Q1 2018 MD&A

BRI-CHEM
Right product. Right place. Right time.

NORTH AMERICA'S LARGEST INDEPENDENT WHOLESALE OILFIELD CHEMICAL SUPPLIER

Q1 MANAGEMENT DISCUSSION & ANALYSIS – March 31, 2018

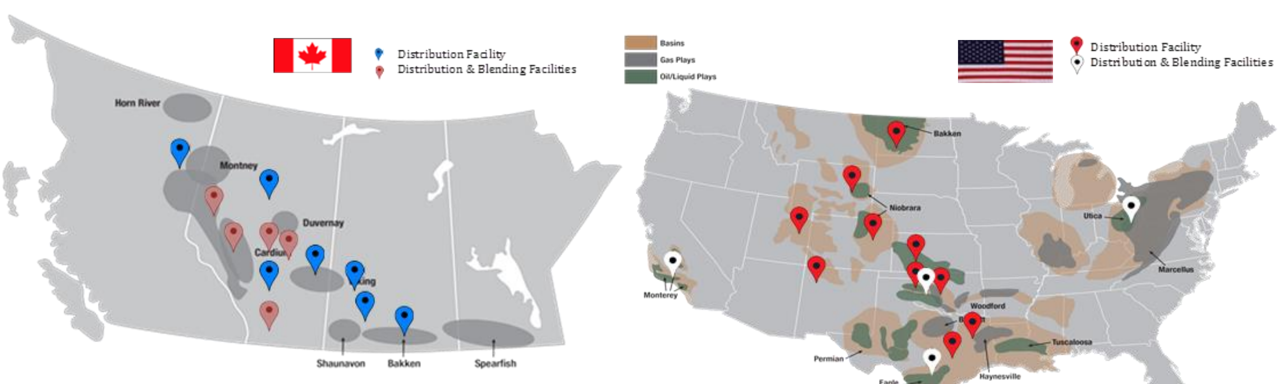
The following Management's Discussion and Analysis ("MD&A") of Bri-Chem Corp. ("Bri-Chem" or the "Company") is for the three months ended March 31, 2018. This MD&A should be read in conjunction with Bri-Chem's March 31, 2018 unaudited condensed consolidated interim financial statements and the audited annual consolidated financial statements and MD&A for the financial year ended December 31, 2017. 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 14, 2018.

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 30 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 29 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, 2018.

In $'000s *(except per share amounts)*	For the three months ended March 31, 2018	2017	Change $	%
Revenue	**$ 35,318**	$ 33,990	$ 1,328	4%
Operating earnings(1)	**970**	1,848	(878)	(48%)
EBITDA(2)	**924**	2,036	(1,112)	(55%)
EBITDA as a percentage of revenue (2)	**3%**	6%	-	56%
Net (Loss)/earnings	**(106)**	681	(787)	(116%)
Per Share Data (Diluted)				
EBITDA	**$ 0.04**	$ 0.09	$ (0.04)	(44%)
Net Earnings	**$ (0.00)**	$ 0.03	$ (0.03)	(115%)
Shares Outstanding				
Basic	23,932,981	23,632,981		
Diluted	23,941,581	23,632,981		
Financial Position				
Total Assets	**$ 88,694**	$ 70,434	$ 18,260	26%
Working Capital	**23,950**	15,048	8,902	59%
Long-term debt	**8,804**	9,266	(462)	(5%)
Shareholders Equity	**28,955**	28,999	(44)	(0%)

(1) Represents earnings before financing costs, foreign exchange, and income taxes.
(2) Represents earnings before interest, taxes, depreciation, amortization, impairment charges and share-based payments (See page 13 for a further explanation of this non-IFRS measure).

Q1 HIGHLIGHTS

Key Q1 2018 highlights include:

