Q1 2017 MD&A

BRI-CHEM

Right product. Right place. Right time.

NORTH AMERICA'S LARGEST INDEPENDENT WHOLESALE OILFIELD CHEMICAL SUPPLIER

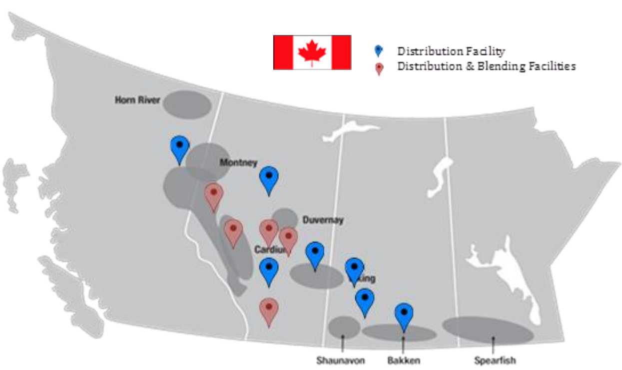
The following Management's Discussion and Analysis ("MD&A") of Bri-Chem Corp. ("Bri-Chem" or the "Company") is for the three months ended March 31, 2017. This MD&A should be read in conjunction with Bri-Chem's March 31, 2017 unaudited condensed consolidated interim financial statements and the audited annual consolidated financial statements and MD&A for the financial year ended December 31, 2016. 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. No update is provided where an item is not material or where there has been no material change from the discussion in the aforementioned interim and annual MD&A.

The Company's consolidated condensed interim financial statements include the accounts of Bri-Chem Corp. and its subsidiaries, 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. Readers should carefully read the sections regarding "Cautionary Statement Regarding Forward-Looking Information and Statements" and "Non-IFRS Measures" in this report. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared as at May 11, 2017.

BUSINESS OF BRI-CHEM

Bri-Chem, headquartered in Edmonton, Alberta, Canada, has established itself, through a combination of strategic acquisitions and organic growth, as a 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 from 27 strategically located warehouses throughout Canada and the United States. Bri-Chem has been operating in Canada since 1985 and we expanded into the United States in 2011 where we have successfully established 15 warehouse locations that are strategically located in major drilling regions throughout the USA. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

Bri-Chem's main business activity is to provide 24/7 coverage of oilfield chemicals in a wide variety of weights and clays, lost circulation materials and oil mud products to mud engineering companies who sell directly to drilling firms engaged by the oil and gas companies. Much of Bri-Chem's competitive advantage is attributed to its comprehensive network of 27 strategically placed and fully stocked warehouses throughout North America as mud engineering companies and drilling companies prefer to use one supplier of drilling fluids for all of their widely dispersed drilling rig locations.



Seasonality of Operations

Weather conditions can affect the sale of the Company's products and services. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As a result, there are three cycles of drilling activity in the Western Canada: Winter drilling season from November to mid-March is the period when the majority of drilling activity takes place as much of the ground is frozen allowing equipment to move into hard to reach regions during colder periods. Spring break up traditionally occurs between mid-March to mid-May and is the period when drilling activity is at its lowest as regions thaw and have road bans making heavy equipment difficult to move. Summer and fall drilling season operates from mid-May to end of October which focuses on areas not accessible during the winter drilling season. Spring break-up has a direct impact on the Company's activity levels. 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 in Canada.

SELECTED FINANCIAL AND OPERATING INFORMATION

The following selected three month period consolidated financial information has been derived from and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the period ended March 31, 2017.

In $'000s	For the three months ended March 31,		Change	
(except per share amounts)	2017	2016	$	%
Revenue	**$ 33,990**	$ 14,821	$ 19,169	129%
Operating income (loss)	**1,848**	(1,211)	3,059	253%
EBITDA(1)	**2,036**	(1,394)	3,430	246%
EBITDA as a percentage of revenue (1)	**6%**	(9%)	-	164%
Net Earnings (loss)	**681**	(2,098)	2,779	132%
Per Share Data (Diluted)				
EBITDA	**$ 0.09**	$ (0.06)	$ 0.15	261%
Net Earnings (Loss)	**$ 0.03**	$ (0.09)	$ 0.12	132%
Shares Outstanding				
Basic	23,623,981	23,623,981		
Diluted	23,923,981	23,623,981		
Financial Position				
Total Assets	**$ 70,434**	$ 64,371	$ 6,063	9%
Working Capital	**15,048**	22,884	(7,836)	(34%)
Long-term debt	**9,266**	8,716	550	6%
Shareholders Equity	**28,999**	33,101	(4,102)	(12%)

(1) Represents earnings before interest, taxes, depreciation, amortization, impairment charges and share-based payments (See page 12 for a further explanation of this non-IFRS measure).

