# Q2 2017 MD&A

BRI-CHEM

Right product. Right place. Right time.

NORTH AMERICA'S LARGEST INDEPENDENT WHOLESALE OILFIELD CHEMICAL SUPPLIER

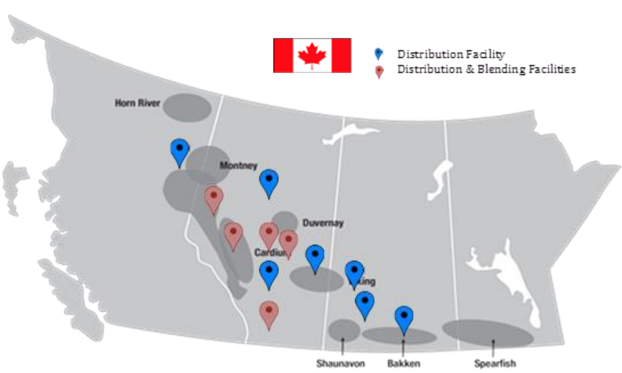
The following Management's Discussion and Analysis ("MD&A") of Bri-Chem Corp. ("Bri-Chem" or the "Company") is for the three and six months ended June 30, 2017. This MD&A should be read in conjunction with Bri-Chem's June 30, 2017 unaudited condensed consolidated interim financial statements and the audited annual consolidated financial statements and MD&A for the financial year ended December 31, 2016. The Company's consolidated condensed interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard 34, "Interim Financial Reporting", and are presented in Canadian dollars unless otherwise indicated. No update is provided where an item is not material or where there has been no material change from the discussion in the aforementioned interim and annual MD&A.

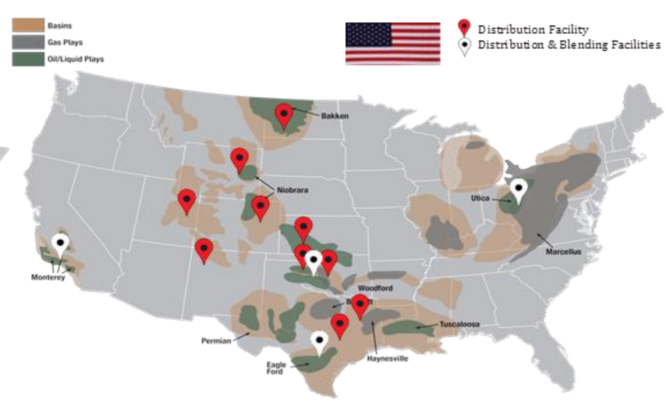
The Company's consolidated condensed interim financial statements include the accounts of Bri-Chem Corp. and its subsidiaries, Bri-Chem Supply Ltd., Sodium Solutions Inc., Solution Blend Service Ltd., Bri-Corp USA, Inc., including its three subsidiaries Bri-Chem Supply Corp, LLC, Sun Coast Materials, LLC and Bri-Chem Logistics, LLC. Readers should carefully read the sections regarding "Cautionary Statement Regarding Forward-Looking Information and Statements" and "Non-IFRS Measures" in this report. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared as at August 8, 2017.

**BUSINESS OF BRI-CHEM**

Bri-Chem, headquartered in Edmonton, Alberta, Canada, has established itself, through a combination of strategic acquisitions and organic growth, as a North American industry leader for the distribution and blending of oilfield drilling, completion, stimulation and production chemical fluids. We sell, blend, package and distribute a full range of drilling fluid products from 28 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 16 warehouse locations that are strategically located in major drilling regions throughout the USA. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

Bri-Chem's main business activity is to provide 24/7 coverage of oilfield chemicals in a wide variety of weights and clays, lost circulation materials and oil mud products to mud engineering companies who sell directly to drilling firms engaged by the oil and gas companies. Much of Bri-Chem's competitive advantage is attributed to its comprehensive network of 28 strategically placed and fully stocked warehouses throughout North America as mud engineering companies and drilling companies prefer to use one supplier of drilling fluids for all of their widely dispersed drilling rig locations.




