Q1 2020 MD&A

North America's Oilfield Chemical Distribution & Blending Company

BRI-CHEM

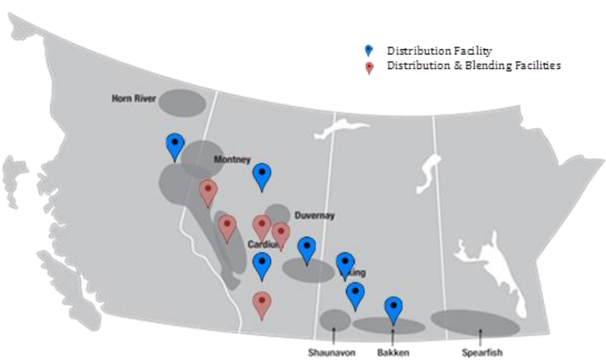
Right product. Right place. Right time.

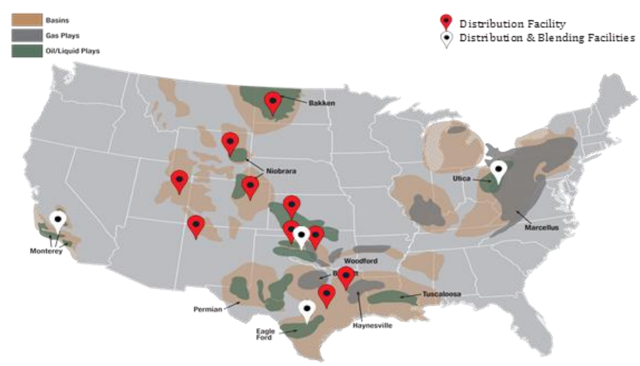
This Management's Discussion and Analysis ("MD&A") of Bri-Chem Corp. ("Bri-Chem" or the "Company") was prepared as at May 11, 2020 for the three months ended March 31, 2020 and should be read in conjunction with the Company's March 31, 2020 interim condensed consolidated financial statements (the "financial statements") and December 31, 2019 and 2018 audited annual consolidated financial statements. The Company's interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and include the results 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. All amounts presented in this MD&A are in Canadian dollars, except as otherwise noted. **Readers are encouraged to review the "Cautionary Statement Regarding Forward-Looking Information and Statements" and "Non-IFRS Measures" at the end of this document.**

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 26 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 14 warehouse locations that are strategically located in major drilling regions throughout the USA. 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 26 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 their widely dispersed drilling rig locations. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

A summary of the Company's distribution network is as follows:





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 most of the 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.

FINANCIAL AND OPERATING INFORMATION HIGHLIGHTS

(in '000s except per share amounts)	Three months ended March 31 2020		2019		Change $	%
Financial performance						
Sales	**$**	**21,415**	$ 25,898	$	(4,483)	(17%)
Adjusted EBITDA[1]		**383**	1,602		(1,219)	(76%)
As a % of revenue		**2%**	6%			
Adjusted operating earnings		**294**	990		(696)	(70%)
Adjusted net (loss) / earnings [1]		**(470)**	379		(849)	(224%)
Net (loss) / earnings	**$**	**(470)**	$ 359	$	(829)	57%
Diluted per share						
Adjusted EBITDA	**$**	**0.02**	$ 0.07	$	(0.05)	(76%)
Adjusted net (loss) / earnings		**(0.02)**	$ 0.02	$	(0.04)	nm
Net (loss) / earnings	**$**	**(0.02)**	$ 0.02	$	(0.04)	nm
Financial position						
Total assets	**$**	**46,284**	$ 66,743	$	(20,459)	(31%)
Working capital		**15,637**	17,413		(1,776)	(10%)
Long-term debt		**7,983**	8,596		(613)	(7%)
Shareholders equity	**$**	**16,593**	$ 20,361	$	(3,768)	(19%)

(1) *Refer to the "Non-IFRS Measures" section for a definition of non-GAAP terms as well as reconciliations for Adjusted EBITDA, Adjusted Operating Income, and Adjusted (Loss) / Net Earnings).*

Key Q1 2020 highlights include:

- Consolidated sales for the three months ended March 31, 2020 were $21.4 million, a decrease of 17% compared to the comparable period last year due to weaker performance in the fluids distribution divisions in Canada and the United States as the industry is facing significant challenges as Global oil prices declined rapidly in the latter part of the first quarter of 2020 stemming from failed negotiations between OPEC+ countries and reduced demand driven by the novel coronavirus ("COVID-19") health pandemic, including government responses thereto.

