27.6% decrease from the same period last year when drilling rig activity averaged 64.3%. The month of March 2015 was particularly slow with a 21.6% average rig utilization compared to 54.0% for March 2014. The number of wells drilled in Q1 2015 in Western Canada was 1,776, compared to the 3,393 wells drilled in Q1 2014, representing a decrease of 47.7% quarter over quarter.

Bri-Chem’s United States drilling fluids distribution division generated sales of \$11,287,270 for the three month period ended March 31, 2015, compared to revenues of \$12,501,056 in the comparable period of 2014, representing a decrease of \$1,213,786 or 9.7% quarter over quarter. The decline in revenue is due to a 22.5% reduction in the USA rig count during Q1 as the average number of active rigs running during the first quarter of 2015 was 1,380 compared to 1,780 in the same 2014 quarter.

North American Drilling Fluids Blending & Packaging Divisions

Bri-Chem's Canadian fluids blending and packaging division experienced an 18.4% revenue decline as the division generated sales of \$4,495,420 for the three months ended March 31, 2015 compared to the same prior year period sales of \$5,509,638. As discussed above, this decrease is due to considerable decline in drilling activity in Q1 2015 resulting from the significant decrease in crude oil and natural gas prices.

Bri-Chem's USA fluids blending and packaging division, generated sales of \$1,459,467 for the quarter ended March 31, 2015 compared to \$1,641,744 for Q1 2014, representing a 11.1% decline.

Outlook Summary

The extent and duration of the industry downturn is highly uncertain. For the remainder of 2015, a sustained commodity price recovery will be required for improved industry activity as a number of oil and gas companies have implemented capital budget cuts and cost reduction initiatives across North America which in turn will impact demand for Bri-Chem products and services. During this time, management will remain focused on controlling costs, inventory levels, capital spending and debt. Management implemented a number of cost saving initiatives in the first quarter with an annualized fixed cost savings of approximately \$3.2 million.

Oil and gas drilling activity has declined sharply during the first quarter of 2015 compared to 2014 and we are expecting the decline will continue through the remainder of 2015. The Petroleum Services Association of Canada (PSAC) has forecasted a total of 627 wells to be drilled in Canada for the second quarter of 2015, a decrease of 52.5% over the prior year second quarter. In Canada, the typical seasonal downturn in activity due to spring breakup has occurred much earlier than normal, further reducing rig count each week in the early part of Q2 2015. Management expects a prolonged spring breakup season in Canada with little visibility regarding how many rigs will come back to work when breakup ends.

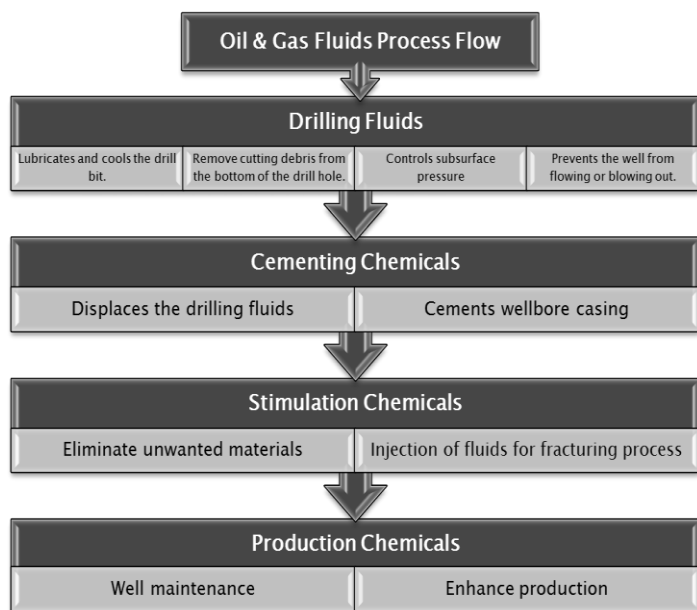
Management's strategy in the current environment is to preserve working capital, pay down debt amidst an aggressive inventory reduction program and maintain flexibility to be able to respond to opportunities that are presented when the market does recover. The maintenance capex requirement in the business continues to be modest and can be managed at or below \$500,000 for the year.

Overall, Bri-Chem's exceptional industry infrastructure located throughout Canada and the U.S., its diversified product mix and blending services, blue chip customer base, and low cost and highly scalable business model, collectively, will serve to be a valuable contributor to many customers throughout North America during this difficult period and will benefit significantly when the market returns to more reasonable levels.

DESCRIPTION OF BUSINESS

Bri-Chem has established itself, through a combination of strategic acquisitions and organic growth, as the North American industry leader for the distribution and blending of oilfield drilling, completion, stimulation and production chemical fluids. We sell, blend, package and distribute a full range of drilling fluid products, cementing, acidizing and stimulation additives from 31 strategically located warehouses throughout Canada and the United States. Bri-Chem has been operating in Canada since 1985 and as a result of the increasing market demand for oilfield chemicals, we expanded into the United States in 2011 and have successfully obtained significant market penetration. 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 Solution Blend Service Ltd. ("Solution Blend"), 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").



The Company divested its steel pipe manufacturing and steel pipe distribution businesses ("Discontinued Operations") effective July 15, 2014. Bri-Chem's business operations, financial and corresponding operating results are now presented and concentrated entirely on its North American leading oil and gas drilling fluids distribution, blending & packaging businesses as follows ("Continuing Operations"):

NORTH AMERICAN OILFIELD CHEMICAL DIVISIONS

Canadian Drilling Fluids Distribution 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"). The drilling fluids division focuses on the oil & gas drilling stage, providing over 100 drilling fluid products and custom-blended products to major and independent oilfield service companies. Bri-Chem distributes its drilling fluid products from 15 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 16 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.

Canadian Fluids Blending and Packaging Division

The WCSB oil and gas drilling and completion segment also utilizes a significant amount of cementing, stimulation, fracturing and production chemical 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. Production chemicals are specialty blended products that help maximize well production and minimize well maintenance costs. The addressable size of these markets is significant and Bri-Chem continues to grow its business presence in each of these fluid applications. Bri-Chem has dedicated facilities, located in Acheson, Camrose and Calgary, Alberta, with capacity to blend and package specialty additive fluids for customer specific products.

On December 1, 2014, Bri-Chem acquired 100% of the issued and outstanding shares of Solution Blend Service Ltd. ("Solution Blend"), an Alberta based liquid blending company for production and stimulation oilfield chemicals. The total consideration paid on closing consisted of i) \$4,650,683 in cash, and (ii) the issuance of a promissory note with fair value of \$445,175. Solution Blend, located in Calgary, AB, is leading specialty blending company for the stimulation and production chemical segment of the oilfield chemical industry. The company's strategic advantage is ensuring customer success by providing high quality specialty oilfield blended products, operating in safe and environmentally controlled facility, while maintaining compliance regulations, proficient warehouse management and delivery. Solution Blend's business has built a strong market position with many long term customers and Bri-Chem entered into employment agreements with key members of management which is expected to provide for a seamless integration. The acquisition of Solution Blend expands Bri-Chem into the liquid stimulation and production oilfield blending chemical segment. In addition, Bri-Chem, will explore expanding their operations into key regions within the USA network of warehouses.

USA Fluids Blending and Packaging Division

On September 6, 2013, the Company acquired assets and business operations of Sun Coast Materials LLC. ("Sun Coast"), a California based packager and specialty cement blender to oil well contractors operating in southern and central California. 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 to other regions in 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 various oilfield Chemicals.