- Bri-Chem generated consolidated revenue of $35.3 million, an increase of 4% from the first quarter in 2017, resulting primarily from higher business activity levels in the US fluids distribution segment;
- Revenue decreased by 27% and 20% in the Canadian fluids distribution and blending divisions respectively. The USA fluids distribution division and blending division revenue increased 47% and 155% respectively over the first quarter of 2017;
- Operating earnings were $0.970 million for the three months ended March 31, 2018 compared to $1.8 million in Q1 2017, representing a 48% decrease due to higher operating costs in new Texas regional warehouses;
- EBITDA was $0.924 million versus $2.0 million in the comparable period in 2017. This 58% decrease is due to margin compression in Texas regional warehouses, lower blending activities experienced in Canada and an earlier spring break up in Western Canada;
- Bri-Chem reported a net loss of $0.106 million or $0.00 loss per share diluted compared to net earnings of $0.681 million or $0.03 earnings per share diluted in 2017, representing a 115% decrease;
- Working capital, as at March 31, 2018, was $24.0 million compared to $24.3 million at December 31, 2017. The Company's current ratio (defined as current assets divided by current liabilities) was 1.47 to 1 compared to 1.56 to 1 as at December 31, 2017

Summary for the three months ended March 31, 2018:

During Q1 2018, drilling activity levels continued to rise in the United States as the USA rig count increased 31% over the same period last year with an average of 965 rigs operating during Q1 2018, while Canada experienced consistent rig activity year over year. Bri-Chem's Q1 2018 consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses was $35.3 million compared to $34.0 million in the same prior period in 2017. This comparable quarter revenue increase is a direct result of an increase in drilling fluid demand in the United States, while Western Canada experienced an earlier than expected spring break up.

Bri-Chem's Canadian drilling fluids distribution division generated sales of $11.8 million for the three months ended March 31, 2018, compared to sales of $16.0 million over the comparable period in 2017. Q1 2018 sales were lower as many customers were adequately stocked with their own inventories for the winter drilling season given consistent drilling activity levels over the past few quarters. The number of wells drilled in Western Canada for the three month period ended March 31, 2018 was 2,175, representing a decrease of 4% over the comparable quarter in 2017. Bri-Chem's United States drilling fluids distribution division generated sales of $17.9 million for the three month period ended March 31, 2018, compared to revenues of $12.2 million in the comparable period of 2017, representing an increase of 47%.

Bri-Chem's Canadian drilling fluids blending, and packaging division generated sales of $4.1 million for the quarter ended March 31, 2018 compared to the prior year quarter sales of $5.2 million representing a 20% decrease quarter over quarter. This decrease relates to softer demand for blending services particularly in the month of March as rig activity declined much sooner than expected for spring breakup. Bri-Chem's USA fluids blending and packaging division, generated sales of $1.5 million for the three month period ended March 31, 2018, compared to $0.6 million for the comparable period in 2017 as the division has seen customer growth with return of well abandonment work in California.

Operating earnings this quarter were $0.970 million compared with an operating income of $1.8 million in the first quarter of 2017. Operating results this quarter decreased due to early start to spring break up in Western Canada and lower margins on products sold in our recently expanded oil based mud blending facilities in Texas. As a result of the higher operating costs and lower than expected margins in the Kermit and Three River warehouses, Bri-Chem will discontinue operating from these locations and seek to redeploy its cashflow resources in higher margin opportunities. This restructuring will result in various one-time sales and expenditures in Q2 2018.

EBITDA was $0.9 million for the three months ended March 31, 2018 compared to $2.0 million in the same comparable prior year period; a decrease of $1.2 million quarter over quarter or 56%. The first quarter EBITDA as a percentage of sales was 3% compared to 6% from the prior year quarter. This decrease in quarter over quarter EBITDA is mainly attributed to lower margin activity with high operating costs in new Texas regional warehouse sales and lower sales activity in the Canadian blending division. The Company had net loss of $106,091 for the quarter ended March 31, 2018 compared to net earnings of $680,762 million in the same prior year period.

OUTLOOK

Northern American oil and gas drilling activity levels should remain consistent for the remainder of 2018, however, the Company is operating cautiously as there are potential headwinds given the current political and pipeline constraints in Western Canada which may prove to have an adverse effect on drilling activity in Western Canada over the short to medium term. PSAC has forecasted 5,131 wells to be drilled in Western Canada for the remainder of 2018 with 971 wells to be drilled in the second quarter, representing a 6% forecasted decrease over Q2 2017. We also anticipate that the typical spring break-up will be extended this year as winter conditions in Canada have stretched well into May. The USA drilling market continues to see small increases in rig activity which will enable the Company to seek market share gains in regions that offer higher margin opportunity for superior customer service.

Oilfield service activity in Canada will be impacted by pipeline construction, environmental regulations and the level of investment in Canada. Currently, the largest challenges facing the oilfield service industry are restrained customer spending, relative to historical levels, due to low natural gas prices and differentials on Canadian crude oil. Bri-Chem will continue to be proactive in seeking higher margin opportunities throughout all its North America business segments.