- Adjusted EBITDA for the first quarter was $383 thousand versus $1.6 million over Q1 2019, representing a 76% decrease year over year. The decrease related to weaker performance in all divisions with the exception of the USA Fluids Blending and Packaging Division;

- Adjusted operating income was $294 thousand for the three months ended March 31, 2020 compared to income of $990 thousand in the prior year comparable quarter, representing a 70% decrease;

- Net loss per diluted share for the three months ended March 31, 2020 was $0.02 per share compared to net income of $0.02 per diluted share for same period last year;

- Working capital, as at March 31, 2020, was $15.6 million compared to $17.4 million at December 31, 2019, a decrease of 10%. Management continues to ensure that prudent cash management practices are followed by reducing inventory to levels more appropriate to the current environment, ensuring that collecting accounts receivable remains a priority while continuing to retire the accounts payable to our vendors. Over the short to medium term, the Company will continue to look at reducing inventory levels given the level of activity negatively impacted by global demand, international oil price wars and the COVID-19 pandemic.

Summary for the months ended March 31, 2020:

Bri-Chem's Canadian drilling fluids distribution division generated sales of $3.8 million for the three months ended March 31, 2020 compared to $5.3 million in the comparable period in 2019. Demand for drilling fluid products is driven by the level of current and future capital drilling programs which have been negatively impacted in March 2020 as a result of the market conditions described above. The number of wells drilled in Western Canada for the first quarter of 2020 was 1,783 compared to 1,529 in the same period last year which, while representing an increase of 17%, the number of active operating rigs in March 2020 averaged 131, a decrease of 13% over the month of March in 2019. (Source: Petroleum Services Association of Canada "PSAC"). Bri-Chem's United States drilling fluids distribution division generated sales of $12.5 million for the three months ended March 31, 2020 compared to sales of $15.4 million for the comparable period in 2019, representing a decrease of 19%. The decreases were the result of lower customer demand as the average number of active rigs operating in the United States fell to 784 at March 31, 2020 from 1,045 at March 31, 2019.

Bri-Chem's Canadian Blending and Packaging division generated sales of $2.9 million for Q1 2020 consistent with sales of $2.8 million for the comparable quarter in 2019. The division managed to pick up additional bulk blending of cement additives and, as well, toll blending of stimulation and production chemicals remained consistent quarter over comparable quarter. Near the end of the quarter, the division obtained a contract for packaging of hand sanitizer in response to the increase of demand driven by the COVID-19 pandemic. US Blending and Packaging sales for the three months ended March 31, 2020 were $2.2 million compared to $2.3 million for the comparable period in 2019, a decrease of $112 thousand. Well abandonment work remains consistent in the State of California and as a result, revenues continue to be stable quarter over comparable quarter.

Adjusted operating earnings for the three months ended March 31, 2020 was $293 thousand compared to $990 thousand during the same period last year. Adjusted EBITDA was $383 thousand for Q1 2020 compared to $1.6 million for Q1 2019. Adjusted EBITDA as a percentage of sales was 2% for the quarter. The decrease was due to the weak macroeconomic environment despite reduction in infrastructure costs.

OUTLOOK

The unprecedented world outbreak of COVID-19 has forced many businesses and, as a result, economies to pause which has significantly reduced global oil demand. In addition, the failure of OPEC and Russia (OPEC+ group) to agree on an extension of oil production cuts in March 2020 immediately and negatively inpacted the price of oil, resulting in many operators reducing their planned drilling activities. Subsequent to the Q1 2020 reporting period, the global impact of the COVID-19 as well as the significant decline in global oil prices, has fostered substantially elevated uncertainty as to the health of global economies over the near term. As a result, the Company has put in place a number of initiatives to reduce costs and risks associated with global factors, including examining and, if thought appropriate, reducing purchases, reducing inventory to levels appropriate to the current environment, aggressively collecting amounts outstanding from customers and reducing infrastructure costs, including temporary layoffs and reduced work hours. We are expecting a material reduction of revenue until industry activities improve and customer spending and demand for our services recommences. Due to the above factors, Bri-Chem is subject to liquidity risks which may have a negative impact on the Company's ability to raise equity and or obtain loans in the future that are on terms favourable to the Company. During this unprecedented time, we will be working with our customers, creditors, suppliers and lenders to manage our financial resources. As is the general consensus amongst business and governmental official, there is great uncertainty as to the timeframe for world economies returning to some state of normal activity and when world demand for oil will increase. Over the medium term, the Company will carefully monitor the volatile market and will adjust operations accordingly.