Seasonality of Operations

Weather conditions can affect the sale of the Company's fluids, chemical, 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 business strategy of becoming more basic in drilling fluids by seeking to become more directly involved in the manufacturing and blending of drilling fluid products. The recent acquisition of Solution Blend, an Alberta based liquid blending facility for production and stimulation oilfield chemicals, is expected to position Bri-Chem to move into the liquid stimulation and production oilfield blending chemical segment, and build a strong market position with many long term customers. The Company will continue to evaluate other drilling fluid and blending segments, which will add support to Bri-Chem's focus on becoming the leading fully integrated oilfield chemical supplier in North America.

In the USA, Bri-Chem will continue establishing itself as the leading national independent wholesale distributor of drilling fluids for the unconventional resource plays in the USA oil and gas market. We recently commissioned a new oil mud blending facility in Oklahoma to complement the existing blending facility we have located in Leetsdale, Pennsylvania.

FINANCIAL SUMMARY

The following selected three-month period consolidated financial information has been derived from and should be read in conjunction with the Company's First Quarter Report for the period ended March 31, 2015.

Consolidated statements of operations	For the three months ended March 31		Change	
	2015	2014 ⁽⁴⁾	\$	%
Sales	\$26,209,726	\$ 45,947,219	\$ (19,737,493)	(43.0%)
Gross margin	3,883,120 14.8%	7,468,234 16.3%	(3,585,114)	(48.0%)
Operating expenses ⁽¹⁾	2,162,017	3,514,215	(1,352,198)	(38.5%)
EBITDA ⁽²⁾	1,721,103	3,954,019	(2,232,916)	(56.5%)
Depreciation and amortization	402,659	508,666	(106,007)	(20.8%)
Interest ⁽⁵⁾	861,493	746,297	115,196	15.4%
Share-based payments	170,392	242,213	(71,821)	(29.7%)
Earnings from continuing operations before income taxes	286,559	2,456,843	(2,170,284)	(88.3%)
Income tax (recovery) expense - current	(710,659)	692,751	(1,403,410)	(202.6%)
Income tax expense - deferred	624,323	42,891	581,432	1355.6%
Earnings from continuing operations	372,895	1,721,201	(1,348,306)	(78.3%)
Loss from discontinued operations	\$ -	\$ (9,688,843)	\$ 9,688,843	(100.0%)
Net earnings	\$ 372,895	\$ (7,967,642)	\$ 8,340,537	(104.7%)
Net earnings from continuing operations attributable to				
Shareholders of the Company	\$ 372,895	\$ 1,721,201	\$ (1,348,306)	(78.3%)
Net loss from discontinued operations attributable to				
Shareholders of the Company	\$ -	\$ (6,805,730)	\$ 6,805,730	100.0%
Net loss attributable to NCI ⁽³⁾	\$ -	\$ (2,883,113)	\$ 2,883,113	100.0%
Earnings (loss) per share from continuing and discontinued operations				
Basic from continuing operations	\$ 0.02	\$ 0.07	\$ (0.05)	(71.4%)
Basic from discontinued operations	\$ -	\$ (0.28)	\$ 0.28	100.0%
Diluted from continuing operations	\$ 0.02	\$ 0.07	\$ (0.05)	(71.4%)
Diluted from discontinued operations	\$ -	\$ (0.28)	\$ 0.28	100.0%
EBITDA per share from continuing operations				
Basic	\$ 0.07	\$ 0.16		
Diluted	\$ 0.07	\$ 0.16		
Weighted average shares outstanding				
Basic	23,720,762	24,010,736		
Diluted	23,720,762	24,032,525		

(1) See page 33 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 33 for a further explanation of this non-IFRS measure).

(3) NCI represents the 30% non-controlling interest's ("NCI") portion of the losses of 1564316 Alberta Ltd. for the three months ended March 31, 2014. On December 31, 2014, the 30% interest held by the minority shareholder in 1564316 Alberta Ltd. was cancelled.

(4) The Company reclassified amounts in the Statement of Operations relating to discontinued operations to categorize results of discontinued operations consistently.

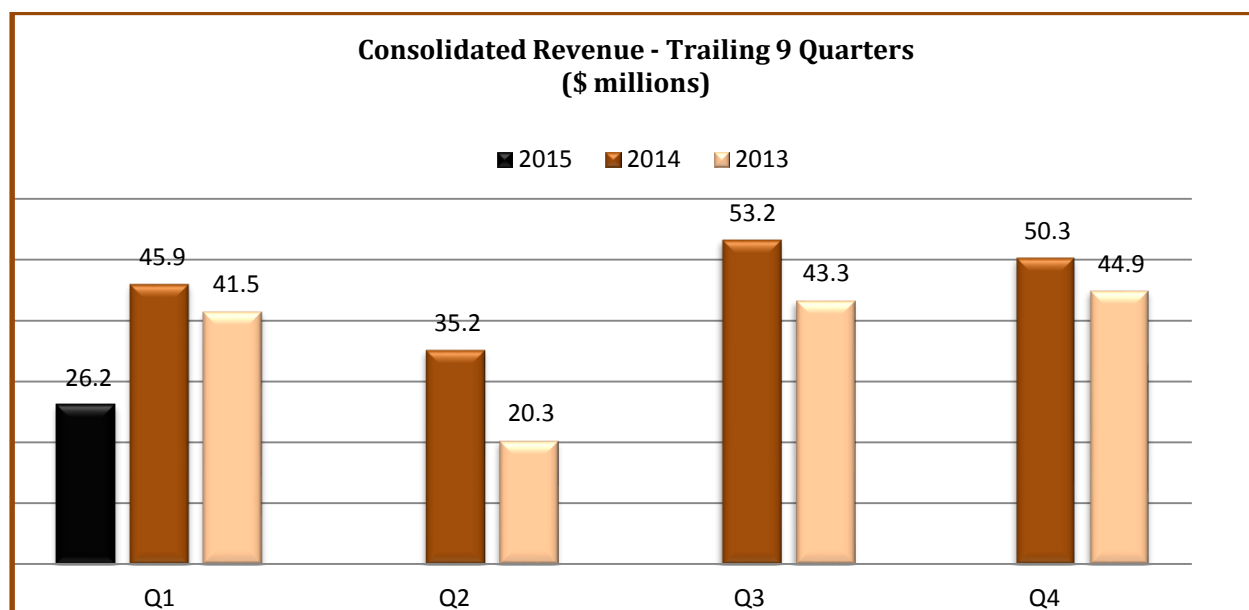
(5) Interest expense for the three months ended March 31, 2015 includes amortization of capitalized deferred financing cost of \$64,971 (March 31, 2014: \$101,478).

RESULTS OF CONTINUING 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.

Sales by Segment	For the three months ended March 31					
	2015		2014		Change	
	\$	%	\$	%	\$	%
Fluids Distribution - Canada	\$ 8,967,569	34.2%	\$ 26,294,781	57.2%	\$(17,327,212)	(65.9%)
Fluids Distribution - USA	11,287,270	43.1%	12,501,056	27.2%	(1,213,786)	(9.7%)
Total Fluids Distribution	20,254,839	77.3%	38,795,837	84.4%	(18,540,998)	(47.8%)
Fluids Blending & Packaging - Canada ⁽¹⁾⁽²⁾	4,495,420	17.2%	5,509,638	12.0%	(1,014,218)	(18.4%)
Fluids Blending & Packaging - USA	1,459,467	5.6%	1,641,744	3.6%	(182,277)	(11.1%)
Total Fluids Blending & Packaging	5,954,887	22.7%	7,151,382	15.6%	(1,196,495)	(16.7%)
Total	\$ 26,209,726	100.0%	\$ 45,947,219	100.0%	\$(19,737,493)	(43.0%)