DISCUSSION OF Q1 OPERATING RESULTS

Sales by Segment	For the three months ended March 31			
	2018	2017	Change	
In $'000s	$	$	$	%
Fluids Distribution - Canada	**11,783**	16,046	(4,263)	(27%)
Fluids Distribution - USA	**17,931**	12,191	5,740	47%
Total Fluids Distribution	**29,714**	28,237	1,477	5%
Fluids Blending & Packaging - Canada	**4,110**	5,167	(1,057)	(20%)
Fluids Blending & Packaging - USA	**1,493**	586	907	155%
Total Fluids Blending & Packaging	**5,603**	5,753	(150)	(3%)
Consolidated Sales	**35,317**	33,990	1,327	4%

Consolidated Oilfield Chemical Divisions

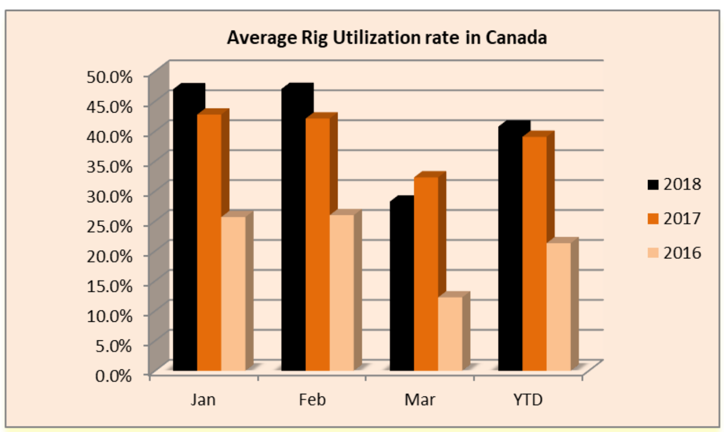
Bri-Chem's Q1 2018 consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses was $35.3 million compared to $34.0 million in the same prior period in 2017. This 4% quarterly revenue increase was a result of market expansion in oil based mud blending in the Texas drilling regions.

North American Drilling Fluids Distribution Divisions

The Company's North American drilling fluids distribution divisions recorded combined sales of $29.7 million for the three months ended March 31, 2018 compared to sales of $28.2 million in 2017, representing a slight increase of 5% quarter over quarter. The Canadian fluids distribution divisions' sales decreased by 27% for the three month period, while the USA fluids distribution division experienced a sales increase of 47% over the same comparable quarter in 2017.

Canadian Drilling Fluids Distribution Division

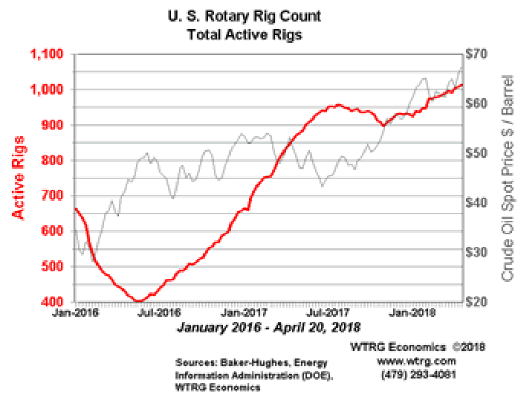
Canadian distribution sales were $11.8 million for the three months ended March 31, 2017, compared to sales of $16.0 million over the same comparable period in 2017. The decrease of revenue resulted from many of our larger customers being more prepared carrying higher inventory levels while entering the Q1 2018 drilling season in difference to having to replenish inventory levels in Q1 2017 due to a quick industry rebound and the end of fiscal 2016. In addition to more inventory in the market place, the Western Canadian drilling activity experienced a rapid decrease in the number of rigs operating in the latter half of March which lead to lower sales and earlier than expected product returns during the quarter.



Western Canada active rig count remained flat for the first quarter of 2018, increasing only by 1.7% over Q1 2017. The number of wells drilled in Q1 2018 in Western Canada was 2,175 compared to the 2,264 wells drilled in Q1 2017, representing a decrease of 4% quarter over quarter. In Canada, drilling rig utilization averaged 41% for the first quarter in 2018, an increase of 2% quarter over quarter.