DISCUSSION OF Q1 OPERATING RESULTS

Divisional sales

(in 000's)	Three months ended March 31 2020	2019	Change $	%
Fluids Distribution				
Canada	**$ 3,781**	$ 5,337	$ (1,556)	(29%)
US	**12,523**	15,378	(2,855)	(19%)
	16,304	20,715	(4,411)	(21%)
Fluids Blending & Packaging				
Canada	**2,889**	2,849	40	1%
US	**2,222**	2,334	(112)	(5%)
	5,111	5,183	(72)	(1%)
Consolidated sales	**$ 21,415**	$ 25,898	$ (4,483)	(17%)
Geographic region				
Canada	**$ 6,670**	$ 8,186	(1,516)	(19%)
US	**$ 14,745**	$ 17,712	(2,967)	(17%)
Consolidatd sales	**$ 21,415**	$ 25,898	(4,483)	(17%)

Consolidated sales for the three months ended March 31, 2020 were $21.4 million compared to $25.9 million for the same period in 2019, representing a $4.5 million decrease. The decrease in revenue is related to the rapid decline in global oil prices in the latter part of the first quarter of 2020 stemming from failed negotiations between OPEC+ countries and reduced demand driven by the novel coronavirus COVID-19 health pandemic, including government responses thereto. As a result, the industry is experiencing swift declines in drilling activity throughout Canada and the United States. Our blending divisions in Canada and the US experienced minimal decreases as those divisions were not as impacted by these events in the first quarter of 2020.

Fluids Distribution Divisions

For the three months ended March 31, 2020 the Canadian fluids distribution division generated sales of $3.8 million compared to sales of $5.3 million for the same period in 2019, representing a decrease of 28%. The decrease was due to the decline in the average number of rigs running in the quarter, particularly in the month of March. While the number of wells drilled for the first quarter of 2020 increased by 17%, March experienced a decrease with 131 operating rigs running on average for the month compared to 150 average rigs operating for the same month in 2019. With the reduced drilling activity levels, demand for drilling fluid products will remain low and many customers who self supply products will have sufficient stock given the decline in activity.

The US Fluids Distribution division generated sales of $12.5 million which was $2.8 million lower the same period in 2019. This 19% decrease is reflected in the decrease in drilling activity in the US during the same period, particularly in the states of Oklahoma and Texas which has experienced the most significant decrease in rig activity. The operating rig decrease that commenced in second half of 2019, continued into 2020 and saw an average number of rigs operating for Q1 2020 at 784 compared to 1,045 for Q1 2019 (Source: Baker Hughes).

Fluids Blending & Packaging Division

The Canadian Fluids Blending and Packaging recorded sales of $2.9 million for the three months ended March 31, 2020 compared to sales of $2.8 million for the comparable quarter in 2019. The division experienced a small increase during the quarter as the division was able to secure higher cement product sales to one specific customer during the quarter. In addition, the division also picked up a contract to package hand sanitizer. This contract is expected to continue beyond Q2 2020.

US Fluids Blending and Packaging sales for the three months ended March 31, 2020 were $2.2 million compared to $2.3 million for the same comparable period in 2019, a decrease of $112 thousand. Well abandonment work remains strong in the state of California as a result, revenues continue to be consistent quarter over comparable quarter.

Divisional Gross Margin

	Three months ended March 31				Change	
(in 000's)	2020	% (1)	2019	% (1)	$	%
Fluids distribution						
Canada	**$ 572**	15%	$ 603	11%	$ (31)	(5%)
US	**1,840**	15%	2,436	16%	(596)	(24%)
	2,412	15%	3,039	15%	(627)	(21%)
Fluids blending & packaging						
Canada	**661**	23%	674	24%	(13)	(2%)
US	**591**	27%	866	37%	(275)	(32%)
	1,252	24%	1,540	30%	(288)	(19%)
Consolidated gross margin	**$3,664**	17%	$ 4,579	18%	$(915)	(20%)
Geographic region						
Canada	**1,233**	18%	1,277	16%	(44)	(3%)
US	**2,431**	16%	3,302	19%	(871)	(26%)
Consolidated gross margin	**$3,664**	17%	4,579	18%	(915)	(20%)

(1) Expressed as a percentage of divisional sales

Consolidated gross margin for the three months ended March 31, 2020 decreased by $915 thousand compared to the same period last year. The decrease in gross margin dollars was the result of weaker sales activity as the Company's consolidated gross margins remained consistent year over year. The Company maintained a lower inventory value year over year which resulted in less sales at or below cost to liquidate excess inventory. While the Company was able to increase its margins in the Canadian fluids division, the US fluids blending and package division experienced as decrease as one customer removed a rig out of service for maintenance for a period of time, which resulted in less sales of a higher margin product.

Fluids Distribution Division

Canadian Fluids Distribution gross margin averaged 15% for the first quarter ended March 31, 2020 compared to 11% for the same period last year. The improvement in margin related to increased selling prices to customers as the Company adjusted pricing on certain products in Q3 2019. In addition, the Company sold less products that have lower margins during the quarter. In Q1 2020, the Company made certain price concessions due to weaker fluid demand and an oversupply in the Canadian market on certain inventory products. Given the current political environment, pipeline constraints and the recent COVID-19 outbreak, markets are volatile, and we are uncertain what this environment means on pricing of our fluid products going forward. We will attempt to maintain margins over the short to medium term, however given the current world affairs, management is cautious as to the impact on margins and could see margin compression in the immediate near term.