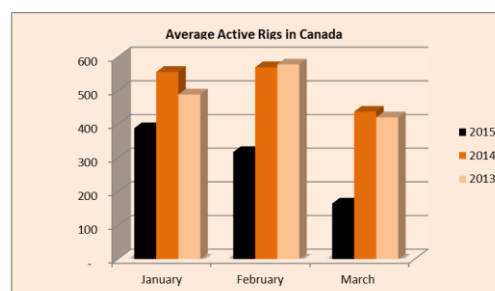
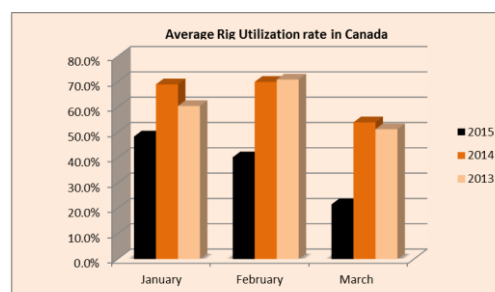
- (1) Fluids blending and packaging division sells products to the fluids distribution division, which in turn sells it to the end user. In Q1 2015, the three months sales to the fluids distribution division were an additional \$982,456 (2014 - \$2,700,073). This revenue has been eliminated upon consolidation.
- (2) Includes sales of \$1,041,478 resulting from the acquisition of Solution Blend effective December 1, 2014.


North American Drilling Fluids Distribution Divisions

The Company's North American drilling fluids distribution divisions recorded combined sales of \$20,254,839 for the three months ended March 31, 2015 compared to sales of \$38,795,837 in 2014, representing a decrease of 47.8% quarter over quarter. The Canadian fluids distribution divisions' sales declined by 65.9% for the three month period, while the USA fluids distribution division experienced sales decline of 9.7% over the same comparable periods in 2014.

Canadian Drilling Fluids Distribution Division

Bri-Chem's Canadian drilling fluids distribution division was negatively impacted due to customers utilizing and reducing their existing inventory in preparation for the anticipated slowdown in drilling activity and the earlier than typical seasonal shut down of drilling rigs that began in mid-February, all of which led to extraordinary inventory returns in the amount of \$7.3 million for the months of February and March. Canadian distribution sales were \$8,967,569 for the three months ended March 31, 2015, compared to sales of \$26,294,781 over the comparable period in 2014. In the WCSB, active drilling rigs in the first quarter of 2015 were down approximately 45% over the prior year, averaging 232 compared to 521 for the same period in 2014. WCSB active rigs had declined to 100 by March 31, 2015, 77% lower than the same period in 2014. In the first quarter of 2015, industry drilling utilization rates averaged 36.7%, representing a 27.6% decrease from the same period last year when drilling rig activity averaged 64.3%. The month of March 2015 was particularly slow with a 21.6% average rig utilization compared to 54.0% for March 2014. The number of wells drilled in Q1 2015 in Western Canada was 1,776, compared to the 3,393 wells drilled in Q1 2014, representing a decrease of 47.7% quarter over quarter.



The Alberta, Saskatchewan and British Columbia markets all contributed to the decrease in revenues as each of these markets experienced a considerable slowdown. The Alberta market experienced a decrease in sales of 70.8% for the three months ended March 31, 2015, while the number of wells drilled decreased by 53.0% in the region. Saskatchewan had a decline of 44.3% in the numbers of wells drilled during the three months period ended March 31, 2015, which generated 66.8% less revenue in Q1 2015 compared to the same prior year period. British Columbia has seen a decrease of 23.4% in sales as drilling activity declined 11.2% with 190 wells drilled in the region in the first quarter ended March 31, 2015 compared to 214 wells drilled during the same period last year.

Summary of the number wells drilled:

Area	Rig Count in Q1 2015	Rig Count in Q1 2014	Change in %
Alberta	1,004	2,135	(53.0%)
British Columbia	190	214	(11.2%)
Saskatchewan	582	1,044	(44.3%)
Western Canada ⁽¹⁾	1,776	3,393	(47.7%)

(1) Total Western Canada excludes Manitoba

(2) Source – PSAC

Summary of wells drilled in meters:

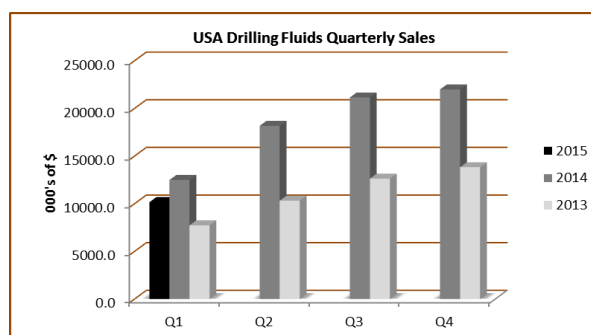
Area	Rig Count in Q1 2015	Rig Count in Q1 2014	Change in %
Alberta	3,458,847	4,860,294	(28.8%)
British Columbia	723,150	780,485	(7.3%)
Saskatchewan	1,108,616	1,824,003	(39.2%)
Western Canada ⁽¹⁾	5,290,613	7,464,782	(29.1%)

(1) Total Western Canada excludes Manitoba

(2) Source – PSAC

MD&A DISCUSSION & ANALYSIS – March 31, 2015
United States Drilling Fluids Distribution Division

Bri-Chem's USA drilling fluids distribution division generated sales of \$11,287,270 for the three month period ended March 31, 2015, compared to revenues of \$12,501,056 in the same comparable period of 2014, representing a decrease of \$1,213,786 or 9.7% quarter over quarter. The decline in revenue is primarily driven by a reduction in drilling activity, as reflected in the 22.5% decrease in the USA rig count. In the USA, the average number of active rigs running during the first quarter of 2015 was 1,380 compared to 1,780 in the same 2014 quarter. The drop in drilling and well completions across the USA negatively impacted revenue in all product lines and geographical areas. The Company remains optimistic that the USA market will provide new opportunities as we have maintained the most comprehensive product distribution coverage throughout the major resource plays.


Fluids Blending and Packaging Division
Canadian Fluids Blending and Packaging Division

For the first quarter of 2015, sales were \$4,495,420 compared to \$5,509,638 in 2014 representing an 18.4% decrease quarter over quarter. This decrease is due to considerable decline in drilling activity in Q1 2015 caused by significant decrease in crude oil and natural gas prices. These decreases negatively affected the demand on blending and packaging products and services offerings across Western Canada. Revenue of Canadian Fluids Blending and Packaging division for the Q1 2015 includes sales of \$1,041,478 generated by Solution Blend that was acquired in late Q4 2014.

United States Fluids Blending and Packaging Division

For the three months ended March 31, 2015 sales were \$1,459,467 compared to \$1,641,744 in 2014 representing 11.1% decrease quarter over quarter. This decrease is due to considerable decline in drilling activity in Q1 2015 caused by significant decrease in crude oil and natural gas prices.