Q1 HIGHLIGHTS

Key Q1 2017 highlights include:

- Bri-Chem generated consolidated revenue of $33.9 million, an increase of 129% from the first quarter in 2016, resulting primarily from higher business activity levels throughout North America;
- Revenue increased by 200% and 68% in the Canadian fluids distribution and blending divisions respectively and the USA fluids distribution division was up 148% over the first quarter of 2016;
- Operating income was $1.8 million for the three months ended March 31, 2017 compared to negative $1.2 million in Q1 2016, representing a 253% increase;
- EBITDA was $2.0 million versus negative $1.4 million in the comparable period in 2016. This 246% increase is mainly due as a result of significantly improved drilling activity throughout our business segments in North America;
- Bri-Chem reported net income of $0.681 million or $0.03 per share diluted compared to a net loss of $2.1 million or $0.09 loss per share diluted in 2016, representing a 132% increase;
- Working capital, as at March 31, 2017, was $15.0 million compared to $12.7 million at December 31, 2016. The Company's current ratio (defined as current assets divided by current liabilities) was 1.37 to 1 compared to 1.33 to 1 as at December 31, 2016; and
- The Company reached an agreement with its lenders to increase its Asset Based Loan facility by $5 million in credit available under its ABL facility and no further amendments were made to the sub-debt loan which matures effective November 2017.

Summary for the three months ended March 31, 2017:

During the first quarter of 2017, drilling activity levels continued to show signs of recovery throughout North America as Canada experienced 252 average active rigs during the first quarter of 2017, an increase of 65% over the prior year quarter, while the active USA rig count increased 33% over the same period with 739 active rigs operating in Q1 2017. Bri-Chem's Q1 2017 consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses was $33.9 million compared to $14.8 million in the same prior period in 2016. This comparable quarter revenue increase is a direct result of an increase in oil and gas drilling activity throughout North America and a delay to the start of spring break up in Western Canada.

Bri-Chem's Canadian drilling fluids distribution division generated sales of $16 million for the three months ended March 31, 2017, compared to sales of $5.4 million over the comparable period in 2016. Q1 2017 sales were strengthened by the continued increase in drilling activity, with a significant recovery in winter drilling activity. The number of wells drilled in Western Canada for the three month period ended March 31, 2017 was 2,264, representing an increase of 111% over the comparable quarter in 2016. Bri-Chem's United States drilling fluids distribution division generated sales of $12.2 million for the three month period ended March 31, 2017, compared to revenues of $4.9 million in the comparable period of 2016, representing an increase of 148%.

Bri-Chem's Canadian drilling fluids blending and packaging division generated sales of $5.2 million for the quarter ended March 31, 2017 compared to the prior year quarter sales of $3.1 million representing a 68% increase quarter over quarter. This increase is directly related to higher customer demand for blending services as a result of the increase in drilling activity throughout quarter. Bri-Chem's USA fluids blending and packaging division, generated sales of $586,145 for the three month period ended March 31, 2017, compared to $1.5 million for the comparable period in 2016.

Operating income this quarter was $1.8 million compared with an operating loss of $1.2 million in the first quarter of 2016. Operating results this quarter were positively impacted by the increased activity levels throughout our North American business segments.

EBITDA was $2.0 million for the three months ended March 31, 2017 compared to negative $1.4 million in the same comparable prior year period; an increase of $3.4 million quarter over quarter or 246%. The first quarter EBITDA as a percentage of sales was 6% compared to negative 9% from the prior year quarter. The Company had net earnings of $680,762 for the quarter ended March 31, 2017 compared to net loss of $2.1 million in the same prior year period. The first quarter earnings as a percentage of sales was 2% compared to negative 14% from the prior year quarter.

OUTLOOK

Northern American oil and gas drilling activity levels, during the first quarter of 2017, continued to improve from Q4 2016 and we expect activity levels to remain at or near current levels for the remainder of 2017. PSAC has revised its forecast upward now forecasting 6,660 wells to be drilled in Western Canada for 2017, representing a 64% forecasted increase over 2016. This increase is anticipated to drive a more consistent demand for our drilling fluid products for Q3 and Q4 of 2017. The USA drilling market is also continuing to see improvements, as the active average rigs operating in the USA has increase to 877 from approximately 400 in May 2016. As a result, we are forecasting stronger activity in major USA resource plays we service and look to take advantage of our low cost infrastructure as demand continues to improve.

Bri-Chem has been proactive in response to the recent increase in North American business activity and has successfully managed to supply and service its customers during this recent surge in demand for oilfield chemicals. As activity levels continue to improve over the short to medium term, we will seek new growth opportunities while remaining committed to providing superior customer service while having sufficient inventory levels to meet the demand of our customers through our unmatched North American warehouse distribution network.