US Fluids Distribution gross margin for the three months ended March 31, 2020 were 15%, which was consistent with margins in Q1 2019. Margins have remained fairly consistent between products in multiple warehouses. There are certain regions such as the Rockies that traditionally have higher margins that the Texas region. Margins were impacted slightly as the division incurred more transportation charges during the quarter in an effort to reduce inventory by moving inventories from less active warehouses to more robust warehouses. With volatile oil and gas prices, margins may become compressed in the short term while the Company attempts to maintain market share as drilling activity softens.

Fluids Blending & Packaging Division

Canadian Fluids Blending & Packaging division gross margin decreased marginally by $13 thousand during the three months ended March 31, 2020. Margins remain consistent as the division was able to pass on price increases and effects on foreign exchange through to customers in order to maintain consistent margins during the quarter.

The US Fluids Blending & Packaging division generated gross margins of 27% for the first quarter of 2020 compared to 37% for same comparable period in 2019. The decrease gross margins is the result of one customer removing a drilling rig out of service for maintenance and therefore consumed significantly less higher margin product during the quarter. The division has maintained strong margins on its other products for well abandonment work. Margins are anticipated to improve slightly over the short to medium term, but will likely not return to the level experienced in Q1 2019 until the rig is put back in production.

Salaries and Benefits

(in 000's)	Three months ended March 31 2020	2019	Change $	%
Salaries and benefits	**$ 1,950**	$ 2,240	$ (290)	(13%)
As a % of sales	**9.1%**	8.6%	0.5%	

Salaries and benefits decreased for the three months ended March 31, 2020 compared to the prior year quarter as the Company adjusted its cost structure based on current drilling activity levels. The Company continued its infrastructure reduction program and eliminated overtime both in Canada and the USA. The decrease quarter over comparable quarter includes limiting the amount of contract labour in the US Fluids Distribution division, reduction of hours worked for hourly warehouse employees. The Company employed 69 (29 Canada and 41 US) employees at March 31, 2020 compared to 70 (31 Canada and 38 US) at March 31, 2019.

Subsequent to the Q1 2020 quarter end and in response to the COVID-19 pandemic, the Company took the following initiatives:

- Temporarily laid off approximately 30% of it Canadian workforce;
- 20% reduction to Executive and Board of Directors' cash compensation;
- Initiated 4 day work week schedules for certain divisions with a corresponding 20% wage roll back for salaried employees; Reduced work schedule for salaried employees:
- Reduced operating hours in all warehouse locations;
- Obtained subsidy programs from both Canadian and US Federal government COVID-19 emergency response programs.

Selling, General, and Administration

(in 000's)	Three months ended March 31 2020	2019	Change $	%
Selling	**$ 98**	$ 111	$ (13)	(12%)
Professional and consulting	**111**	230	(119)	(52%)
General and administrative	**399**	171	228	133%
Rent, utilities, and occupancy costs	**519**	394	125	32%
Total selling, general and administration	**$ 1,127**	$ 906	$ 221	102%
As a % of sales	**5.3%**	3.5%	2%	50%

Selling expenses related to meals and entertainment, transportation, and travel incurred by Bri-Chem's sales team. Selling expenses for the three months ended March 31, 2020 were consistent with the same period of 2019. The small decrease relates to less travel and meals and entertainment costs for sales personnel.

Professional and consulting fees decreased by $119 thousand for Q1 2020 compared to Q1 2019 as the Company has adjusted accruals for financial statement audit fees, bank audits as well as increased legal fees.

General and administration expenses for the three months ended March 31, 2020 increased by $228 thousand compared to the same period last year. The difference is due to a large recovery of $207 thousand that occurred in Q1 2019 compared a bad debt expense of $33 thousand in Q1 2020. Insurance costs increased by $9 thousand quarter over comparable quarter. These increases were partially offset in a decrease in offices supplies and computer services of $23 thousand.

Rent, utilities, and occupancy costs increased by $125 thousand for the three months ended March 31, 2020 compared to the same period last year as a result of the Company updated its application of IFRS 16 whereby the Company adjusted certain classifications as short term leases which are expensed as period costs rather than capitalized.

Depreciation on Property and Equipment

(in 000's)	Three months ended March 31 2020	2019	Change $	%
Depreciation on right of use	$ **129**	$ 233	$ (104)	(45%)
Depreciation on property and equipment	**167**	303	(136)	
Total depreciation	$ **296**	$ 536	$ (240)	(45%)

Depreciation on property and equipment for the three months ended December 31, 2019 decreased $104 thousand compared to the same period in 2019. The decrease was the result of the Company impairing a number of assets at the end of 2019 to which no depreciation was taken in Q1 2020. The depreciation on right of use assets was adjusted in the first quarter of 2020 due to revaluation of the right-of-use assets recognized on the adoption of IFRS 16 in 2019.