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					
	2015		2014		Change	
Gross Margin	\$	% *	\$	% *	\$	%
Fluids Distribution - Canada	\$ 538,630	6.0%	\$ 3,396,474	12.9%	\$(2,857,844)	(84.1%)
Fluids Distribution - USA	1,770,938	15.7%	2,437,380	19.5%	(666,442)	(27.3%)
Total Fluids Distribution	2,309,568	11.4%	5,833,854	15.0%	(3,524,286)	(60.4%)
Fluids Blending & Packaging - Canada**	974,026	21.7%	972,691	17.7%	1,335	0.1%
Fluids Blending & Packaging - USA	599,526	41.1%	661,689	40.3%	(62,163)	(9.4%)
Total Fluids Blending & Packaging	1,573,552	26.4%	1,634,380	22.9%	(60,828)	(3.7%)
Total	\$ 3,883,120	14.8%	\$ 7,468,234	16.3%	\$(3,585,114)	(48.0%)

* As a percentage of divisional revenues

** 2015 include gross margin of \$315,615 generated by Solution Blend since the acquisition date of Q4 2014.

Fluids Distribution and Blending & Packaging Divisions

Adjusted Gross Margins	For the three months ended March 31		Change	
	2015	2014	\$	%
Gross Margin (\$)	3,883,120	7,468,234	(3,585,114)	(48.0%)
As percentage of sales	14.8%	16.3%		
Addback: Losses from sales associated with inventory reduction program due to economic downturn ⁽¹⁾	385,665	-	385,665	100.0%
Adjusted Gross Margin (\$) ⁽²⁾	4,268,785	7,468,234	(3,199,449)	(42.8%)
Adjusted gross margin as percentage of sales	18.1%	16.3%		

(1) Losses are due to the sale of large quantities of inventory as part of the Company's inventory reduction program. These one-time sales are due to the significant decline in industry activity and our ongoing program to "Right-Size" operations.

(2) Adjusted gross margins reflect the gross margin under IFRS excluding one-time losses from sales under unfavorable terms due to restructuring of the Company's operations caused by downturn (See page 33 for further explanation of this non-IFRS measure).

The drilling fluids distribution division margins declined by 3.6% for the three months ended March 31, 2015 compared to the same period in 2014. Margins on fluid sales vary based on product mix and drilling formations. Canadian fluid distribution margins averaged 6.0% for the three months period ended March 31, 2015, lower by 6.9% than the same comparable period of 2014. The decrease in gross margin during the first quarter of 2015 was due to pressure from customers to reduce selling prices given current industry market conditions. The Canadian fluids distribution division had many customers requesting less costly alternatives for drilling fluids in an attempt to control their costs, resulting in lower margins on fluid sales. In addition, the division had one-time significant sales of invert and barite products resulting in a loss of \$385,665 as part of its inventory reduction management program. If we had excluded the effect of this one-time sale transaction, the gross margin of the Canadian fluids distribution division would have been 14.6%.

The USA fluids distribution margins are traditionally higher than those of the Canadian operations, and were 15.7% for the three months ended March 31, 2015; a decrease of 3.8% compared to the same period in 2014. All our products lines were impacted by the downturn in drilling activity in the first quarter of 2015. In addition the decrease in gross margins in the USA fluid distribution division is also related to a larger volume of lower margin commodity products being sold during the three months ended March 31, 2015 such as barite, bentonite, and liquid invert products which typically yield lower margins.

Bri-Chem has dedicated facilities, located in Acheson, Camrose and Calgary, 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. For the three month period ended March 31, 2015 the Canadian fluid blending and packaging division experienced average gross margin of 21.7%, which was 4.0% greater compared to the same period in Q1 2014. Solution Blend, acquired in Q4 2014, contributed \$315,615 or 2.6% to the Canadian fluids blending and packaging gross margin in Q1 2015.

Sun Coast, the United States blending and packaging division generated gross margins of 41.1% for the three months ended March 31, 2015 which is consistent with the same prior year quarter and management's expectation.

Gross margins – outlook

For the second quarter of 2015, we are anticipating gross margins on fluid sales to continue to stay under pressure due to lower crude oil and natural gas market prices resulting in a decline of activity levels and an overall decline in fluid demand throughout North America. We are unable to predict the value of the Canadian dollar in relation to foreign currencies in the future; therefore, we are uncertain as to the potential impact on the Company's gross margin in relation to foreign purchases of product.

Operating expenses
Salaries and employee benefits

Salaries and employee benefits	For the three months ended March 31		Change	
	2015	2014	\$	%
Salaries and benefits	\$ 2,759,734	\$ 2,702,490	\$ 57,244	2.1%
% of sales	10.5%	5.9%		79.0%

Salaries and benefits have increased by \$57,244 for the three months ended March 31, 2015 compared to the same period in 2014. Salaries and benefits as a percentage of sales for three months increased to 10.5% compared to 5.9% in the same 2014 period. Salaries for the three month period ended March 31, 2015 include \$163,573 of wages and benefits related to the Solution Blend acquisition (2014: \$nil). This increase was partially offset by decline of \$71,821 in share-based payments and a \$59,577 decrease in sales commissions during the three month period ended March 31, 2015.

The Company employed 92 (39 Canada and 53 USA) employees at March 31, 2015 compared to 93 (42 Canada and 51 USA) at March 31, 2014. As at December 31, 2014, the Company employed 123 (50 Canada and 73 USA) employees and with the decline in oil prices and industry activity, Bri-Chem commenced right sizing its operations in the first quarter of 2015. In February 2015 the Company commenced layoffs of approximately 25% of its staff, rolled back wages 5% companywide for all non-managerial staff employees and 10% for all directors, managerial, senior and executive employees, and suspended various nonessential employee benefits effective the beginning of the second quarter. These cost cutting initiatives will be regularly reviewed throughout the rest of 2015 and will be re-evaluated based on existing business activity.

Selling, general and administration

Selling, general and administration	For the three months ended March 31			
	2015		2014	
	\$	%*	\$	%*
Selling	\$ 183,984	0.7%	\$ 207,778	0.5%
Professional and consulting	88,266	0.3%	96,120	0.2%
General and administration	431,581	1.6%	501,598	1.1%
Rent, utilities and occupancy costs	721,021	2.8%	650,826	1.4%
Foreign exchange (gain) loss	(2,543,844)	(9.7%)	(402,384)	(0.88%)
Total	\$ (1,118,992)	(4.3%)	\$ 1,053,938	2.3%

* As a percentage of consolidated revenues

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

Selling expenses decreased by \$23,794 during the three months ended March 31, 2015 compared to the same period in 2014. The decrease in selling expenses for the three month period ended March 31, 2015 includes a decline of \$19,151 in advertising, \$23,111 in auto costs and \$7,151 in public company costs related to investor relation activities. These decreases were partially offset by an increase of \$25,093 in travel costs. Selling costs relate to customer relations, promotion, and travel costs.

Professional and consulting expenses stayed relatively consistent in Q1 2015 compared to the same prior year quarter. Professional and consulting expenses relate to audit, legal and other advisory fees.

MD&A DISCUSSION & ANALYSIS – March 31, 2015

General and administration expenses for the three month period ended March 31, 2015 decreased by \$70,017 compared to the same period in 2014. This decrease was due to decline in estimated bad debt expense of \$69,031, decrease in safety costs of \$13,580. These decreases were partially offset by including Solution Blend, acquired in Q4 2014, for the amount of \$12,636. 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 \$70,195 for the first quarter ended March 31, 2015 compared to the same prior year period. The increase during the quarter relates to the utility expense increase of \$32,658 and repair and maintenance costs increase of \$38,614 for the three months ended March 31, 2015. The costs in this category are comprised mainly of rent, utilities, and warehouse expenses for the Edmonton, Leduc, Camrose, Acheson, Calgary and USA locations as well as liquid storage tank rentals.

During the first quarter of 2015, the Canadian dollar decreased its value in relation to the US dollar. This decrease in the Canadian dollar exchange rate caused the Company to have a favorable position on certain net advances from intercompany loans denominated in USD, which resulted in having a foreign exchange gain of \$2,543,844 for the three month period ended March 31, 2015.

Restructuring costs

In Q1 2015 the Company initiated a number of restructuring initiatives to adjust its overheads in an effort to “Right-Size” its business operations. As part of overall cost savings measures, Bri-Chem recognized \$691,667 of restructuring costs. These restructuring costs comprise of severance costs of \$164,223 due to personnel termination, provision of \$448,771 for lease cancellations and shutting down of warehouses, and \$78,673 worth expenses related to winding up Discontinued Operations.