United States Drilling Fluids Distribution Division

The Company's USA drilling fluids distribution division generated revenues of $17.9 million for the three months ended March 31, 2017 compared to $12.2 million for the same quarter in 2017, representing a 47% increase. A large component of the sales increase was due to the expansion of two oil based mud facilities in Texas. Although sales were robust in those regions, the Company determined that substantial above average operating costs were being incurred to maintain those operations. Also due to the competitive environment in those locations, target gross margins and EBITDA percentages were not achievable and therefore not the best use of cashflow resources at this time. Bri-Chem has discontinued operating from Kermit and Three Rivers and will seek to redeploy its inventory and equipment in higher margin opportunities. This restructuring will result in various one-time sales and expenditures in Q2 2018.



The average number of active rigs running during Q1 2018 was 965, as compared to 739 rigs running in Q1 2017, an increase of 31% quarter over quarter. Due to this increase in US drilling activity, demand for drilling fluid products in other major regions, such as mid continent and the North East, experienced vast gains with target margins being achieved.

Fluids Blending and Packaging Division

Canadian Fluids Blending and Packaging Division

For the first quarter of 2018, the Canadian fluids blending and packaging division sales were $4.1 million compared to $5.2 million in 2017 representing a 20% decrease this quarter over the prior year quarter. This decrease is related to weaker demand for bulk packaging and blending of chemicals during the quarter as customers had more appropriate levels of inventory on hand for the winter drilling season compared to the same quarter a year ago. Additionally, Western Canadian drilling activity experienced a rapid decrease in the number of rigs operating in the latter half of March which lead to lower sales.

United States Fluids Blending and Packaging Division

For the three months ended March 31, 2018 sales were $1.5 million compared to $0.6 million for the same comparable period in 2017 representing a 155% increase year over year. With a management and employee restructuring that occurred in mid Q1 2016, the division has gained market share and secured solid customer relationships which has generated increased sales in the division for the first quarter of 2018.

Gross Margin

	For the three months ended March 31					
	2018		2017		Change	
In $'000s	$	%(1)	$	%(1)	$	%
Distribution - Canada	**1,771**	**15.0%**	1,825	11.4%	(54)	(3%)
Distribution - USA	**2,292**	**12.8%**	2,275	18.7%	17	1%
Total distribution	**4,063**	**13.7%**	4,100	14.5%	(37)	(1%)
Blending - Canada (1)	**843**	**20.5%**	1,164	22.5%	(321)	(28%)
Blending - USA	**541**	**36.2%**	128	21.8%	413	323%
Total Blending	**1,384**	**24.7%**	1,292	22.5%	92	7%
Total	$ 5,447	15.4%	$ 5,392	15.9%	$ 55	1%

(1) As a percentage of divisional revenues

Bri-Chem's Q1 2018 consolidated margins from its North American oil and gas drilling fluids distribution, blending and packaging businesses was up marginally 1% to $5.4 million compared to the same prior period in 2017. Consolidated margins as a percentage of sales fell by 0.5% in Q1 2018 compared to Q1 2017 as the Company grew its presence in West Texas which operates at lower margins. In addition, the Company experienced higher US sales of lower margin products such as oil based mud and barite.

Canadian fluid distribution margins averaged 15.0% for the first quarter ended March 31, 2018 compared to an average gross margin of 11.4% for the same comparable quarter in 2017. The increase in gross margins in Q1 2018 was due the Company selling less lower margin products such as oil based mud and barite which resulted in overall higher gross margins. With the return of stable drilling activity, customers purchased less commodity products this year compared to Q1 2017, which also improved margins as the non-commodity products typically have higher margins. We anticipate gross margins in the division should remain consistent for the remainder of 2018 with the exception of potential one-time barite sales due to the market currently having excess barite inventory available for 2018.

The USA fluids distribution margins were 12.8% for the three months ended March 31, 2018; a decrease of 5.9% compared to the same period in 2017. The decrease in margins during the quarter relates to a combination of increased sales of lower margin products of oil based mud and barite being sold in the highly competitive lower margin west Texas region in an effort to gain new market share. As a result of this expansion, the division incurred increased warehouse rent, storage tank rental for blending and oil based mud storage and experienced an increase in transportation costs due to a shortage of trucking and logistics within the Texas regions. Margins fluctuate based on product mix and geographic region, however, the division did experience higher margins due to an increase in rig activity in other USA regions such as the mid-continent and the North East. Due to the overly competitive environment in Kermit and Three Rivers, Texas, targeted gross margins were not achievable and therefore not the best use of cashflow resources at this time. Bri-Chem has discontinued operating from Kermit and Three Rivers and will seek to redeploy its inventory and equipment in higher margin opportunities. This restructuring will result in various one-time sales at lower margins for the short term as the Company continues to evaluate and seek higher margin regions.