DISCUSSION OF Q1 OPERATING RESULTS

Sales by Segment	For the three months ended March 31			
	2017	2016	Change	
In $'000s	$	$	$	%
Fluids Distribution - Canada	**16,046**	5,351	10,695	200%
Fluids Distribution - USA	**12,191**	4,913	7,278	148%
Total Fluids Distribution	**28,237**	10,264	17,973	175%
Fluids Blending & Packaging - Canada	**5,167**	3,074	2,093	68%
Fluids Blending & Packaging - USA	**586**	1,483	(897)	(60%)
Total Fluids Blending & Packaging	**5,753**	4,557	1,196	26%
Consolidated Sales	**33,990**	14,821	19,169	129%

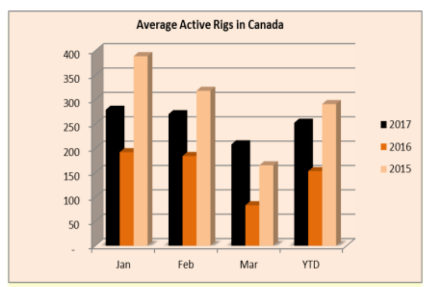
Consolidated Oilfield Chemical Divisions

Bri-Chem's Q1 2017 consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses was $33.9 million compared to $14.8 million in the same prior period in 2016. This 129% quarterly revenue increase is a direct result of a surge in oil and gas drilling activity throughout North America and a delay to the start of spring break up in Western Canada.

North American Drilling Fluids Distribution Divisions

The Company's North American drilling fluids distribution divisions recorded combined sales of $28.2 million for the three months ended March 31, 2017 compared to sales of $10.3 million in 2016, representing an increase of 175% quarter over quarter. The Canadian fluids distribution divisions' sales increased by 200% for the three month period, while the USA fluids distribution division experienced a sales increase of 148% over the same comparable quarter in 2016.

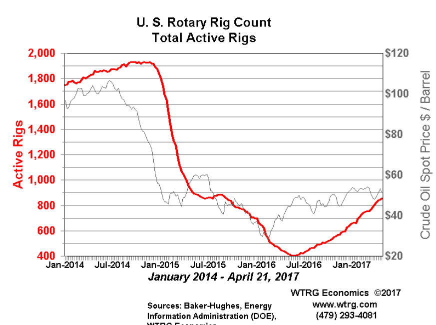
Canadian Drilling Fluids Distribution Division



Bri-Chem's Canadian drilling fluids distribution experienced a significant increase in sales as a result of increased drilling activity throughout Western Canada during the first quarter of 2017. Commodity prices and activity levels started to recover late 2016 and continued to recover into the first quarter of 2017, which saw approximately 100 more active rigs drilling in Q1 2017 compared to Q1 2016. In particular the month of March 2017 experienced a significant increase in the number of active rigs operating at 208 compared to 83 in March 2016. Canadian distribution sales were $16 million for the three months ended March 31, 2017, compared to sales of $5.4 million over the same comparable period in 2016.

Western Canada has experienced a significant increase in active drilling rigs for the first quarter of 2017, increasing 65% over Q1 2016. The number of wells drilled in Q1 2017 in Western Canada was 2,264 compared to the 1,073 wells drilled in Q1 2016, representing an increase of 111% quarter over quarter. In Canada, drilling rig utilization averaged 39% for the first quarter in 2017, an increase of 18% quarter over quarter.

United States Drilling Fluids Distribution Division



The Company's USA drilling fluids distribution division generated revenues of $12.2 million for the three months ended March 31, 2017 compared to $4.9 million for the same quarter in 2016, representing a 148% increase. In the USA, the average number of active rigs running during Q1 2017 was 739, as compared to 556 rigs running in Q1 2016, an increase of 33% quarter over quarter. As volatile commodity prices started to stabilize, US drilling activity increased during the quarter correlating to an increased demand for drilling fluid products in the major resource plays the Company services.

Fluids Blending and Packaging Division

Canadian Fluids Blending and Packaging Division

For the first quarter of 2017, the Canadian fluids blending and packaging division sales were $5.2 million compared to $3.1 million in 2016 representing a 68% increase this quarter over the prior year quarter. This increase is related to stronger levels of bulk packaging and blending of chemicals as drilling activity levels increased year over year. With increased drilling activity levels, the division also experienced an increase in blending of production chemicals as production activity increased.

United States Fluids Blending and Packaging Division

For the three months ended March 31, 2017 sales were $0.6 million compared to $1.5 million for the same comparable period in 2016 representing a 60% decrease year over year. The Company has implemented management and employee restructuring measures to secure stronger business relationships moving forward for the remainder of 2017 and beyond.