Depreciation and amortization

Depreciation and amortization	For the three months ended March 31		Change	
	2015	2014	\$	%
Property and equipment	\$ 300,107	\$ 194,571	\$ 105,536	54.2%
Intangible assets	100,041	314,095	(214,054)	(68.1%)
Total	\$ 400,148	\$ 508,666	\$ (108,518)	(21.3%)

The depreciation of property and equipment increased during the three month period ended March 31, 2015 mainly as a result of capital expenditures completed during the latter part of 2014, including the acquisition of Solution Blend in Q4 2014. Amortization of intangible assets for the three months ended March 31, 2015 has decreased due to write down of carrying value of customer relationships, distribution agreement, supply agreement and non-compete agreements for the total amount of \$4,159,342 in Q4 2014. This write down resulted in decline of carrying value of intangible assets to \$1,893,870 as at March 31, 2015 from \$5,053,517 as at March 31, 2014.

MD&A DISCUSSION & ANALYSIS – March 31, 2015
Interest

Interest	For the three months ended March 31		Change	
	2015	2014	\$	%
Interest on short-term operating debt	\$ 560,328	\$ 429,752	\$ 130,576	30.4%
Interest on long-term debt	300,107	315,659	(15,552)	(4.93%)
Interest on obligations under finance lease	1,058	886	172	19.4%
Total interest expense	\$ 861,493	\$ 746,297	\$ 115,196	15.4%
Deduct non-cash interest expense:				
Amortization of capitalized deferred financing costs	\$ 64,971	\$ 101,478	\$ (36,507)	(35.98%)
Cash interest expense⁽¹⁾	\$ 796,522	\$ 644,819	\$ 151,703	23.5%

(1) See page 33 for a further explanation of this non-IFRS measure.

Interest on short-term operating debt increased by \$130,576 for the three months ended March 31, 2015. The short term interest expense for the first quarter of 2015 was higher than in the comparable period in 2014 as the Company maintained a higher credit facility balance related to Continuing Operations throughout Q1 2015. Interest on long-term debt for the three month period ended March 31, 2015 was lower as the Company started making principal repayments on the subordinated debt in Q1 2014. The Company repaid \$1,500,000 since Q1, 2014. Interest on obligation under finance lease for the three months ended March 31, 2015 were relatively consistent compared to the same periods in 2014.

Income taxes

The provision for income taxes for the three months ended March 31, 2015 is a net current tax recovery of \$710,659 compared to an expense of \$692,751 in the same period in 2014. The current tax recovery in Q1 2015 is a result of having a loss for tax purposes in the USA and Canadian fluids distribution divisions of \$1.4 million. The Company had a deferred tax expense of \$624,323 during the three months ended March 31, 2015, which is an increase of \$581,432 compared to the same period in 2014. The increase in deferred tax expense is due to the utilization of deferred income tax assets recognized in previous quarters. The Company's effective tax rate of 30.1% for the three months ended March 31, 2015 was consistent with effective tax rate of 29.9% compared to the same 2014 period.

Net earnings per share from continuing operations

Net earnings and EDITDA	For the three months ended March 31		Change	
	2015	2014	\$	%
Net earnings	\$ 372,895	\$ 1,721,201	\$ (1,348,306)	-78.3%
% of sales	1.4%	3.7%		
Adjusted net earnings ⁽¹⁾	\$ 866,907	\$ 1,721,201	\$ (854,295)	-49.6%
% of sales	3.3%	3.7%		
EBITDA ⁽²⁾	\$ 1,721,103	\$ 3,954,019	\$ (2,232,916)	-56.5%
% of sales	6.6%	8.6%		
Adjusted EBITDA ⁽³⁾	\$ 2,412,770	\$ 3,954,019	\$ (1,541,249)	-39.0%
% of sales	9.2%	8.6%		

(1) Adjusted net earnings excludes the after tax effect of restructuring costs (see page 33 for a further explanation of this non-IFRS measure).

(2) Represents earnings before interest, taxes, depreciation, amortization, share-based payments and impairment charges (see page 33 for a further explanation of this non-IFRS measure).

(3) Represents earnings before interest, taxes, depreciation, amortization, share-based payments and impairment charges adjusted for restructuring costs (see page 33 for a further explanation of this non-IFRS measure).

MD&A DISCUSSION & ANALYSIS – March 31, 2015

The Company had net earnings for the quarter ended March 31, 2015 of \$372,895 compared to net earnings of \$1,721,201 in the prior year period. The first quarter net earnings as a percentage of revenues for the period was 1.4% compared to 3.7% from the prior year quarter. Net earnings were negatively impacted by the significant decrease in drilling activity in North America and incurring additional one-time costs related to restructuring our operations in an effort to “Right-Size” the business for a sustained period. The adjusted net earnings, net of after tax restructuring costs, for the three months ended March 31, 2015 was \$866,907 or 3.3% as a percentage of revenue.

EBITDA was \$1,721,103 for the three month period ended March 31, 2015 compared to \$3,954,019 in the same comparable prior year period; a decrease of \$2,232,916 quarter over quarter. Adjusted EBITDA, net of one-time restructuring costs, for the first quarter of 2015 was 2,412,770 or 9.2% as percentage of revenue compared to 8.6% for the same period in 2014. The EBITDA and Adjusted EBITDA declined in Q1 2015 due to a significant decline in drilling activity caused by the continued low market prices on crude oil and natural gas.

Basic and diluted earnings per share for the three month period ended March 31, 2015 was \$0.02 and adjusted earnings per share for the three month period ended March 31, 2015 was \$0.04. Both the earnings per share and adjusted earnings per share were based on the weighted average number of shares outstanding during the three months ended March 31, 2015. The basic and diluted weighted average numbers of shares outstanding for the quarter ended March 31, 2015 were 23,720,762 (2014 – 24,010,736 and 24,032,525). The decrease of 290,000 shares issued and outstanding was as a result of the repurchase of common shares under its normal course issuer bid.

Discontinued operations

The Company divested its Steel Pipe Manufacturing and Steel Pipe Distribution early in the third quarter of 2014. As the result of divestitures the Company has reclassified the associated assets and liabilities of these businesses to assets and liabilities held for sale and the operations are reflected as Discontinued Operations for all periods presented. In Q1 2014 the Company recorded impairment expenses of \$11,098,255 to reflect certain assets at their estimated recoverable value, which is recorded in expenses. Loss from discontinued operations was \$nil for the three months ended March 31, 2015 (2014: \$9,688,843).

