Q1 2021 MD&A

North America's Oilfield Chemical Distribution & Blending Company

BRI-CHEM

Right product. Right place. Right time.

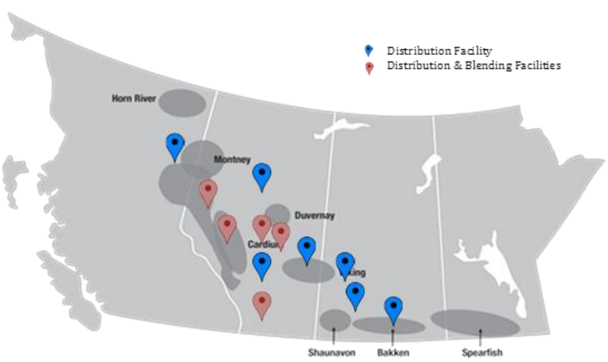
Q1 MANAGEMENT DISCUSSION & ANALYSIS – March 31, 2021

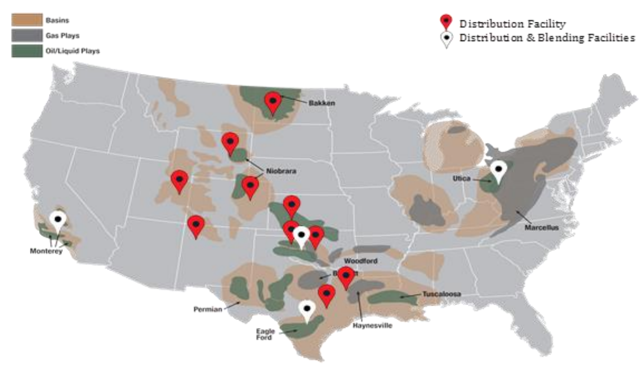
This Management's Discussion and Analysis ("MD&A") of Bri-Chem Corp. ("Bri-Chem" or the "Company") was prepared as at May 11, 2020 for the three months ended March 31, 2021 and should be read in conjunction with the Company's March 31, 2021 interim condensed consolidated financial statements (the "financial statements") and December 31, 2020 and 2019 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 25 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 13 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 25 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:





<u>Seasonality of Operations</u>

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 2021		2020	Change $		%
Financial performance						
Sales	$	**11,490**	$ 21,415	$	(9,925)	(46%)
Adjusted EBITDA[1]		**851**	383		468	122%
As a % of revenue		**7%**	2%			
Adjusted operating earnings		**559**	294		265	90%
Adjusted net earnings / (loss) [1]		**154**	(470)		624	(133%)
Net earnings / (loss)	$	**141**	$ (470)	$	611	23%
Diluted per share						
Adjusted EBITDA	$	**0.03**	$ 0.02	$	0.02	101%
Adjusted net (loss) / earnings		**0.01**	$ (0.02)	$	0.03	(130%)
Net earnings / (loss)	$	**0.01**	$ (0.02)	$	0.02	(127%)
Financial position						
Total assets	$	**27,737**	$ 46,284	$	(18,547)	(40%)
Working capital		**9,888**	15,637		(5,749)	(37%)
Long-term debt		**7,216**	7,983		(767)	(10%)
Shareholders equity	$	**10,529**	$ 16,593	$	(6,064)	(37%)

(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 2021 highlights include:

- Consolidated sales for the three months ended March 31, 2021 were $11.5 million, a decrease of 46% 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 due to the effect of the persistent novel coronavirus ("COVID-19") health pandemic, including government responses and economic restrictions implemented;

- Adjusted EBITDA for the first quarter was $851 thousand versus $383 thousand over Q1 2020, representing a 122% increase year over year. The increase is mainly related to management's undertakings of cost saving initiatives, a 20% reduction in payroll and obtaining government assistance programs.