Gross Margin

	For the three months ended March 31					
	2017		2016		Change	
In $'000s	$	% (1)	$	% (1)	$	%
Distribution - Canada	**1,825**	**11.4%**	315	5.9%	1,510	479%
Distribution - USA	**2,275**	**18.7%**	797	16.2%	1,478	185%
Total distribution	**4,100**	**14.5%**	1,112	10.8%	2,988	269%
Blending - Canada (1)	**1,164**	**22.5%**	696	22.6%	468	67%
Blending - USA	**128**	**21.8%**	631	42.5%	(503)	(80%)
Total Blending	**1,292**	**22.5%**	1,327	29.1%	(35)	(3%)
Total	$ 5,392	15.9%	$ 2,439	16.5%	$ 2,953	121%

(1) As a percentage of divisional revenues

Bri-Chem's Q1 2017 consolidated margins from its North American oil and gas drilling fluids distribution, blending and packaging businesses was up 121% to $5.4 million compared to $2.4 million in the same prior period in 2016. The increase is due to stronger drilling activity in North America and a depletion of excess inventory in the market place which caused many customers to purchase product as activity levels increased.

Canadian fluid distribution margins averaged 11.4% for the first quarter ended March 31, 2017 compared to an average gross margin of 5.9% for the same comparable quarter in 2016. The increase in gross margins in Q1 2017 was due to overall improved market conditions which allowed pricing to stabilize to customers. Due to the significant increase in rig activity, many customers did not have excess inventory of their own and therefore required to purchase more fluid inventory from the Company during the quarter. In Q1 2016, the division experienced significant pricing pressure given the weak market conditions, which caused a reduction in gross margins.

The USA fluids distribution margins were 18.7% for the three months ended March 31, 2017; an increase of 2.5% compared to the same period in 2016. With an increase in the USA rig count and stability of pricing to customers, the division continues to recover from the margin compression experienced during the first half of 2016 due to the rapid decline in drilling activity. As rig activity continues to increase, customers have commenced purchasing product again to service drilling rigs operating within the regions we service in the USA. Margins have a tendency to fluctuate based on product mix and geographic region, and the division experienced an increase in rig activity in regions that provide higher margin products.

Canadian fluids blending and packaging division margins were consistent at 22.5% for the three months ended March 31, 2017, compared to the same comparable prior year period. The United States blending and packaging division generated gross margins of 21.8% for Q1 2017 which represents a decrease of 20.7% from the prior year period. The decrease of the gross margin in Q1 2017 relates to the decrease of overall sales and of high margin product during the first quarter of 2017.

Salaries and Employee Benefits

	For the three months ended March 31			
	2017	2016	Change	
In $'000s	$	$	$	%
Salaries and benefits	**1,849**	1,925	(76)	(4%)
% of sales	**5.4%**	13.0%		

Salaries and benefits decreased modestly for the first quarter of 2017 compared to the prior period of 2016, however, as a result of the surge in Q1 2017 business activity, salaries and benefits, as a percentage of sales, decreased to 5.4% compared to 13.0% for the same period in 2016. In addition, the Company had 3 fewer employees this quarter compared to the same prior year quarter. These savings were partially offset by increased sales commissions due to higher sales levels in the fluids distribution division in Canada and the USA. The Company employed 67 (31 Canada and 36 USA) employees at March 31, 2017 compared to 70 (31 Canada and 39 USA) at March 31, 2016. Management is constantly re-evaluating the infrastructure of the Company and may continue to adjust employee levels given the level of drilling fluid demand in the industry.

Selling and Administration

	For the three months ended March 31			
	2017	2016	Change	
In $'000s	$	$	$	%
Selling	**109**	107	2	2%
Professional and consulting	**183**	212	(29)	(14%)
General and administrative	**316**	452	(136)	(30%)
Rent, utilities, and occupancy costs	**851**	680	171	25%
Total	**1,459**	**1,451**	**8**	**1%**

Selling expenses were consistent between Q1 2017 and Q1 2016. With weaker drilling activity levels over the past two years, the Company implemented a number of cost cutting initiatives and as demand starts to increase these costs will start to increase. Management will continued to manage its selling costs prudently as the market recovers.

Professional and consulting expenses decreased by $29,134 for the first quarter of 2017 compared to the same period in 2016. The decrease in professional and consulting expenses relates to a decrease in legal and accounting fee accruals.

General and administration expenses decreased by $136,131 for the three months ended March 31, 2017 compared to the same period in 2016. The decrease year over year related to a significant reduction to insurance costs of $89,544 as the Company carried less inventory throughout the year that needed to be insured.