The margins for the Canadian fluids blending, and packaging division declined to 20.5% for the three months ended March 31, 2018, compared to 22.5% for the same comparable prior year period. The decrease related to a small cost increases on product that were not able to be passed on to customers during the quarter. The United States blending, and packaging division generated gross margins of 32.6% for Q1 2018 which represents an increase of 323% from the prior year period. The increase of the gross margin in Q1 2018 relates to the increase of overall sales and of high margin product during the first quarter of 2018.

Salaries and Employee Benefits

	For the three months ended March 31			
	2018	2017	Change	
In $'000s	$	$	$	%
Salaries and benefits	**2,359**	1,849	510	28%
% of sales	**6.7%**	5.4%		

Salaries and benefits increased modestly for the first quarter of 2018 compared to the prior period of 2017, as the Company has increased overhead to keep up with demand levels. Due to the increase in 2017, the Company reversed its wage rollback of 5% for employees and 10% for management in Q2 2017 which has resulted in increased wages. In addition, the Company hired additional warehouse and accounting personal throughout 2017 to keep up with increased demend in Canada and the USA, which increased overall wage costs. The Company employed 85 (37 Canada and 48 USA) employees at March 31, 2018 compared to 67 (31 Canada and 36 USA) at March 31, 2017. 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			
	2018	2017	Change	
In $'000s	$	$	$	%
Selling	**193**	109	84	77%
Professional and consulting	**292**	183	109	60%
General and administrative	**475**	281	194	69%
Rent, utilities, and occupancy costs	**896**	886	10	1%
Total	**1,856**	**1,459**	**397**	**27%**

Selling expenses increased slightly by approximately $84,000 for the quarter when compared to the same quarter of 2017. With increased drilling activity the Company has increased selling expenses including advertising and promotion by $31,063. Travel costs increased by $36,725 this quarter compared to Q1 2017 as sales and management increased travel due to increased demand of drilling fluid products. Selling costs consist of expenses related to travel and entertainment of customers. As activity levels improved throughout 2017 and continued into 2018, the sales staff have increased customer relation efforts.

Professional and consulting expenses increased by $109,073 for the first quarter of 2018 compared to the same period in 2017. The increase in professional and consulting expenses relates to an increase in legal and accounting fee accruals.

General and administration expenses increased by $193,752 for the three months ended March 31, 2018 compared to the same period in 2017. The increase relates to uncollectible accounts receivable of $121,794 compared a recovery of $75,803 in Q1 2017. Insurance costs increased by $36,473 quarter over comparable quarter as the Company is insuring more inventory this year compared to last and dues and subscriptions increase by $27,336 which was offset by a decrease in safety and bank charges.

Warehouse rent, utilities and occupancy costs were consistent with an increase of $10,436 for the first quarter ended March 31, 2018 compared to the same prior year quarter. The increase was due to an increase in facility repairs and maintenance along with an increase of utilities. The costs in this category are comprised mainly of warehouse rent, utilities.

Depreciation and Amortization

	For the three months ended March 31			
	2018	2017	Change	
In $'000s	$	$	$	%
Depreciation on property and equipment	**260**	236	24	10%
Total	**260**	**236**	**-**	**0%**

The depreciation of property and equipment increased during the three months ended March 31, 2018 with 2017 asset additions being depreciated during 2018.

Financing costs

	For the three months ended March 31			
	2018	2017	Change	
In $'000s	$	$	$	%
Interest on short-term operating debt	**427**	266	161	61%
Interest on long-term debt	**229**	294	(65)	(22%)
Interest on obligiatons under finance lease	**1**	2	(1)	(50%)
Cash Interest paid	**657**	**562**	**95**	**17%**
Add non-cash interest expense:				
Deferred interest expense	**-**	192	(192)	(100%)
Amortization of deferred financing costs	**23**	70	(47)	(67%)
Total interest expense	**680**	**824**	**142**	**17%**

Interest on short-term operating debt increased during the quarter compared to same quarter of 2017 as the Company maintained a higher credit facility balance in Q1 2018. Interest on long-term debt for the three months ended March 31, 2018 was lower compared to Q1 2017, as the Company replaced its high interest subordinated debt with lower interest term debt in late 2017 resulting in lower interest costs and elimination of the deferred interest.