- Adjusted operating earnings was $559 thousand for the three months ended March 31, 2021 compared to earnings of $294 thousand in the prior year comparable quarter, representing a 90% increase;

- Net earnings per diluted share for the three months ended March 31, 2021 was $0.01 per share compared to net loss of $0.02 per diluted share for same period last year;

- Working capital, as at March 31, 2021, was $9.9 million compared to $15.6 million at December 31, 2020, a decrease of 37%. The decrease predominantly relates to a reduction in inventory levels as management maintains reduced inventory stockpiles in response to COVID-19 and its impacts to the demand of drilling fluids and related products.

Summary for the months ended March 31, 2021:

Bri-Chem's Canadian drilling fluids distribution division generated sales of $2.4 million for the three months ended March 31, 2021 compared to $3.8 million in the comparable period in 2020. Demand for drilling fluid products is driven by the level of current and future capital drilling programs which have been negatively impacted in Q1 2021 as a result of the market conditions due to the effect of the persistent novel coronavirus ("COVID-19") health pandemic, including government responses and economic restrictions implemented. The number of wells drilled in Western Canada for the first quarter of 2021 was 1,178 compared to 1,783 in the same period last year which represents a decrease of 34% (Source: Petroleum Services Association of Canada "PSAC"), the number of active operating rigs in Q1 2021 averaged 138, a decrease of 29% over the Q1 2020 (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of $4.7 million for the three months ended March 31, 2021 compared to sales of $12.5 million for the comparable period in 2020, representing a decrease of 63%. The decreases were the result of lower customer demand as the average number of active rigs operating in the United States fell to 405 at March 31, 2021 from 784 at March 31, 2020.

Bri-Chem's Canadian Blending and Packaging division generated sales of $1.7 million for Q1 2021 a decrease of $1.2 million from sales of $2.9 million for the comparable quarter in 2020. The decrease relates to reduced demand for these services driven by the COVID-19 pandemic and associated Government restrictions. US Blending and Packaging sales for the three months ended March 31, 2021 were $2.8 million compared to $2.2 million for the comparable period in 2020, an increase of $543 thousand. Well abandonment work remains consistent in the State of California. This work in tandem with the heavy distribution of vaccines in the USA and subsequent relaxing of state COVID-19 restrictions has resulted in an increase to revenues over the comparable quarter in 2020.

Adjusted operating earnings for the three months ended March 31, 2021 was $559 thousand compared to $294 thousand during the same period last year. Adjusted EBITDA was $851 thousand for Q1 2021 compared to $383 thousand for Q1 2020. Adjusted EBITDA as a percentage of sales was 7% for the quarter. The increase is mainly related to management's undertakings of cost saving initiatives, a 20% reduction in payroll and obtaining government assistance programs.

OUTLOOK

The world economy is regaining traction as vaccine distributions and the lifting of economic restrictions continue to push demand for energy. The Company's ability to maintain disciplined capital spending and operating overheads in times of tight budgeting by producers will continue to stem losses and maintain liquidity until drilling activity further normalizes. While there is still uncertainty regarding the emergence of new COVID-19 variants and timing of the further lifting of economic and travel restrictions, management is encouraged by the 2021 upward trajectory of crude oil prices which have already surpassed highs realized in 2020. This uptick should entice producers to re-enter the market or increase their existing operational footprint, which should have a positive impact on the demand for drilling fluids towards the second half of 2021. Management is also optimistic regarding the political push towards sealing orphaned and decommissioned wells in Canada and the USA. This federal stimulus provided by both Canadian and USA federal governments could have a favorable impact on the fluids blending and packing divisions given the expected increase in demand for product and the Company's unique geographical footprint in the USA to service this type of work.