Warehouse rent, utilities and occupancy costs increased by $170,852 for the first quarter ended March 31, 2017 compared to the same prior year quarter. The increase was due to an increase in facility repairs and maintenance of $42,043 along with increases in repairs and operating costs to forklifts of $41,768. A portion of the Company's sublease of certain properties expired in late 2016, which was offset against rent expense in prior periods, which resulted in increased warehouse rent of approximately $78,000 for Q1 2017. The costs in this category are comprised mainly of rent, utilities, and warehouse expenses for the Edmonton, Leduc, Camrose, Acheson and USA locations as well as liquid storage tank rentals.

Depreciation and Amortization

	For the three months ended March 31			
	2017	2016	Change	
In $'000s	$	$	$	%
Depreciation on property and equipment	**236**	253	(17)	(7%)
Total	**236**	**253**	**-**	**0%**

The depreciation of property and equipment decreased during the three months ended March 31, 2017 with book values reduced due to normal amortization that occurred during the year.

Financing costs

In $'000s	For the three months ended March 31 2017 $	 2016 $	 Change $	 %
Interest on short-term operating debt	**266**	300	(34)	(11%)
Interest on long-term debt	**294**	255	39	15%
Interest on obligiatons under finance lease	**2**	5	(3)	(60%)
Cash Interest paid	**562**	**560**	**2**	**0%**
Add non-cash interest expense:				
Deferred interest expense	**192**	178	14	8%
Amortization of deferred financing costs	**70**	56	14	25%
Total interest expense	**824**	**794**	**(12)**	**-2%**

Interest on short-term operating debt decreased by $34,000 for the three months ended March 31, 2017 as the Company maintained a lower credit facility balance in Q1 2017. Interest on long-term debt for the three months ended March 31, 2017 was consistent compared to Q1 2016, as the Company has not paid down any principal over the past six quarters due to the industry downturn. The deferred interest expense is a compounded deferral interest charge on the unpaid balance of the long-term debt.

Foreign exchange

In $'000s	For the three months ended March 31 2017 $	 2016 $	 Change $	 %
Foreign exchange loss	**81**	527	(446)	(85%)
Total	**81**	**527**	**(446)**	**-85%**

During the first quarter of 2017, 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 an unfavorable position on certain net advances denominated in USD, which resulted in having a foreign exchange loss of $81,310 for the three month period ended March 31, 2017.

Income tax expense/ (Recovery)

In $'000s	For the three months ended March 31 2017 $	 2016 $	 Change $	 %
Current	**218**	(658)	876	133%
Deferred	**45**	223	(178)	(80%)
Total	**263**	**(435)**	**698**	**-160%**

The provision for income taxes for the three months ended March 31, 2017 is a net current tax expense of $262,694 compared to a net recovery of $657,696 in the same period in 2016. The significant change in total tax expense during Q1 2017 is the result of the Company recovering prior cash taxes paid in 2016. There are less recoverable amounts in the current year. The deferred tax expense is due to the utilization of deferred tax assets that were utilized this year as a result of tax planning initiatives. The Company's effective income tax rate is 27% for the three months ended March 31, 2017 (2016 – 26%).

Net earnings/(loss) and EBITDA

In $'000s	For the three months ended March 31 2017 $	2016 $	Change $	%
Net earnings/(loss)	**681**	(2,098)	2,779	132%
% of sales	**2%**	(14%)		
EBITDA (1)	**2,036**	(1,394)	3,430	246%
% of sales	**6%**	(6%)		

(1) Represents earnings before interest, taxes, depreciation, amortization, share-based payments and impairment charges (see page 12 for a further explanation of this non-IFRS measure).

The Company had net earnings of $0.681 million for the first quarter ended March 31, 2017 compared to net loss of $2.1 million in the same prior year period. The first quarter earnings as a percentage of sales was 2% compared to negative 14% from the prior year quarter. Drilling activities started to recover in Q4 2016 from their lows over the past two years and continued to improve in Q1 2017, which resulted in improved profitability quarter over quarter.

EBITDA was $2.0 million for the three months ended March 31, 2017 compared to negative $1.4 million in the same comparable prior year period; an increase of $3.4 million quarter over quarter. The first quarter EBITDA as a percentage of sales was 6% compared to negative 9% from the prior year quarter.

Basic and diluted earnings per share for the three months ended March 31, 2017 were $0.03. Earnings per share was based on the weighted average number of shares outstanding during the quarter ended March 31, 2017. The basic and diluted weighted average numbers of shares outstanding for the quarter ended March 31, 2017 were 23,623,981 and 23,923,981 (2016 – 23,623,981 and 23,623,981) respectively.