Financing Costs

(in 000's)	Three months ended March 31 2020	2019	Change $	%
Interest on short-term operating debt	$ **209**	$ 437	$ (228)	(52%)
Interest on long-term debt	**243**	225	18	8%
Interest on lease liabilities	**30**	44	(14)	(32%)
Cash interest paid	**482**	706	(224)	(32%)
Add non-cash interest expense:				
Amortization of deferred financing costs	**52**	42	10	24%
Total interest expense	$ **534**	$ 748	(214)	(29%)

Interest on short-term operating debt decreased by $228 thousand compared to the same period last year as the Company maintained a lower average bank indebtedness balance. Interest on long-term debt remained relatively consistent. Interest on lease liabilities decreased slightly due to adjustments made to right of use assets in Q4 2019.

Foreign Exchange Loss / (Gain)

(in 000's)	Three months ended March 31 2020	2019	Change $	%
Foreign exchange loss/(gain)	**$ 206**	$ (75)	$ (281)	375%

The Canadian dollar weakened compared to the US dollar for the first quarter of 2020, which resulted in a foreign exchange loss for the quarter. This decrease in the Canadian dollar exchange rate caused the Company to have an unfavourable position on certain net advances denominated in USD, which resulted in a foreign exchange gain.

Income Tax Expense / (Recovery)

(in 000's)	Thee months ended March 31 2020	2019	Change $	%
Current	**$ 23**	$ (62)	$ 85	137%
Deferred	**-**	-	-	
Total income tax expense	**$ 23**	$ (62)	$ (85)	137%

The provision for income taxes for the three months ended March 31, 2020 is a net expense of $23 thousand as the Company was profitable in its US consolidated operations but was offset by the Canadian consolidated tax position. Bri-Chem's effective income tax rate was 25% 2020 (2019 - 27%).

Adjusted EBITDA and Net (Loss) / Earnings

(in 000's)	Three months ended March 31 2020	2019	Change $	%
Adjusted EBITDA	**$ 383**	$ 1,602	$(1,219)	76%
As a % of sales	**1.8%**	6.2%		
Net (loss) / earnings	**$ (470)**	$ 359	$ (829)	230.9%
As a % of sales	**(2.2%)**	1.4%		

Adjusted EBITDA was $384 thousand for the three months ended March 31, 2020 compared to $1.6 million in the same period last year. Frist quarter adjusted EBITDA as a percentage of sales was 2% compared to 6% for the same period last year. This decrease was due to lower sales in the quarter from a decline in drilling activity levels in North America. Net loss was $470 thousand for the three months ended March 31, 2020 compared to net earnings of $359 thousand.

SUMMARY OF QUARTERLY DATA

Bri-Chem's quarterly results are materially impacted by seasonality factors, particularly in its Canadian operations. Typically, the first quarter of the calendar year is very active, followed by a much slower second quarter due to spring breakup where provincial and county road bans restrict movement of heavy equipment which negatively impacts demand for the Company's drilling fluid products in Canada. The following is a summary of selected financial information for the last eight quarters:

(in 000's)	2020 Q1	2019 Q4 (2)	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2 (3)
Sales	**$ 21,415**	$ 21,307	$ 21,800	$ 22,721	$ 25,898	$ 27,705	$ 31,159	$ 27,255
Gross margin ($)	**4,579**	3,849	4,259	3,721	4,579	3,909	5,101	2,079
Gross margin (%)	**21%**	18.1%	19.5%	16.4%	17.7%	14.1%	16.4%	7.6%
Adjusted EBITDA (1)	**383**	(38)	954	447	1,602	580	1,376	(366)
Net earnings/(loss)	**$ (470)**	$ (3,104)	$ (170)	$ (741)	$ 359	$ (5,570)	$ 61	$ (3,740)
Basic and diluted earnings/(loss) per share	**$ (0.02)**	$ (0.13)	$ (0.01)	$ (0.03)	$ 0.02	$ (0.23)	$ -	$ (0.16)

(1) Refer to the "Non-IFRS Measures" section for a definition of non-GAAP terms as well as reconciliations for EBITDA, adjusted operating (loss) income, and adjusted (loss) / net earnings.

(2) During Q4 2019, Bri-Chem incurred impairment charges of $2.2 million on property, plant and equipment in relation to one of its CGUs related as market conditions declined resulting from the novel coronavirus and turmoil in global oil and gas markets.

(3) During Q2 2018 Bri-Chem discontinued operating from Kermit and Three Rivers, Texas and moved from Enid, Oklahoma to Ada, Oklahoma in an effort to redeploy its inventory and equipment in higher margin opportunities. This restructuring resulted in one-time sales of product below costs amounting to $1.7 million of negative gross margin and shut down and moving costs of $648 thousand.

Quarterly results generally reflect the seasonality factors discussed above. Q1 2020 gross margin % remained stronger than the previous and prior comparable period quarters due as the Company has seen an increase in sales of higher margin products including production chemicals as well as cement additives in California.