	(three months ended)	
	March 31 2015	March 31 2014
Sales	\$ -	\$ 6,907,042
Cost of sales	-	6,648,732
Expenses	-	12,446,275
Loss before tax of discontinued operations	-	(12,187,965)
Income tax recovery	-	(2,499,122)
After tax loss of discontinued operations before re-measurement	-	(9,688,843)
Pre tax loss recognized on the re-measurement of disposal group	-	-
Income tax recovery	-	-
After tax loss recognized on the re-measurement of assets of disposal group	-	-
Net loss for the period from discontinued operations	\$ -	\$ 9,688,843

SUMMARY OF QUARTERLY DATA

(in thousands of Cdn \$)	2015 Q1	2014 Q4	2014 Q3	2014 Q2	Total TTM
Sales	\$ 26,210	\$ 50,291	\$ 53,283	\$ 35,186	\$ 164,970
Gross margin (\$)	3,883	8,564	9,663	6,055	28,165
Gross margin (%)	14.8%	17.0%	18.1%	17.2%	17.1%
EBITDA ⁽¹⁾	1,721,103	5,189	6,588	1,027	1,733,907
Net earnings (loss) from continuing operations ^{(2) (3)}	\$ 373	\$ (3,370)	\$ 3,357	\$ (597)	(237)
Net loss from discontinued operations ⁽³⁾	-	225	(368)	(2,580)	(2,723)
Basic earnings (loss) per share from continuing operations	\$ 0.02	\$ (0.14)	\$ 0.14	\$ (0.02)	\$ -
Diluted earnings (loss) per share from continuing operations	\$ 0.02	\$ (0.14)	\$ 0.14	\$ (0.02)	\$ -
Basic loss per share from discontinued operations	\$ -	\$ 0.01	\$ (0.02)	\$ (0.11)	\$ (0.12)
Diluted loss per share from discontinued operations	\$ -	\$ 0.01	\$ (0.02)	\$ (0.11)	\$ (0.12)

(in thousands of Cdn \$)	2014 Q1	2013 Q4	2013 Q3	2013 Q2	Total TTM
Sales	\$ 45,947	\$ 44,899	\$ 43,324	\$ 20,291	\$ 154,461
Gross margin (\$)	7,468	7,642	8,075	3,820	27,005
Gross margin (%)	16.3%	17.0%	18.6%	18.8%	17.5%
EBITDA ⁽¹⁾	3,954	3,843	4,286	1,027	13,110
Net earnings (loss) from continuing operations ^{(3) (4)}	\$ 1,721	\$ 796	\$ 1,940	\$ (267)	4,190
Net (loss) earnings from discontinued operations ⁽³⁾	(9,689)	(3,065)	(862)	(777)	(14,393)
Basic earnings (loss) per share from continuing operations	\$ 0.07	\$ 0.04	\$ 0.11	\$ (0.01)	\$ 0.21
Diluted earnings (loss) per share from continuing operations	\$ 0.07	\$ 0.04	\$ 0.11	\$ (0.01)	\$ 0.21
Basic earnings (loss) per share from discontinued operations	\$ (0.28)	\$ (0.16)	\$ (0.04)	\$ (0.04)	\$ (0.52)
Diluted earnings (loss) per share from discontinued operations	\$ (0.28)	\$ (0.16)	\$ (0.04)	\$ (0.04)	\$ (0.52)

(1) EBITDA is non-IFRS measures which the Company defines as earnings before interest, taxes, depreciation and amortization and share-based payments expense. (See page 33 for a further explanation of these non-IFRS measures).

(2) In Q4 2014 the Company recognized impairment charges on goodwill and other intangible assets in the amount of \$8,567,921.

(3) In Q3 2014, the Company completed the sale of its Steel Pipe Manufacturing division assets and Steel Pipe Distribution division assets and all ongoing business operations. The Company reclassified the associated assets and liabilities of these businesses to assets and liabilities held for sale and the operations are reflected as discontinued operations for all periods presented.

(4) In Q4 2013, the Company recognized impairment charge on one individually significant receivable of \$1,016,481 that was assessed as uncollectible and was written off.

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 – CONTINUED OPERATIONS

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 primary liquidity and capital resource needs are to fund ongoing operations, capital expenditures, growth opportunities and potential future acquisitions. In addition, the Company must service its debt, including interest payments and finance working capital needs. The Company relies on its cash flow from operations, debt and equity financings and borrowings under the Company’s ABL Facility for liquidity.

The Company’s operating cash flow has historically been affected by the overall profitability of sales within the Company’s segments, the Company’s ability to invoice and collect from customers in a timely manner and the Company’s ability to efficiently manage costs. The Company’s cash flow from operations has historically been sufficient to meet the Company’s working capital, capital expenditure and debt servicing requirements. As at March 31, 2015, the Company has liquidity of approximately \$7,393,145 under its existing ABL Facility based on the Company’s marginable asset base which is sufficient to meet its short term obligations.

As at March 31, 2015 the Company had positive working capital of \$32,591,357 compared to \$29,448,685 at December 31, 2014. The Company’s current ratio (defined as current assets divided by current liabilities) was 1.64 to 1 as at March 31, 2015, compared to 1.39 to 1 as at December 31, 2014.

The following table summarizes the Company’s sources and uses of funds for the three months ended March 31, 2015 and 2014:

Summary of Consolidated Statements of Cash Flows Period ended	March 31 2015	March 31 2014
Continuing operations		
Cash provided (used in) by operating activities	\$ 15,151,673	\$ (2,926,907)
Cash (used in) provided by financing activities	(14,494,218)	2,836,897
Cash used in investing activities	(657,455)	(163,595)
Net cash provided by discontinued operations	-	253,605
Net increase in cash and cash equivalents	\$ -	\$ -
Cash and cash equivalents, beginning of the period	-	-
Cash and cash equivalents, end of the period	\$ -	\$ -

Operating activities

Cash provided by operating activities for the three month period ended March 31, 2015 was \$15,151,673 compared to cash used in operating activities of \$2,926,907 for the prior year period. The increase in Company’s cash flow provided by operating activities mainly relates to the increased accounts receivable collection of \$20.6 million and reduced inventory purchases of \$5.5 million for the three months ended March 31, 2015. These increases in accounts receivable collection and cash savings from inventory were due to reduced sales activity and purchases of inventory as a result of dramatic decline in drilling activity during the quarter. These savings were partially offset by increase of \$5.3 million in payments of accounts payable during Q1 2015. The Company has implemented many cost savings initiatives including layoffs, salary reductions, discretionary spending cuts, and an inventory reduction program designed to minimize any increase in debt levels and conserve balance sheet strength.

Financing activities

Cash used in financing activities was \$14,494,218 for the three month period ended March 31, 2015, compared to cash provided of \$2,836,897 in the comparable 2014 interim period. The cash used in financing activities in 2015 relates to repayments on the ABL Facility of \$13.2 million. The increase in repayments on the operating line was due to the increased collection of accounts receivable during Q1 2015. Bri-Chem also used \$192,825 to repurchase common shares under its normal course issuer bid. In addition, the Company made quarterly installment of \$300,000 under the terms of Fulcrum debt.

Investing activities

Cash used in investing activities amounted to \$657,455 for the three months ended March 31, 2015 compared to \$163,595 in the same prior year comparable period. The increase is the result of cash used to add more capital assets related to the USA fluids divisions. Forecasted capital expenditures for the rest of 2015 are approximately \$200,000 and will be funded through existing operating facilities and finance leases where possible for specific equipment.

Credit Facilities

Effective August 12, 2011, the Company entered into a secured Asset-Based Lending Facility (the “ABL Facility”) with CIBC Asset-Based Lending Inc. and HSBC Bank Canada. The ABL Facility is subject to a borrowing base that is calculated as a percentage of specified value of eligible inventory accounts receivable and specific property, plant and equipment. On November 14, 2013 the Company amended the terms of the ABL Facility to increase the borrowing base up to a maximum of \$90,000,000, reducing interest rates and extending the maturity of the facility to August 12, 2016. At March 31, 2015 the ABL Facility bears interest either at prime rate (2014 -prime rate) or bankers’ acceptance rate plus 1.50% (2014 -bankers’ acceptance rate plus 1.50%) or LIBOR plus 1.50% (2014 -LIBOR plus 1.50%), a collateral management fee of \$1,500 per month (2014 -\$1,500 per month) and a standby fee of 0.25% (2014 -0.25%) on unused amounts of the ABL Facility.

As at March 31, 2015, the Company had drawn \$43,302,725, net of unamortized transaction costs of \$100,645, on its available credit facilities of \$90,000,000, as compared to \$51,873,895 at December 31, 2014. 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. 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.