Foreign exchange

	For the three months ended March 31			
	2018	2017	Change	
In $'000s	$	$	$	%
Foreign exchange loss	**306**	81	225	278%
Total	**306**	**81**	**225**	**278%**

During the first quarter of 2018, 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 $305,564 for the three month period ended March 31, 2018.

Income tax expense

In $'000s	For the three months ended March 31 2018 $	 2017 $	Change $	 %
Current	**21**	218	(197)	90%
Deferred	**69**	45	24	53%
Total	**90**	**263**	**(173)**	**-66%**

The provision for income taxes for the three months ended March 31, 2018 is a net current tax expense of $21,470 compared to a net expense of $217,803 in the same period in 2017. The income tax expense is the result of profitable segments of the business for which taxes would be owed. The deferred tax expense is due to the utilization of deferred tax assets that would be utilized during the year as a result of tax planning initiatives. The Company's effective income tax rate is 27% for the three months ended March 31, 2018 (2017 - 27%).

Net (loss)/earnings and EBITDA

In $'000s	For the three months ended March 31 2018 $	 2017 $	Change $	 %
Net (loss)/earnings	**(106)**	681	(787)	(116%)
% of sales	**(0%)**	2%		
EBITDA [(1)]	**924**	2,036	(1,112)	(55%)
% of sales	**3%**	6%		

(1) Represents earnings before interest, taxes, depreciation, amortization, share-based payments and impairment charges (see page 13 for a further explanation of this non-IFRS measure).

The Company had a net loss of $0.106 million for the first quarter ended March 31, 2018 compared to net earnings of $0.681 million in the same prior year period. The first quarter loss as a percentage of sales was nil compared to 2% from the prior year quarter.

EBITDA was $0.924 million for the three months ended March 31, 2018 compared to negative $2.0 million in the same comparable prior year period; a decrease of $1.112 million quarter over quarter. The first quarter EBITDA as a percentage of sales was 3% compared to 6% for the same period in 2017. This decrease in quarter over quarter EBITDA is mainly attributed to lower margin activity with high operating costs in new Texas regional warehouse sales and lower sales activity in the Canadian blending division

Basic and diluted loss per share for the three months ended March 31, 2018 were $0.01. Loss per share was based on the weighted average number of shares outstanding during the quarter ended March 31, 2018. The basic and diluted weighted average numbers of shares outstanding for the quarter ended March 31, 2018 were 23,932,981 and 23,941,581 (2017 – 23,623,981 and 23,623,981) respectively.

SUMMARY OF QUARTERLY DATA

In $'000s	2018 Q1	2017 Q4	2017 Q3	2017 Q2	Total TTM
Sales	$ 35,318	$ 27,917	$ 30,542	$ 23,761	$ 117,538
Gross margin ($)	5,447	5,030	6,006	4,281	20,764
Gross margin (%)	15.4%	18.0%	19.7%	18.0%	17.7%
EBITDA (1)	924	1,772	2,337	788	5,821
Net earnings/(loss) (2)	$ (106)	$ 690	$ 670	$ (377)	877
Basic earnings/(loss) per share	$ -	$ 0.03	$ 0.03	$ (0.02)	$ 0.04
Diluted earnings/(loss) per share	$ -	$ 0.03	$ 0.03	$ (0.02)	$ 0.04

In $'000s	2017 Q1	2016 Q4(2)	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)	2,033	1,244	99	(944)	2,432
Net earnings/(loss) from continuing operations (2)	$ 725	$ (2,570)	$ (688)	$ (1,437)	(3,970)
Basic earnings/ (loss) per share from continuing operations	$ 0.03	$ (0.11)	$ (0.03)	$ (0.06)	$ (0.17)
Diluted earnings/ (loss) per share from continuing operations	$ 0.03	$ (0.11)	$ (0.03)	$ (0.06)	$ (0.17)

(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 13 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, 2018, the Company had positive working capital of $24.0 million compared to $24.3 million at December 31, 2017. The Company's current ratio (defined as current assets divided by current liabilities) was 1.47 to 1 compared to 1.56 to 1 as at December 31, 2017.