SUMMARY OF QUARTERLY DATA

In $'000s	2017 Q1	2016 Q4	2016 Q3	2016 Q2	Total TTM
Sales	$ 33,990	$ 22,098	$ 16,999	$ 8,173	$ 81,260
Gross margin ($)	5,392	3,942	2,735	1,902	13,971
Gross margin (%)	15.9%	17.8%	16.1%	23.3%	17.2%
EBITDA (1)	2,036	1,244	99	(944)	2,435
Net earnings/(loss) (2)	$ 681	$ (2,570)	$ (688)	$ (1,437)	(4,014)
Basic earnings/(loss) per share	$ 0.03	$ (0.11)	$ (0.03)	$ (0.06)	$ (0.17)
Diluted earnings/(loss) per share	$ 0.03	$ (0.11)	$ (0.03)	$ (0.06)	$ (0.17)

In $'000s	2016 Q1	2015 Q4	2015 Q3	2015 Q2	Total TTM
Sales	$ 14,821	$ 21,507	$ 27,495	$ 21,610	$ 85,433
Gross margin ($)	2,438	1,564	4,833	3,201	12,036
Gross margin (%)	16.4%	7.3%	17.6%	14.8%	14.1%
EBITDA (1)	(1,394)	(5,696)	2,339	(1,125)	(5,876)
Net earnings/(loss) from continuing operations (2)	$ (2,098)	$ (13,373)	$ 351	$ (1,709)	(16,829)
Basic earnings/ (loss) per share from continuing operations	$ (0.09)	$ (0.57)	$ 0.01	$ (0.07)	$ (0.72)
Diluted earnings/ (loss) per share from continuing operations	$ (0.09)	$ (0.57)	$ 0.01	$ (0.07)	$ (0.72)

(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 12 for a further explanation of these non-IFRS measures).

(2) In Q4 2016, the Company recognized impairment charges on plant and equipment, goodwill and other intangible assets in the amount of $593,014 (2015 - $6.1 million).

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 northern Western Canada 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 AND LIQUIDITY

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, 2017, the Company had positive working capital of $15.0 million compared to $12.7 million at December 31, 2016. The Company's current ratio (defined as current assets divided by current liabilities) was 1.37 to 1 compared to 1.33 to 1 as at December 31, 2016.

The following table summarizes the Company's sources and uses of funds for the three months ended March 31, 2017 and 2016:

Summary of Consolidated Statements of Cash Flows Period ended		March 31 2017		March 31 2016
Continuing operations				
Cash generated (used) in operating activities	**$**	**(2,781)**	$	5,389
Cash generated (used) in financing activities		**2,702**		(5,360)
Cashgenerated (used) in investing activities		**79**		(29)
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 used in operating activities for the three month period ended March 31, 2017 was $2.8 million compared to cash generated of $5.4 million for the prior year period. The increase in the Company's cash flow used in operating activities mainly relates to the increased activity levels over the past couple of quarters which also provided for a higher level of accounts receivables. In addition, the Company increased its purchases of inventory to keep up to new demand for drilling fluid products. Accounts receivable increased by $9.5 million, inventories reduced by $2.9 million while accounts payable increased by $0.5 million.

Financing activities

Cash generated in financing activities was $2.7 million for the quarter ended March 31, 2017, compared to cash used of $5.4 million in the comparable period in 2016. The cash provided by and used in financing activities relates to advances and repayments of the ABL Facility. During the quarter, the net advance of the operating line is a combination of collection of accounts receivable, net reduction of inventory and payments to vendors. The Company advanced an additional $3.4 million on its operating facility during the first quarter of 2017 as funds were used to purchase inventory as demand for fluid products increased as a result of drilling activity increases. The Company also paid $0.6 million in interest on borrowing during the quarter along with making a payment on its promissory note payable from the acquisition of Solution Blend Service in 2014.

Investing activities

Cash generated in investing activities amounted to $78,989 for the first quarter ended March 31, 2017 compared to cash used of $28,923 in 2016. The change was a result of proceeds on disposal of certain trucking assets during Q1 2017. The Company is expected to spend approximately $350,000 on capital expenditures in 2017, mainly in the USA.

Credit Facilities

On August 11, 2016, the Company renewed and amended the terms of its Asset Based Lending facility ("ABL Facility") to decrease the maximum borrowing base down to $20 million from $40 million. Other amendments included an increase in interest rates, adjustment to the financial covenants and an extension of the maturity date to August 12, 2017. The ABL Facility bears interest either at the Canadian prime rate plus 3.0% (2015 – Canadian prime rate plus 1.5%) or bankers' acceptance rate plus 4.50% (2015 - bankers' acceptance rate plus 3.00%) or LIBOR plus 4.50% (2015 - LIBOR plus 1.50%). All other terms of the ABL Facility remain unchanged. On February 16, 2017, the Company further amended the terms of the ABL Facility to increase the maximum borrowing base from $20 million to $25 million. No other changes were made to the ABL Facility.