DISCUSSION OF Q1 OPERATING RESULTS

Divisional sales

(in 000's)	Three months ended March 31 2021	2020	Change $	%
Fluids Distribution				
Canada	$ 2,368	$ 3,781	$ (1,413)	(37%)
US	4,691	12,523	(7,832)	(63%)
	7,059	16,304	(9,245)	(57%)
Fluids Blending & Packaging				
Canada	1,666	2,889	(1,223)	(42%)
US	2,765	2,222	543	24%
	4,431	5,111	(680)	(13%)
Consolidated sales	$ 11,490	$ 21,415	$ (9,925)	(46%)
Geographic region				
Canada	$ 4,034	$ 6,670	(2,636)	(40%)
US	$ 7,456	$ 14,745	(7,289)	(49%)
Consolidated sales	$ 11,490	$ 21,415	(9,925)	(46%)

Consolidated sales for the three months ended March 31, 2021 were $11.4 million compared to $21.4 million for the same period in 2020, representing a $9.9 million decrease. The decrease is due to weaker performance in the fluids distribution divisions in Canada and the United States as the industry is facing significant challenges driven by the COVID-19 health pandemic, including government responses thereto.

Fluids Distribution Divisions

For the three months ended March 31, 2021 the Canadian fluids distribution division generated sales of $2.3 million compared to sales of $3.8 million for the same period in 2020, representing a decrease of 37%. The decrease was due to the decline in the average number of rigs running in the quarter and customers maintaining adequate stock levels of drilling fluids through self supply. The number of wells drilled in the first quarter of 2021 was 1,178 compared to 1,773 in the first quarter of 2020, representing a 34% decrease (Source: Petroleum Services Association of Canada "PSAC").

The US Fluids Distribution division generated sales of $4.7 million which was $7.8 million lower the same period in 2020. This 63% 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. Operating rig decreases continued into 2021 and saw an average number of rigs operating for Q1 2021 at 386 compared from 784 for Q1 2020 (Source: Baker Hughes).

Fluids Blending & Packaging Division

The Canadian Fluids Blending and Packaging division recorded sales of $1.7 million for the three months ended March 31, 2021 compared to sales of $2.9 million for the comparable quarter in 2020. Sales decreased as a result of declining drilling activity in response to the COVID-19 pandemic.

US Fluids Blending and Packaging sales for the three months ended March 31, 2021 were $2.8 million compared to $2.2 million for the same comparable period in 2020, an increase of $543 thousand. Well abandonment work remains strong in the state of California and as a result, revenues have increased quarter over comparable quarter.

Divisional Gross Margin

(in 000's)	Three months ended March 31 2021	%[1]	2020	%[1]	Change $	%
Fluids distribution						
Canada	$ 229	10%	$ 572	15%	$ (343)	(60%)
US	827	18%	1,840	15%	(1,013)	(55%)
	1,056	15%	2,412	15%	(1,356)	(56%)
Fluids blending & packaging						
Canada	489	29%	661	23%	(172)	(26%)
US	651	24%	591	27%	60	10%
	1,140	26%	1,252	24%	(112)	(9%)
Consolidated gross margin	$2,197	19%	$ 3,664	17%	$ (1,467)	(40%)
Geographic region						
Canada	718	18%	1,233	18%	(515)	(42%)
US	1,478	20%	2,431	16%	(953)	(39%)
Consolidated gross margin	$2,197	19%	$ 3,664	17%	$ (1,467)	(40%)

(1) Expressed as a percentage of divisional sales

Consolidated gross margin for the three months ended March 31, 2021 decreased by $1.5 million compared to the same period last year. The decrease in gross margin dollars is related to the rapid decline in global oil prices in 2020 stemming from reduced demand driven by the novel coronavirus COVID-19 health pandemic, including government responses thereto.

Fluids Distribution Division

Canadian Fluids Distribution gross margin averaged 10% for the first quarter ended March 31, 2021 compared to 15% for the same period last year. The decline in margin related to increased transportation costs in tandem with the write-down of a specialized product that was damaged by humidity. Stock has been transported from slower Canadian regions to other active Canadian areas in order to avoid further stock purchases and costs associated with expiry of product. The Company further made certain price concessions due to weaker fluid demand and an oversupply in the Canadian market on certain inventory products. Margins are anticipated to improve slightly over the short to medium term, as the industry works through the excess supply in the market.