FINANCIAL CONDITION AND LIQUIDITY

The Company's primary liquidity needs are to fund ongoing operations, service existing debt obligations, and fund limited capital expenditures. Bri-Chem relies on cash from operations, bank indebtedness, long-term debt and equity financing.

The Company actively monitors its financing obligations to ensure that it has enough available funds to meet current and foreseeable future financial requirements at a reasonable cost. The Company mitigates liquidity risk by maintaining adequate Credit Facilities, and through the forecasting and management of its operational cash flows. Management of operational cash flows takes into consideration the Company's debt financing plans and covenant compliance.

The Company's liquidity relies heavily on sellable inventory and collectability of accounts receivable. Timing of collections could cause liquidity of the Company to tighten. Given the recent significant decline in commodity prices and the COVID-19 pandemic, the Company may have to lower selling prices of its inventory to cost or below cost and collection of accounts receivable may become more difficult which could impact the Company's liquidity and ability to discharge its financial liabilities. Management has implemented a working capital management program to reduce liquidity risk. The program includes the selling down of inventories and aggressively collecting accounts receivable which will enable the Company to meet its financial liabilities as they become due. Should events surrounding the COVID-19 pandemic worsen the liquidity of the Company could materially weaken and could cause materiality uncertainties and negatively impact the Company's ability to continue to operate as a going concern.

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 its inventory and operating costs.

Working capital position (000's)		March 31, 2020		December 31, 2019
Current assets	**$**	**37,345**	$	54,464
Current liabilities		**21,708**		37,051
Working capital	**$**	**15,637**	$	17,413

As at March 31, 2020, the Company had positive working capital of $15.6 million compared to $17.4 million at December 31, 2019. The Company's current ratio (defined as current assets divided by current liabilities) was 1.72 to 1 compared to 1.47 to 1 as at December 31, 2019.

Summary of cash flows (000's)		March 31, 2020		March 31, 2019
Operating activites	**$**	**877**	$	5,618
Financing activities		**(879)**		(5,537)
Investing activities		**2**		(81)
Change in cash position	**$**	**-**	$	-

For the period ended March 31, 2020, $877 thousand of cash was generated by operating activities compared to cash generated of $5.6 million for the same period in 2019. This decrease was mainly due to a slowdown in overall operations. There was little change in working capital, as inventory was sold and collections of customer accounts remained stable, there was also cash used for payment of outstanding product purchases. Cash used in financing activities was $879 thousand for the three months ended March 31, 2020, compared to cash used of $5.5 million the same comparable period. This decrease was due to the Company maintaining a consistent cash position from operations and using the net cash position to pay down the Company's credit facilities during the quarter. Cash used in financing activities was negligible for the first quarter of 2020 compared to $81 thousand for the same comparable period as the Company had no capital expenditures in the period.

Minimum total net worth is defined as 90% of forecasted equity less prepaids, intangibles, and goodwill. Minimum trailing twelve-month EBITDA is defined as a prescribed level of EBITDA. The ABL facility requires the Company to maintain certain financial covenants which are monitored monthly. The same financial covenants apply to the GreyPoint facility.

On May 9, 2019, the Company amended the terms of the ABL Facility to decrease the maximum borrowing base down to $30,000,000 with a further reduction down to $25,000,000 by September 1, 2019. Other amendments include a borrowing base block of $500,000 on May 9, 2019 and increasing in increments of $500,000 on the last day of each month until a maximum borrowing base block of $3,000,000 is reached on the last day of September 2019. In addition, the agreement amended financial covenants of minimum trailing twelve month EBITDA and minimum tangible net worth.

On May 9, 2019, the Company amended the terms of its subordinated term debt agreement that amended the financial covenants to the same as the senior lender.

On April 17, 2020, the Company amended the terms of it ABL Credit Facility that amended the certain financial covenants. In particular, the amendment allows for the December 31, 2019 impairment charge of $2,207,116 to be added back to the adjusted tangible net worth covenant.

RISKS AND UNCERTAINTIES

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with the detailed information appearing elsewhere in this MD&A and Bri-Chem's other public disclosure documents, including the Annual Information Form for the Company for the year ended December 31, 2019. 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.

Volatility of Oil and Natural Gas Industry Conditions

The demand, pricing and terms for Bri-Chem's drilling fluid products depend upon the level of industry activity for oil and natural gas in the resource basins it serves. Industry conditions can be influenced by factors over which the Company has no control, including: oil and natural gas prices; expectations about future oil and natural gas prices; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas; available pipeline and other oil and natural gas transportation capacity; demand for oil and natural gas; weather conditions; and political, regulatory and economic conditions in North America. Current global economic events and uncertainty have the potential to significantly impact commodity pricing. No assurance can be given that expected trends in oil and natural gas activities will continue or that demand for services provided by Bri-Chem will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas would likely affect activity levels in these industries and therefore affect the demand of Bri-Chem's products.