Effective November 30, 2012, the Company secured a subordinated debt facility with Fulcrum. The initial term of the sub debt facility is for five years and is secured by a second charge general security agreement coving all present and after acquired property and postponement of claim from related parties. The sub debt facility bears interest at 11.50%, with repayments of interest only for the first fifteen months of the agreement, then quarterly principal repayments of \$300,000 plus interest. Total transaction costs relating to the subordinate debt facility amounted to \$284,485 as of March 31, 2015.

MD&A DISCUSSION & ANALYSIS – March 31, 2015

The subordinated debt facility contains financial covenants that are consistent with the ABL Facility, in addition the Company must maintain a funded debt to EBITDA ratio 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.

Oil and gas drilling activity has declined sharply during the first quarter of 2015 and we are expecting the decline will continue through the remainder of 2015. Due to current industry conditions, compliance of financial covenants is highly dependent on the stability of industry activity levels. The Company is currently in compliance with all financial covenants, however, sustained low commodity prices and reduced activity levels could bring the Company close to the threshold of the earnings based covenant under the Company's loan facilities before the end of 2015. The Company is proactive in managing debt and expects to renegotiate the debt terms and related covenant requirements with the credit facility lenders to ensure continue compliance with revised covenants.

	March 31, 2015		December 31, 2014	
	As calculated	Minimum required	As calculated	Minimum required
		To exceed		To exceed
Fixed charge coverage ratio	2.90	1.10	2.44	1.10
		Not to exceed		Not to exceed
Eligible capital expenditures	\$ 667,729	\$ 960,000	\$ 2,585,291	\$ 5,806,980
		Not to exceed		Not to exceed
Funded term debt to EBITDA	0.59	1.5:1	0.52	1.5:1

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 lenders on a monthly basis. As at March 31, 2015, the Company was in compliance with all financial covenants.

Cash Requirements for Capital Expenditures

Historically, the Company has financed its capital expenditures and acquisitions through its ABL Facility, subordinated debt and equity. The budgeted future capital expenditures for the rest of 2015 are approximately \$200,000 (2014 - \$4,300,000) which may include future equipment upgrades such bulk storage tanks and blending and packaging equipment for the USA drilling fluids distribution 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. However, if a sustained period of market and commodity price uncertainty and financial market volatility persists in the remainder of 2015, the Company's activity levels, cash flows and access to credit may be negatively impacted, and the expenditure level would be reduced accordingly. Conversely, if future growth opportunities present themselves, the Corporation would look at expanding this planned capital expenditure amount.

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 month period ended March 31, 2015, the Company incurred office sharing costs of \$15,000 (March 31, 2014 - \$15,000) in the normal course of operations with BRC Advisors Inc., which a certain director and officer controls.

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.

The extent and duration of the industry downturn is highly uncertain. For the remainder of 2015, a sustained commodity price recovery will be required for improved industry activity as a number of oil and gas companies have implemented capital budget cuts and cost reduction initiatives across North America which in turn will impact demand for Bri-Chem products and services. During this time, management will remain focused on controlling costs, inventory levels, capital spending and debt. Management implemented a number of cost saving initiatives in the first quarter with an annualized fixed cost savings of approximately \$3.2 million.

Oil and gas drilling activity has declined sharply during the first quarter of 2015 compared to 2014 and we are expecting the decline will continue through the remainder of 2015. The Petroleum Services Association of Canada (PSAC) has forecasted a total of 627 wells to be drilled in Canada for the second quarter of 2015, a decrease of 52.5% over the prior year second quarter. In Canada, the typical seasonal downturn in activity due to spring breakup has occurred much earlier than normal, further reducing rig count each week in the early part of Q2 2015. Management expects a prolonged spring breakup season in Canada with little visibility regarding how many rigs will come back to work when breakup ends.

Management's strategy in the current environment is to preserve working capital, pay down debt amidst an aggressive inventory reduction program and maintain flexibility to be able to respond to opportunities that are presented when the market does recover. The maintenance capex requirement in the business continues to be modest and can be managed at or below \$500,000 for the year.

Overall, Bri-Chem's exceptional industry infrastructure located throughout Canada and the U.S., its diversified product mix and blending services, blue chip customer base, and low cost and highly scalable business model, collectively, will serve to be a valuable contributor to many customers throughout North America during this difficult period and will benefit significantly when the market returns to more reasonable levels.

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, 2014. 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 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.

A substantial decline in the commodity price environment commenced in the fourth quarter of 2014, and since December 2014, crude oil prices have continued to weaken. The Company anticipates commodity prices may stay relatively depressed in 2015. If crude oil and natural gas prices continue to decline significantly and remain at low levels for an extended period of time, the carrying value of other long term assets may be subject to further impairment charges, and future capital spending could be reduced.

Commodity Price Risk

The cost and availability of certain fluid products fluctuate due to a number of factors beyond our control, including global market conditions, foreign currency exchange rates, and demand for product, trade sanctions, tariffs, competition and price surcharges. Fluctuations in availability, cost 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 5 customers (2014: top seven customers) of the Company account for approximately 36% (2014: 28%) of revenue for the three months ended March 31, 2015 respectively, of which no single (2014: no single) customer for three months ended March 31, 2015 accounting for more than 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 effect 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.

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. 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 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 of its products 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, and using multiply competitive freight carriers.

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, 2015. 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, 2015 have been prepared in accordance with the accounting policies adopted in the Company's annual financial statements for the year ended December 31, 2014.

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, 2015. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective as at the date of the interim consolidated financial statements for the three month period ended March 31, 2015 and determined that the following may have an impact on the Company:

IFRS 9 – Financial instruments

The complete version of IFRS 9 replaces most of the guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the impact of this standard on its consolidated financial statements.

IFRS 15 – Revenue from contracts with customers

IFRS 15 converged standard on revenue recognition. It replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, with early adoption permitted and is to be applied retrospectively. The Company is assessing the impact of this standard on its consolidated financial statements.

Amendments to IAS 16 – Property Plant and Equipment and IAS 38 – Intangible assets

This method clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendments become effective on or after January 1, 2016. This amendment will not have an impact on the Company's financial statements.

Annual improvements 2014

These annual improvements amend standards from the 2012-2014 reporting cycle. It includes changes to:

- IFRS 5, Non-current assets held for sale and discontinued operations. The amendment clarifies that, when an assets (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment also explains that the guidance on changes in a plan of sale should be applied to an asset (or a disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale';
- IFRS 7, Financial instruments; Disclosures. There are two amendments: 1) Servicing contracts – if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters. 2) Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective;
- IAS 34, Interim financial reporting – the amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

These improvements become effective on or after July 1, 2016 and will not have an impact on the Company's financial statements.

SHARE DATA

As at May 12, 2015, the Company had 23,632,981 common shares issued and outstanding. As of March 31, 2015, the board of directors may grant options to purchase up to a maximum of 2,363,298 common shares. As of March 31, 2015, options to purchase 1,485,000 common shares were outstanding at an average price of \$2.42 per common share.

NON-IFRS MEASURES

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

EBITDA

Management believes that, in addition to net earnings, 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 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 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. The following is a reconciliation of EBITDA to net earnings for each of the periods presented in this MD&A.

	For the three months ended March 31	
	2015	2014
EBITDA from continued operations		
Net earnings	\$ 372,895	\$ 1,721,201
Add:		
Interest	861,493	746,297
Income taxes	(86,336)	735,642
Depreciation and amortization	402,659	508,666
Share-based payment	170,392	242,213
EBITDA	\$ 1,721,103	\$ 3,954,019

Adjusted EBITDA

Adjusted EBITDA is measure which has been reported in order to assist in the comparison of historical EBITDA to current results. The calculation of Adjusted EBITDA normalizes the impact of non-recurring one time unusual transactions net of corporate income taxes which did not occur during the preceding two years and are not expected to recur within next two years, and the related impact on net earnings and net earnings per share. The normalization of this net expense is the calculation of Adjusted EBITDA is considered by management to be a more accurate representation of the EBITDA from continuing operations.