US Fluids Distribution gross margin for the three months ended March 31, 2021 was 18%, which was slightly higher than margins in Q1 2020. Margins have remained fairly consistent between products in multiple warehouses. There are certain regions such as the Rockies that traditionally have higher margins than the Texas region. Margins improved slightly as the division was able to eliminate pricing concessions deployed in Q1 of 2020 and source favorable product pricing from vendors.

Fluids Blending & Packaging Division

Canadian Fluids Blending & Packaging division gross margin improved to 29% during the three months ended March 31, 2021. Margins increased over Q1 2020 as the division produced many homogenous runs of product which resulted in less operator downtime and increased profitability within its Camrose facility location.

The US Fluids Blending & Packaging division generated gross margins of 24% for the first quarter of 2021 compared to 27% for same comparable period in 2020. The decrease gross margins is the result of increased regional well abandonment and sealing activities which consume lower margin products. Margins are anticipated to improve slightly over the short to medium term, as those abandonment activities will yield further drilling permits in the region.

Salaries and Benefits

(in 000's)	Three months ended March 31 2021	2020	Change $	%
Salaries and benefits	**$ 295**	$ 1,950	$ (1,655)	(85%)

Salaries and benefits decreased for the three months ended March 31, 2021 compared to the prior year quarter as the Company adjusted its cost structure based on current drilling activity levels. Salaries were reduced by 20% in a wage rollback program introduced subsequent to Q1 2020. Salary and benefits expenses are also reduced by Government wage subsidies received in the quarter totalling $ 885,236. The Company employed 49 (23 Canada and 26 US) employees at March 31, 2021 compared to 50 (25 Canada and 25 US) at December 31, 2020.

Selling, General, and Administration

(in 000's)	Three months ended March 31 2021	2020	Change $	%
Selling	**$ 68**	$ 98	$ (30)	(31%)
Professional and consulting	**130**	111	19	17%
General and administrative	**527**	399	128	32%
Rent, utilities, and occupancy costs	**345**	519	(174)	(34%)
Total selling, general and administration	**$ 1,070**	$ 1,127	$ (57)	(15%)

Selling expenses are related to meals and entertainment, transportation, and travel incurred by Bri-Chem's sales team. Selling expenses for the three months ended March 31, 2021 were consistent with the same period of 2020. The decrease relates to less travel and meals and entertainment costs for sales personnel.

Professional and consulting fees increased by $19 thousand for Q1 2021 compared to Q1 2020 as the Company has adjusted accruals for anticipated disbursements in the upcoming fiscal period.

General and administration expenses for the three months ended March 31, 2021 increased by $128 thousand compared to the same period last year. The increase is due to the write-off of receivables relating to uncollectable amounts.

Rent, utilities, and occupancy costs decreased by $174 thousand for the three months ended March 31, 2021 compared to the same period last year as a result of the Company reducing its operational obligations at its existing facilities in tandem with realizing proceeds from the Canadian Government relating to rent subsidies.

Depreciation on Property and Equipment

(in 000's)	Three months ended March 31 2021	2020	Change $	%
Depreciation on right of use	**$ 124**	$ 129	$ (5)	(4%)
Depreciation on property and equipment	**114**	167	(53)	(32%)
Total depreciation	**$ 238**	$ 296	$ (58)	(20%)

Depreciation on property and equipment for the three months ended March 31, 2021 decreased $58 thousand compared to the same period in 2020. The decrease was the result of a small number of assets becoming fully depreciated between comparative periods.

Financing Costs

(in 000's)	Three months ended March 31 2021	2020	Change $	%
Interest on short-term operating debt	**$ 62**	$ 209	$ (147)	(70%)
Interest on long-term debt	**262**	243	19	8%
Interest on lease liabilities	**14**	30	(16)	(52%)
Cash interest paid	**339**	482	(143)	(30%)
Add non-cash interest expense:				
Amortization of deferred financing costs	**38**	52	(14)	(27%)
Total interest expense	**$ 377**	$ 534	(157)	(29%)

Interest on short-term operating debt decreased by $147 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.