As at March 31, 2017, the Company had drawn $17.7 million, net of unamortized transaction costs of $39,500 on its available credit facilities of $20 million, as compared to $14.5 million at December 31, 2016. The Company is required to comply with two financial covenants under its ABL Facility being a minimum adjusted tangible net worth 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 minimum adjusted tangible net worth covenant requires the Company to ensure adjusted tangible net worth is greater than $25.6 million as at March 31, 2017. This is defined, on a consolidated basis, as total assets, less intangibles and goodwill less total liabilities. The capital expenditures limit is set at a maximum of 120% of consolidated budgeted yearly capital expenditures, but does not include capital additions by way of finance lease.

On November 30, 2012, the Company secured a subordinated debt facility with Fulcrum Capital Partners Inc. ("Fulcrum"). The initial term of the sub debt facility is for five years and is secured by a second charge general security agreement covering 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 $312,786.

On August 11, 2016, the Company amended certain terms of its subordinated debenture agreement, in conjunction with the amendment to the ABL Facility. In accordance with this amendment, the Company and Fulcrum agreed to defer quarterly principal payments due on September 30, 2016, December 31, 2016, March 31, 2017 and September 30, 2017. The amendment also modifies certain financial covenants and registers a first charge on specific assets. The entire debenture is due November 30, 2017 and the Company is actively working on a range of alternatives to complete a transaction with Fulcrum.

The subordinated debt facility contains financial covenants that are consistent with the ABL Facility. In addition, the Company is required to maintain a twelve month rolling actual adjusted EBITDA in excess of 70% of projected adjusted EBITDA. Adjusted EBITDA is defined as net income before interest on debt, taxes on net income, depreciation and amortization, and non-recurring charges (including one-time transaction, acquisition and restructuring expenses, share based payments, and foreign exchange gains or losses), and after unfunded capital expenditures.

	March 31, 2017		December 31, 2016	
	As calculated	**Minimum required**	As calculated	Minimum required
Minimum adjusted tangible net worth	**$ 28,210,883**	**$ 25,682,400**	$ 29,571,250	$ 24,484,000
Eligible capital expenditures	**$ 44,069**	**$ 452,235**	$ 364,187	$ 723,480
Actual adjusted EBITDA (1) greater than 70% of projected adjusted EBITDA	**$ 1,466,069**	**$ (2,879,823)**	$ (1,505,447)	$ (4,681,987)

(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 12 for a further explanation of these non-IFRS measures).

The minimum covenants are noted in the above table. The Company monitors its covenants on an ongoing basis and reports on its compliance to its lender on a monthly basis. As at March 31, 2017, the Company was in compliance with all financial covenants.

The Company's ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations, realize forecasted revenues, control operational expenditures and secure future financing when required. Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Revenues are projected based on demand for drilling fluid products, which is driven by forecasted commodity prices and drilling activity levels. The timing and extent of operating and general administrative expenditures are projected based on the estimated revenue levels. The actual commodity prices may differ significantly from the forecasted commodity prices used by management.

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 2017 are approximately $350,000 (2016 - $250,000) which may include future equipment upgrades to blending and packaging equipment for the Canadian blending and packaging division as well as laboratory equipment for the USA blending division. The Company also plans to purchase storage tanks for its liquid mud blending facility in Texas. 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 2017, 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 Company 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 months ended March 31, 2017, the Company incurred office sharing costs of $9,000 (March 31, 2016 – $15,000) that were paid to a company over which a director has control.

RISK FACTORS AND RISK MANAGEMENT

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, 2016. 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.

In the normal course of business, The Company is exposed to financial and operating risks that may potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis. There have been no significant changes in risk and risk management since the 2016 Annual Information Form other than as described below.

Industry Conditions

While oil prices have increased somewhat from June 2016, they remain low by historical standards. As a result, there continues to be significant uncertainty and volatility in the oil and gas industry and North American oil and natural gas drilling and completion activity remains relatively low. These low industry activity levels have resulted in fierce price competition for the products and services provided by the Company. While the Company has been proactive in managing its operating cost structure to adapt to the current environment, continued low industry activity levels may require additional substantive measures be taken to preserve the Company's financial strength and flexibility.

Credit Risk

As a result of the continued volatility in the North American oil and natural gas market conditions, the Company continues to face heightened credit risk as a substantial portion of the Company's dealings are with entities involved in the oil and gas industry. In regards to accounts receivable, the Company remains focused on actively managing credit risk. Specifically, management has remained diligent in assessing credit levels granted to customers, monitoring the aging of receivables and taking proactive steps to collect outstanding balances.

The top 5 customers (2016: top 5) of the Company account for approximately 36% (2016: 33%) of revenue for the quarter ended March 31, 2017, of which one customer accounts for approximately 13.5%. 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 customer, 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.