MD&A DISCUSSION & ANALYSIS – March 31, 2015

Net earnings and EDITDA	For the three months ended March 31		Change	
	2015	2014	\$	%
EBITDA ⁽²⁾	\$ 1,721,103	\$ 3,954,019	\$ (2,232,916)	-56.5%
% of sales	6.6%	8.6%		
Add/(deduct)				
Restructuring costs	691,667	-	691,667	100%
Adjusted EBITDA ⁽³⁾	\$ 2,412,770	\$ 3,954,019	\$ (1,541,249)	-39.0%
% of sales	9.2%	8.6%		

Adjusted Net Earnings and Adjusted Net Earnings per Share

Adjusted net earnings and adjusted net earnings per share are measures which have been reported in order to assist in the comparison of historical net earnings to current results. The calculation of Adjusted Net Earnings normalizes the impact of non-recurring one time unusual transactions net of corporate income taxes which did not occur during the preceding two years and are not expected to recur within next two years, and the related impact on net earnings and net earnings per share. The normalization of this net expense is the calculation of Adjusted Net Earnings and Adjusted Net Earnings per share is considered by management to be a more accurate representation of the net earnings from continuing operations.

Net earnings	For the three months ended March 31	
	2015	2014
Net earnings	\$ 372,895	\$ 1,721,201
Add/(deduct), net of corporate income taxes:		
Restructuring costs	494,012	-
Adjusted net earnings	\$ 866,907	\$ 1,721,201
Weighted average number of shares		
Basic	23,720,762	24,010,736
Diluted	23,720,762	24,032,525
Adjusted net earnings, per share		
Basic	\$ 0.04	0.07
Diluted	0.04	0.07

Adjusted Gross Margins

In compliance with IFRS accounting standards, the Company's gross margins must include all direct and overhead costs associated with ongoing activities regardless of whether or not the loss from sales of products was incurred due to the restructuring the Company's operations caused by the economic downturn. Adjusted gross margins reflect the product selling price less the cost of the product in the ordinary course of business and exclude losses incurred due to restructuring of the Company's operations. Management believes that the adjusted gross margin is useful information as it provides a more accurate gross margin contribution for comparative purposes. The following is a reconciliation of adjusted gross margins to IFRS compliant gross margins for each of the periods presented in this MD&A.

MD&A DISCUSSION & ANALYSIS – March 31, 2015

Adjusted Gross Margins	For the three months ended March 31		Change	
	2015	2014	\$	%
Gross Margin (\$)	3,883,120	7,468,234	(3,585,114)	(48.0%)
As percentage of sales	14.8%	16.3%		
Addback: Losses from sale related to inventory reduction program	385,665	-	385,665	100.0%
Adjusted Gross Margin (\$)	4,268,785	7,468,234	(3,199,449)	(42.8%)
Sales	26,209,726	45,947,219	(19,737,493)	100%
Less: Sales associated with inventory reduction program due to economic downturn	2,656,100	-	2,656,100	100%
Adjusted sales	23,553,626	45,947,219	(22,393,593)	100%
Adjusted gross margin as percentage of sales	18.1%	16.3%		

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, 2015 interim condensed consolidated financial statements:

Operating expenses	For the three months ended March 31	
	2015	2014
Operating expenses	\$ 2,162,017	\$ 3,514,215
Add:		
Interest	861,493	746,297
Depreciation and amortization	402,659	508,666
Share-based payments	170,392	242,213
Total expenses	\$ 3,596,561	\$ 5,011,391

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. The following is a reconciliation of EBITDA, per interim condensed consolidated financial statements for three months ended March 31, 2015, to Operating EBITDA for each of the periods presented in this MD&A.

MD&A DISCUSSION & ANALYSIS – March 31, 2015

	For the three months ended March 31, 2015					
	EBITDA		Corporate cost allocation		Operating EBITDA	
	\$	% *	\$	% *	\$	%
Fluids Distribution - Canada	\$ (667,528)	(7.4%)	\$ (219,967)	(2.5%)	\$ (887,495)	(9.9%)
Fluids Distribution - USA	(729,969)	(6.5%)	107,417	1.0%	(622,552)	(5.5%)
Total Fluids Distribution	(1,397,497)	(6.9%)	(112,550)	(0.6%)	(1,510,047)	(7.5%)
Fluids Blending & Packaging - Canada	140,429	3.1%	56,700	1.3%	197,129	4.4%
Fluids Blending & Packaging - USA	178,701	12.2%	55,850	3.8%	234,551	16.1%
Total Fluids Blending & Packaging	319,130	5.4%	112,550	1.9%	431,680	7.2%
Other **	2,799,470	N/A	-	N/A	2,799,470	N/A
Total	\$ 1,721,103	6.6%	\$ -	0.0%	\$ 1,721,103	6.6%

* As a percentage of divisional revenues

** Other includes corporate overhead costs

	For the three months ended March 31, 2014					
	EBITDA		Corporate cost allocation		Operating EBITDA	
	\$	% *	\$	% *	\$	%
Fluids Distribution - Canada	\$ 2,166,058	8.2%	\$ (405,165)	(1.5%)	\$ 1,760,893	6.7%
Fluids Distribution - USA	371,581	3.0%	316,947	2.5%	688,528	5.5%
Total Fluids Distribution	2,537,639	6.5%	(88,218)	(0.2%)	2,449,421	6.5%
Fluids Blending & Packaging - Canada	660,578	12.0%	40,200	0.7%	700,778	12.7%
Fluids Blending & Packaging - USA	107,905	6.6%	48,018	2.9%	155,923	9.5%
Total Fluids Blending & Packaging	768,483	10.7%	88,218	1.2%	856,701	12.0%
Other **	647,897	N/A	-	N/A	647,897	N/A
Total	\$ 3,954,019	8.6%	\$ -	0.0%	\$ 3,954,019	8.6%

* 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		Change	
	2015	2014	\$	%
Interest on short-term operating debt	\$ 560,328	\$ 429,752	\$ 130,576	30.4%
Interest on long-term debt	300,107	315,659	(15,552)	(4.9%)
Interest on obligations under finance lease	1,058	886	172	19%
Total interest expense	\$ 861,493	\$ 746,297	\$ 115,196	15.4%
Deduct non-cash interest expense:				
Amortization of capitalized deferred financing costs	\$ 64,971	\$ 101,478	\$ (36,507)	(36.0%)
Cash interest expense⁽¹⁾	\$ 796,522	\$ 644,819	\$ 151,703	23.5%

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, 2015 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, 2015 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 Solution Blend, which was acquired by the Company effective December 1, 2014, 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 Solution Blend in a manner consistent with the Company's other operations. The Company's management is currently in the process of integrating Solution Blend into the existing controls and procedures of Bri-Chem Corp.

Solution Blend constitutes 0.9% of total assets, 3.8% of net assets, 4.0% of net revenues, and \$10,616 of losses before income taxes of the interim condensed consolidated financial statement amounts as at and for the three months ended March 31, 2015.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred in 2015 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
Denver, Colorado

Albert Sharp^{(1) (2)}
Director
Spruce Grove, Alberta

Eric Sauze, CA^{(1) (2)}
Director
Edmonton, Alberta

Auditors

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Corporate Office

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Shares Listed

Toronto Stock Exchange
Trading Symbol – BRY

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

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Lenders

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Share Capital

Issued: 23,676,056

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