Foreign Exchange (Gain) / Loss

(in 000's)	Three months ended March 31 2021	2020	Change $	%
Foreign exchange (gain) / loss	**$ (6)**	$ 206	$ 212	103%

The Canadian dollar strengthened compared to the US dollar for the first quarter of 2021 which resulted in a foreign exchange gain for the quarter. This increase in the Canadian dollar exchange rate caused the Company to have a favourable position on certain net advances denominated in USD, which resulted in a foreign exchange gain.

Income Tax Expense

(in 000's)	Three months ended March 31 2021	2020	Change $	%
Current	**$ 48**	$ 23	$ 25	(107%)
Deferred	**-**	-	-	
Total income tax expense	**$ 48**	$ 23	$ (25)	(107%)

The provision for income taxes for the three months ended March 31, 2021 is a net expense of $48 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 27% 2021 (2020 - 25%).

Adjusted EBITDA and Net (Loss) / Earnings

(in 000's)	Three months ended March 31			
		2021		2020
Net earnings/(loss)	**$**	**141**	$	(470)
Add:				
Restructuring costs [1]		**13**		-
Adjusted net earnings / (loss)		**154**		(470)
Add:				
Interest		**411**		534
Income tax expense		**48**		23
Depreciation and amortization		**238**		296
Adjusted EBITDA	**$**	**851**	$	383

(1) Represents paid cleaning costs related to oil based mud storage tanks as the Company is eliminating oil based mud in Canada

Adjusted EBITDA was $851 thousand for the three months ended March 31, 2021 compared to $383 thousand in the same period last year. First quarter adjusted EBITDA as a percentage of sales was 7% compared to 2% for the same period last year. The increase is mainly related to management's undertakings of cost saving initiatives, a 20% reduction in payroll and obtaining government assistance programs. Adjusted net earnings were $154 thousand for the three months ended March 31, 2021 compared to Adjusted net loss of $470 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)	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4 [2]	2019 Q3	2019 Q2
Sales	**$ 11,490**	$ 9,473	$ 7,449	$ 6,819	$ 21,415	$ 21,307	$ 21,800	$ 22,721
Gross margin ($)	**2,197**	1,358	1,180	1,130	3,666	3,849	4,259	3,721
Gross margin (%)	**19%**	14.3%	15.8%	16.6%	21.4%	18.1%	19.5%	16.4%
Adjusted EBITDA [1]	**851**	(461)	(765)	(423)	383	(38)	954	447
Net earnings/(loss)	**$ 141**	$ (1,541)	$ (1,861)	$ (1,276)	$ (470)	$ (3,104)	$ (170)	$ (741)
Basic and diluted earnings/(loss) per share	**$ 0.01**	$ (0.06)	$ (0.08)	$ (0.05)	$ (0.02)	$ (0.13)	$ (0.01)	$ (0.03)

(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.*

Quarterly results generally reflect the seasonality factors discussed above. Q1 2021 gross margin % remained stronger than the previous trailing quarters and comparable to margins realized in Q1 2020. The Company has seen an increase in sales of higher margin products which are primarily 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 2021	December 31 2020
Current assets	**$ 20,488**	$ 18,708
Current liabilities	**10,600**	8,843
Working capital	**$ 9,888**	$ 9,865

As at March 31, 2021, the Company had positive working capital of $9.9 million compared to $9.9 million at December 31, 2020. The Company's current ratio (defined as current assets divided by current liabilities) was 1.93 to 1 compared to 2.12 to 1 as at December 31, 2020.

Summary of cash flows (000's)		March 31 2021		March 31 2020
Operating activites	$	**116**	$	877
Financing activities		**(109)**		(879)
Investing activities		**(7)**		2
Change in cash position	$	**-**	$	-

For the period ended March 31, 2021, $116 thousand of cash was generated by operating activities compared to cash generated of $5.6 million for the same period in 2020. 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 $109 thousand for the three months ended March 31, 2021, compared to cash used of $879 thousand for the same comparable period. This decrease was due to advances on the ABL Facility in tandem with interest savings realized from maintaining a lower level of bank indebtedness over the comparable quarter. Cash used in investing activities was negligible for the first quarter of 2021 and for the same comparable period as the Company had minimal capital expenditures in the period.