Government Regulation

Bri-Chem's business and the business of its customers are subject to significant and evolving laws and government regulations, including in the areas of environment, health and safety. The planned implementation of a "carbon tax" by the Government of Alberta in 2017 is expected to increase the Company's operating costs although the Company is not able to quantify the full impact of such tax at this time.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to our Critical Accounting Estimates since December 31, 2016. For further information, see page 18 of our December 31, 2016 Annual Audited Consolidated Financial Statements which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

FUTURE ACCOUNTING POLICIES CHANGES

There have been no significant future accounting policy changes since December 31, 2016. For further information, please see page 20 of our December 31, 2016 Annual Audited Consolidated Financial Statements which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

ACCOUNTING POLICIES

The interim consolidated financial statements for the quarter ended March 31, 2017 have been prepared in accordance with the accounting policies adopted in the Company's annual financial statements for the year ended December 31, 2016. For further information, please see page 11 of our December 31, 2016 Annual Audited Consolidated Financial Statements which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

SHARE DATA

As at May 11, 2017, the Company had 23,632,981 common shares issued and outstanding. As of March 31, 2017, options to purchase 1,445,000 common shares were outstanding at an average price of $2.40 per common share.

NON-IFRS MEASURES

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.

EBITDA	For the three months ended March 31 2017		2016	
Net earning/(loss)	$	**681**	$	(2,098)
Add:				
Interest		**824**		794
Income taxes		**263**		(435)
Depreciation and amortization		**236**		273
Share-based payment		**32**		72
EBITDA	$	**2,036**	$	**(1,394)**

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, 2017 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, 2017 and, based on that evaluation, have concluded that the controls are effective in providing such reasonable assurance.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred in 2017 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain information and statements contained in this MD&A constitute forward-looking information, including the anticipated costs associated with the purchase of capital equipment, expectations concerning the nature and timing of growth within the various business divisions operated through affiliates of the Company, expectations respecting the competitive position of such business divisions, expectations concerning the financing of future business activities, and statements as to future economic and operating conditions. Readers should review the cautionary statement regarding forward-looking information that appears below.

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), the credit risk to which the Company is exposed in the conduct of its business, fluctuations in prevailing commodity prices or currency and interest rates, the competitive environment to which the various business divisions are, or may be, exposed in all aspects of their business, the ability of the Company's various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Company's various business divisions to attract and maintain key personnel and other qualified employees, various environmental risks to which the Company's business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Company's business divisions operate, timing and costs associated with the acquisition of capital equipment, the impact of weather and other seasonal factors that affect business operations, availability of financial resources or third-party financing and the impact of new laws and regulations or changes in existing laws, regulations or administrative practices on the part of regulatory authorities, including without limitation taxation and environmental laws and regulations and changes in how such laws and regulations are interpreted and enforced. Forward-looking information respecting the anticipated costs associated with the purchase of capital equipment are based upon historical prices for various classes of equipment, expectations relating to the impact of inflation on the future cost of such equipment and management's views concerning the negotiating position of the Company and its affiliates. Forward-looking information concerning the nature and timing of growth within the various business divisions is based on the current budget of the Company (which is subject to change), factors that affected the historical growth of such business divisions, sources of historic growth opportunities and expectations relating to future economic and operating conditions. Forward-looking information concerning the future competitive position of the Company's business divisions is based upon the current competitive environment in which those business divisions operate, expectations relating to future economic and operating conditions, current and announced build programs and other expansion plans of other organizations that operate in the energy service business. Forward-looking information concerning the financing of future business activities is based upon the financing sources on which the Company and its predecessors have historically relied and expectations relating to future economic and operating conditions. Forward-looking information concerning future economic and operating conditions is based upon historical economic and operating conditions, opinions of third-party analysts respecting anticipated economic and operating conditions. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All of the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in additional detail in this MD&A under the heading "Risk Factors and Risk Management" on page 20 and in the Company's Annual Information Form (AIF) for the year ended December 31, 2016 which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.

Corporate Information

Officers and Directors

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

Jason Theiss, CA
CFO
Edmonton, Alberta

Trent Abraham
President, North American Operations
Denver, Colorado

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

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

Brian Campbell(1)
Director
Edmonton, Alberta

Auditors

Deloitte LLP
2000 Manulife Place
10180-101 Street
Edmonton, AB T5J 4E4

Corporate Office

#15, 53016 Highway 60
Acheson, Alberta T7X 5A7
Ph: 780.962.9490
Fax: 780.962.9875

Shares Listed

Toronto Stock Exchange
Trading Symbol – BRY

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

Bankers

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

Lenders

CIBC Asset Based Lending Inc.
199 Bay Street, 4th Floor
Toronto, Ontario M5L 1A2

Transfer Agent

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

Share Capital

Issued: 23,632,981

Web Site

www.brichem.com