Credit Risk

As a result of the continued volatility in the North American oil and natural gas markets, the Company is exposed to heightened credit risk because a substantial portion of the Company's dealings are with entities involved in the oil and gas industry. Regarding accounts receivable, the Company remains focused on actively managing credit risk. Management has remained diligent in assessing credit levels granted to customers, monitoring the aging of receivables and taking proactive steps to collect outstanding balances. No one customer accounted for more than 10% of sales in Q1 2020. Bri-Chem's top 5 customers' account for approximately 33% (2019: 33%) of revenue for the three months ended March 31, 2020. 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, or any significant decrease in sales to a customer, or prices paid or any other changes to the terms of service with a customer, could have a material adverse impact on the financial results, cash flows, and overall financial condition of the Company. Significant declines in global oil and gas prices, declines in drilling fluid product demand and significant declines in the stock market have occurred for various reasons linked to the COVID-19 pandemic. These events will have an impact on future revenues of the company and may accelerate financial conditions such as banking covenants in the foreseeable future. The Company has not yet experienced unexpected challenges with recoverability of accounts receivable balances and realization or inventory values on March 31, 2020 balances presented in these financial statements, however, uncertainty exists with respect to recoverability of accounts receivable and realization of inventories originated subsequent to year end. With the increasingly weakened global oil price and COVID-19-19 pandemic this could result in significant delays in collections and could impact the Company's ability to continue as going concern.

Global Health Crisis and COVID-19

The Corporation may be impacted by global heath pandemics, including through supply chain disruption, business interruption, changes in customer demand for Bri-Chem's products and services, stock price volatility, among other risks. In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China which has resulted in global economic restrictions. These health crises could have an adverse impact on the Company's business including the Company's ability to continue as going concern.

Transportation and Distribution Network Risk

The Company relies on a large distribution network to manage the sale of inventory 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. A significant disruption to its transportation and distribution network could have a material adverse impact to the Company.

Cyber Security

Bri-Chem manages cyber security risk by ensuring appropriate technologies, processes and practices are effectively designed and implemented to help prevent, detect and respond to threats as they emerge and evolve. The primary risks to

Bri-Chem include, loss of data, destruction or corruption of data, compromising of confidential customer or employee information, leaked information, disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. Bri-Chem applies technical and process controls in line with industry-accepted standards to protect its information assets and systems. Data backup and recovery processes are in place to minimize risk of data loss and resulting disruption of business. As result of the unpredictability of the timing, nature and scope of disruptions from cyber-attacks, Bri-Chem could potentially be subject to: operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of its systems and networks or financial losses, any of which could have a material adverse effect on Bri-Chem's reputation and competitive position, financial condition or results of operations.

Government Regulation

Bri-Chem is subject to a variety of federal, provincial, state, and local laws in Canada and the US, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Bri-Chem invests financial and managerial resources to ensure such compliance. Although such expenditures are generally not material to companies such as Bri-Chem, such laws or regulations are subject to change. Accordingly, it is impossible for Bri-Chem to predict the cost or impact of such laws and regulations on its future operations.

Climate Change

The Company is subject to climate change that relates to the consequences of a global transition to reduced carbon, including the risk of regulatory and policy change. Governments in Canada and around the world have responded to these shifting societal attitudes by adopting ambitious emissions reduction targets and supporting legislation, including measures relating to carbon pricing, clean energy and fuel standards, and alternative energy incentives and mandates. Concerns over climate change may result in additional or more stringent legislation. Such changes could impose higher standards or require significant reductions to green house gas emissions or setback requirements for facilities and wells, which could result in significant penalties for failure to comply, or increased capital expenditures, operating expenses, abandonment and reclamation obligations and distribution costs or the loss of operating licenses. All of which could impact the demand for the Company's products.

Seasonal Operations

Bri-Chem's Canadian operations are affected by the seasonality normally associated with the western Canadian oil and natural gas drilling industry. During the year, the busiest months are January through March and the slowest months are April through September when soft ground conditions hinder the movement of heavy equipment. Bri-Chem's US operations are not impacted by seasonality to the same degree as its Canadian operations.

OFF-BALANCE SHEET FINANCING

Bri-Chem has no off-balance sheet financing.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2020 the Company incurred office sharing costs that were paid to a company over which a Director has control. A summary of these costs for the periods presented is as follows:

	Three months			
	March 31		Change	
(in 000's)	2020	2019	$	%
Office sharing costs	**$ 9**	$ 9	$ -	0%

CRITICAL ACCOUNTING ESTIMATES

Bri-Chem's critical accounting estimates are discussed in Note 2 of the its annual audited consolidated financial statements for the years ended December 31, 2019 and 2018. There have been no changes to the Company's critical accounting estimates as of March 31, 2020.