The ABL Facility requires the Company to maintain certain financial covenants which are monitored monthly. The same financial covenants apply to the subordinated term debt facility. 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.

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.

On July 16, 2020, the Company amended the terms of its ABL Facility that amended certain financial covenants and extended the term to October 31, 2021. In addition, the Company obtained a $6,250,000 loan under the Canadian governments Business Credit Availability Program ("BCAP"). The BCAP Loan, which is administered by CIBC, is backed by the Canadian Government under the BCAP. Pursuant to the program, 80% of the principal of the BCAP Loan is guaranteed by The Business Development Bank of Canada. The BCAP Loan bears interest at a rate of 2.25% above CIBC's prime lending rate. The term of the BCAP Loan is 10 years and is interest only for the first 12 months. Under the terms of BCAP, the proceeds of the BCAP Loan must be used to finance operations and can be used to make normally scheduled interest and principal payments, as well as ordinary-course debt payments. Proceeds from the BCAP Loan cannot be used to refinance existing debt.

On July 16, 2020, the Company amended certain terms of its term debt facility which included a 2.0% payment in kind interest until loan maturity, amendments to certain financial covenants and the issuance of 2.5 million share purchase warrants in the Company.

On March 29, 2021, the Company entered into the First Amendment to the Third Amending Agreement to the ABL Facility, further reducing its minimum adjusted tangible net worth financial covenant requirement.

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, 2020. 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. Revenue from one customer amounted to $1,182,929 (March 31, 2020 – $1,202,340) representing 10.3% (March 31, 2020 – 5.6%) of consolidated sales, and 26.7% (March 31, 2020 – 54.0%) of USA Fluids Blending & Packaging segment sales, for the three months ended March 31, 2021. Bri-Chem's top 5 customers' account for approximately 35% (March 31, 2020 - 33%) of revenue for the three months ended March 31, 2021. 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 fluctuations 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, 2021 balances presented in these financial statements, however, uncertainty exists with respect to recoverability of accounts receivable and realization of inventories originated subsequent to the quarter.

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 a 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, 2021 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%

ACCOUNTING ESTIMATES

Bri-Chem's critical accounting estimates are discussed in Note 2 of its annual audited consolidated financial statements for the years ended December 31, 2020 and 2019. There have been no changes to the Company's critical accounting estimates as at March 31, 2021.

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, 2020 and 2019.

OUTSTANDING SHARES

As at May 11, 2020, the Company had 23,932,981 common shares issued and outstanding and no potentially dilutive shares. The Company had 895,000 stock options outstanding as at March 31, 2021.

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. 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. During the quarter, the Company was in compliance with the TSX eligibility requirements for continued listing specific to its market capitalization of its listed shares. The Company expects to continue ongoing dialogue with the Compliance & Disclosure Department of the TSX Exchange in the event its market capitalization does not remain in compliance.

On July 16, 2020, the Company issued 2.5 million warrants to GreyPoint Capital Inc. in conjunction with amendments to its subordinated term debt credit facility. The warrants have an exercise price of $0.10 and expire on July 15, 2024.

For the year ended December 2020, 225,000 stock options were cancelled due to the resignation of an Officer of the Company.

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 2021		2020
Net earnings/(loss)	$	141	$ (470)
Add:			
Restructuring costs [1]		13	-
Adjusted net earnings / (loss)		154	(470)
Add:			
Interest		411	534
Income tax expense		48	23
Depreciation and amortization		238	296
Adjusted EBITDA	$	851	$ 383

[1] Represents cleaning costs related to oil based mud storage tanks as the Company is eliminating oil based mud in Canada

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 2021		2020
Operating earnings	$	546	$ 294
Add:			
Restructuring costs		13	-
Adjusted operating earnings		559	294

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, 2021 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.

- 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 20 and in the Company’s Annual Information Form (AIF) for the year ended December 31, 2020 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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CFO
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