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 2018		March 31 2017
Continuing operations				
Cash generated (used) in operating activities	**$**	**(3,975)**	$	(2,781)
Cash generated (used) in financing activities		**4,520**		2,702
Cashgenerated (used) in investing activities		**(545)**		79
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, 2018 was $4.0 million compared to cash used of $2.8 million for the prior year period. The decrease in the Company's cash flow used in operating activities relates to the purchasing and build of inventory levels to support improved drilling activity. The Company experienced an increase in accounts receivable of $2.9 million and inventory increased by $3.4 million for the quarter compared to the year end at December 31, 2017, while accounts payable increased by $1.1 million over the same period.

Financing activities

Cash generated in financing activities was $4.5 million for the quarter ended March 31, 2018, compared to cash generated of $2.7 million in the comparable period in 2017. The cash provided by 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 $5.4 million on its operating facility during the first quarter of 2018 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 $200,000 of principal payments on its term debt.

Investing activities

Cash used in investing activities amounted to $0.5 million for the first quarter ended March 31, 2018 compared to cash generated of $78,989 in 2017. During the first quarter of 2018 the Company purchased equipment such as additional storage and mix tanks for the US operations as well deposits on an upgrade to its ERP system. The Company is expected to spend approximately $500,000 on capital expenditures in 2018 to complete the ERP system upgrade as well as small improvements to facilities.

Credit Facilities

On November 6, 2017, the Company renewed and amended the terms of its Asset Based Lending facility ("ABL Facility") to increase the maximum borrowing base up to $35 million from $25 million. Other amendments included a decrease in interest rates, adjustments to the financial covenants and an extension of the maturity date to October 31, 2020. The ABL Facility bears interest either at the Canadian prime rate plus 3.0% or bankers' acceptance rate plus 4.50% or LIBOR plus 4.50%. All other terms of the ABL Facility remain unchanged. Furthermore, on February 8, 2018, the Company increased its ABL Facility from $35 million to a maximum of $40 million.

On August 11, 2016, the Company renewed and amended the terms of its 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, 2018, the Company had drawn $32.1 million, net of unamortized transaction costs of $104,500 on its available credit facilities of $40 million, as compared to $15 million at December 31, 2017. The Company is required to comply with two financial covenants under its ABL Facility being a minimum fixed charge coverage ratio and a 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 covenant requires the Company to ensure a minimum of 1 to 1. This is 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. EBITDA is defined as net income before interest on debt, taxes on net income and depreciation and amortization and non-recurring charges (including one-time transaction, acquisition, restructuring expense, share based payments, and foreign exchange gains or losses). The capital expenditure 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 6, 2017, the Company secured a $10 million term debt facility with Grey Point Capital Inc. ("GreyPoint"). The initial term of the debt facility is for five years and is secured by a first charge over all real property, plant and equipment and a second charge general security agreement covering all present and after acquired assets and postponement of claim from related parties. The term debt facility bears interest at the 30 day Bankers' Acceptance Rate plus 800 basis points, with repayments of $66,667 principal plus interest paid monthly. Financial covenants are consistent with those in the amended and restated ABL Facility.

On November 30, 2012, the Company secured a $10 million subordinated debt facility with Fulcrum Capital Partners Inc. ("Fulcrum"). 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. On November 30, 2015 and 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 these amendments, the Company and Fulcrum agreed to defer quarterly principal payments due on September 30, 2016, December 31, 2016, March 31, 2017 and June 30, 2017. The amendments also modified certain financial covenants, registered a first charge on specific assets and included an 8.5% principal deferral fee on the outstanding principal balance until paid in full. The Fulcrum subordinated debt loan had an outstanding balance of $9,604,749. The Company paid the entire principal balance in full from the proceeds received from the GreyPoint $10 million term loan. The Company received a full release from Fulcrum.