CHANGES IN ACCOUNTING POLICIES

Bri-Chem's accounting policies are discussed in Note 2 of the annual audited consolidated financial statements for the years ended December 31, 2019 and 2018. On January 1, 2020 the Company adopted IAS 1 "Presentation of Financial Instruments Amendment" and IFRS 3 "Business Combinations" which are discussed in Note 3 of the March 31, 2020 interim condensed consolidated financial statements.

OUTSTANDING SHARES

As at May 11, 2020, the Company had 23,923,981 common shares issued and outstanding and no potentially dilutive shares. The Company had 1,120,000 stock options outstanding as at March 31, 2020.

On November 6, 2019, Bri-Chem received a letter from the TSX indicating that the TSX had commenced a remedial review of Bri-Chem's eligibility for continued listing on the TSX of its securities, pursuant to Part VII (S.712(a)) of the TSX Manual (Market Value of listed securities(units) of $3.0 million for 30 previous consecutive trading days). In response to the aforementioned letter from the TSX, the board of directors of Bri-Chem have reviewed the TSX eligibility for listing requirements as outlined in the TSX Manual in relation to Bri-Chem's recent share price and trading activity on the TSX. If the Company cannot demonstrate that it meets all TSX requirements set out in Part VII of the Manual on or before March 5, 2020, the Company's securities will be delisted 30 days from such date and Bri-Chem will take all reasonable and prudent steps as required to coordinate a proposed transfer of our listing to the TSX Venture Exchange to ensure, to the extent possible, uninterrupted trading for the Company's securities. On March 25, 2020, the TSX Continuing Listing Committee determined to suspend the listing review until December 31, 2020 due to relief granted in respect of Sections 712 (a) and (b) of the TSX Company Manual.

NON-IFRS MEASURES

Bri-Chem uses certain measures in this MD&A which do not have any standardized meaning as prescribed by IFRS. These measures, which are derived from information reported in the annual consolidated financial statements, may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company. These Non-IFRS measures are identified and defined as follows:

Adjusted Net Loss and Adjusted EBITDA

Adjusted Net Loss are defined as net loss before non-recurring events, net of corporate income taxes ("Adjusted Net Loss"). Management believes that in addition to net loss, Adjusted Net Loss is a useful supplemental measure that represents normalized net (loss)/earnings from the business so that financial statement users can make insightful comparisons between current period and historical results. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment charges, share-based payments, and non-recurring events ("Adjusted EBITDA"). Management believes that in addition to net earnings Adjusted EBITDA is a useful supplemental measure of operating performance that normalizes financing, depreciation, income tax, and other non-recurring charges which are not controlled at the operating level. The following table provides a reconciliation of net loss under IFRS, as disclosed in the annual consolidated financial statements, to Adjusted Net Loss and Adjusted EBITDA:

(in 000's)	Three months ended March 31 2020		2019
Net (loss)/earnings	**$**	**(470)**	$ 359
Add:			
Restructuring costs [(1)]		**-**	20
Adjusted net (loss)/earnings		**(470)**	379
Add:			
Interest		**534**	748
Income taxes (recovery)		**23**	(62)
Depreciation on property and equipment		**296**	537
Adjusted EBITDA	**$**	**383**	$ 1,602

(1) Represents warehouse movement costs in 2019. Oil-based mud tanks from Leetsdale, Pennsylvania to Clinton, Oklahoma as part of restructuring oil-base mud operations in late 2018.

Adjusted Operating Earnings

Adjusted operating earnings are defined as operating earnings before non-recurring events ("Adjusted Operating Earnings"). Management believes that in addition to operating earnings, Adjusted Operating Earnings is a useful supplemental measure that represents normalized net earnings from the business so that financial statement users can make insightful comparisons between current period and historical results. The following table provides a reconciliation of operating earnings under IFRS, as disclosed in the annual consolidated financial statements, to Adjusted Operating Earnings:

(in 000's)	Three months ended March 31 2020		2019
Operating earnings	**$**	**294**	$ 970
Add:			
Restructuring costs		**-**	20
Adjusted operating earnings		**294**	990

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, 2020 and, based on that evaluation, have concluded that these controls and procedures are effective in providing such reasonable assurance, except as noted below.

Internal controls over financial reporting ("ICFR")

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 and ICFR are not effective due to the material weaknesses in ICFR as described below. A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

- A material weakness was identified relating to the evaluation of impairment for property and equipment which was corrected and resulted in an impairment charge of $2.2 million for the year ended December 31, 2019.
- Control limitations were identified relating to segregation of duties, review of journal entries and various IT related weaknesses around 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 misstatement has occurred related to segregation of duties. However, these mitigating procedures may not be considered enough 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 ICFR

There were no changes in the Company's ICFR in 2020 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, except as noted above, 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 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 19 and in the Company's Annual Information Form (AIF) for the year ended December 31, 2018 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

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