	Mar 31 2018	**Requirement**		Dec 31 2017		Requirement
Fixed Charge coverage ratio	**5.75**	**Must exceed 1.00**		10.71		Must exceed 1.00
Eligible capital expenditures	**544,580**	**Not to exceed 2,241,600**	$	903,714	$	Not to exceed 1,050,000

(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 13 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, 2018, 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 2017 are approximately $500,000 (2017 - $350,000) which may include future equipment upgrades to blending and packaging equipment for the Canadian blending and packaging division as well as storage tanks for the USA fluids distribution division and an upgrade to the Company's ERP system. Capital expenditures typically are comprised of betterments and upgrades to existing assets, and additions incurred during the period. The Company ensures equipment is efficient and profitable or the equipment is replaced when the cost of maintenance and operating the equipment is not feasible.

Off-balance sheet arrangements

The Company did not enter into any off-balance sheet arrangements during the current or comparable reporting period.

Transactions with related parties

During the three months ended March 31, 2018, the Company incurred office sharing costs of $9,000 (March 31, 2017 – $9,000) 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, 2017. 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

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 6 customers (2017: top 5) of the Company account for approximately 38% (2017: 36%) of revenue for the quarter ended March 31, 2018, of which one customer accounts for approximately 10.3%. 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.

Transportation and Distribution Network Risk

The Company relies on a wide distribution network to manage its inventory flow between locations and from the point of initial material inventory purchase to final customer sale. Common to industry practice, the Company has no formal long-term contract with its major inventory storage and distribution supplier. If they were to experience a breakdown in this network, it could have a potential material effect on sales, margins and profitability.

Risks Related to the Ongoing Effects of the U.S. Tax Cuts and Jobs Act and the Refinement of Provisional Estimates

On December 22, 2017 the US Tax Cuts and Jobs Act was enacted. Various U.S government departments, standard-setters, and tax consultants will be required to make significant judgements and estimates in the interpretation and calculation of the various provisions of the Act. The company has significant recorded and unrecorded tax assets that may be impacted and adjusted as additional communication and understanding of the specific rules is communicated.

Risks Related to Cybersecurity Breaches or Business System Disruptions

The company has deployed numerous management information systems and tools throughout its business units and branches. It also employs the services of third party information technology firms, and third-party information systems to ensure the continuous availability of its system and tools. Our reliance on our business partners, customers and employees to ensure that proper security protocols are maintained is significant. A breach of our security systems can lead to the lost of intellectual property, reputation and competitiveness which could have a material adverse effect on our business, operations, and financial condition.

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 implementation of a "carbon tax" by the Government of Alberta in 2017 and anticipated carbon tax by the Federal Government of Canada 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, 2017. For further information, see page 17 of our December 31, 2017 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, 2017. For further information, please see page 18 of our December 31, 2017 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, 2018 have been prepared in accordance with the accounting policies adopted in the Company's annual financial statements for the year ended December 31, 2017. For further information, please see page 10 of our December 31, 2017 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 14, 2018, the Company had 23,932,981 common shares issued and outstanding. As of March 31, 2018, options to purchase 1,320,000 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 2018		2017	
Net (loss)/earnings	**$**	**(106)**	$	681
Add:				
Interest		**680**		824
Income taxes		**90**		263
Depreciation and amortization		**260**		236
Share-based payment		**-**		32
EBITDA	**$**	**924**	**$**	**2,036**

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, 2018 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 Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

The Chief Executive Officer and Chief Financial Officer have concluded, based on their assessment that the design and implementation of the Company's disclosure controls and procedures have deficiencies in ICFR as described below. The deficiencies identified did not result in any material adjustments to the Company's financial statements for the period ended March 31, 2018 or any prior period.

During the process of management's assessment, it was determined that a deficiency existed in the ICFR. Specifically, control limitations were identified relating to segregation of duties, review of journal entries and various IT related weaknesses related to passwords and monitoring of user access in the accounting process. These situations are common to many small companies. While deficiencies in segregation of duties could lead to a material misstatement in the financial statements, other checks and balances including direct involvement of senior management in the day to day operations of the Company are in place, and no material misstatement has occurred. However, these mitigating procedures may not be considered sufficient to reduce the likelihood that a material misstatement would be prevented or detected in the future.

As the Company grows, it plans to expand the number of individuals involved in the accounting function and to implement additional oversight and review type controls around the specific control deficiencies noted above.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred in 2018 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, CPA, CA
CFO
Spruce Grove, Alberta

Trent Abraham
President, North American Operations
Denver, Colorado

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

Eric Sauze, CPA, CA(1) (2)
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Toronto Stock Exchange
Trading Symbol – BRY

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(2) Member of Compensation Committee

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