Seasonality of Operations

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

## SELECTED FINANCIAL AND OPERATING INFORMATION

*The following selected three and six month period consolidated financial information has been derived from and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the period ended June 30, 2017.*

| *In $'000s* *(except per share amounts)* | For the three months ended June 30, 2017 | 2016 | Change $ | % | For the six months ended June 30 2017 | 2016 | Change $ | % |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **$ 23,761** | $ 8,174 | $ 15,587 | 191% | **$ 57,751** | $ 22,994 | $ 34,757 | 151% |
| **Operating income (loss)** | **444** | (1,417) | 1,861 | 131% | **2,292** | (2,629) | 4,921 | 187% |
| **EBITDA(1)** | **788** | (944) | 1,732 | 183% | **2,823** | (2,337) | 5,160 | 221% |
| **EBITDA as a percentage of revenue (1)** | **3%** | (12%) | - | 129% | **5%** | (10%) | - | 148% |
| **Net Earnings (loss)** | **(250)** | (1,437) | 1,187 | 83% | **431** | (3,534) | 3,965 | 112% |
| **Per Share Data (Diluted)** | | | | | | | | |
| EBITDA | **$ 0.03** | $ (0.04) | $ 0.08 | 208% | **$ 0.12** | $ (0.10) | $ 0.22 | 221% |
| Net Earnings (Loss) | **$ (0.01)** | $ (0.06) | $ 0.05 | 83% | **$ 0.02** | $ (0.15) | $ 0.17 | 112% |
| **Shares Outstanding** | | | | | | | | |
| Basic | 23,632,981 | 23,632,981 | | | 23,632,981 | 23,632,981 | | |
| Diluted | 23,692,981 | 23,632,961 | | | 23,632,981 | 23,632,981 | | |
| **Financial Position** | | | | | | | | |
| Total Assets | **$ 61,251** | $ 54,899 | $ 6,352 | 12% | | | | |
| Working Capital | **14,513** | 21,351 | (6,838) | (32%) | | | | |
| Long-term debt | **143** | 7,810 | (7,667) | (98%) | | | | |
| Shareholders Equity | **28,282** | 31,600 | (3,318) | (11%) | | | | |

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

## Q2 HIGHLIGHTS

Key Q2 & YTD 2017 highlights include:

- Bri-Chem generated consolidated revenue of $23.8 million, an increase of 191% from the second quarter in 2016, resulting primarily from higher business activity levels throughout North America;
- Second quarter revenue increased by 377% and 67% in the Canadian fluids distribution and blending divisions respectively and the USA fluids distribution division was up 222% over the second quarter of 2016;
- Operating income was $0.4 million and $2.3 million for the three and six months ended June 30, 2017 compared to negative $1.4 million and negative $2.6 million in the same comparable periods, representing a 131% and 187% increase;
- EBITDA was $0.8 million and $2.8 million respectively for the three and six months ended June 30, 2017 versus negative $0.9 million and negative $2.3 million in the comparable periods in 2016. The increases of 183% and 221% are as a result of significantly improved drilling activity throughout our business segments in North America;
- Bri-Chem reported a net loss of $0.3 million or $0.01 loss per share diluted compared to a net loss of $1.4 million or $0.06 loss per share diluted in 2016, while year to date, the Company reported net earnings of $0.4 million or $0.02 earnings per share compared to a net loss of $3.5 million or $0.15 loss per share for the same period in 2016;
- Working capital as at June 30, 2017, was $14.5 million compared to $12.7 million at December 31, 2016. The Company's current ratio (defined as current assets divided by current liabilities) was 1.44 to 1 compared to 1.33 to 1 as at December 31, 2016; and
- The Company is receiving and reviewing term sheets as it pertains to it subordinated debt facility that is set to mature on November 30, 2017. In addition the Company is currently working on extending its Asset Based Credit Facility with its senior lender.

*Summary for the three and six months ended June 30, 2017:*

With a return to more traditional spring break up in Western Canada, the Company experienced stronger sales in Canada during the second quarter while drilling activity remained consistent in the USA which drove increased year over year revenue growth for the Company in the second quarter. Canada experienced 113 average active rigs during the second quarter of 2017, an increase of 155% over the prior year quarter, while the active USA rig count increased 112% over the same period with 892 average active rigs operating in Q2 2017. The first half of 2017 has shown signs of recovery from that of 2016 with Canadian and USA rig count increasing by 85% and 67% respectively for the first half of 2017 compared to the first half of 2016. Bri-Chem's three and six month ended June 30, 2017 consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses were $23.8 million and $57.8 million compared to $8.1 million and $23 million in the same prior periods in 2016. These increases in quarterly and year to date revenues are a direct result of an increase in oil and gas drilling activity throughout North America and a return to more traditional spring break up in Western Canada.

Bri-Chem's Canadian drilling fluids distribution division generated sales of $7 million and $23 million for the three and six months ended June 30, 2017, compared to sales of $1.5 million and $6.8 million over the comparable periods in 2016. Q2 2017 and year to date sales were strengthened by the continued increase in drilling activity, with a significant recovery in winter drilling activity. The number of wells drilled in Western Canada for the three month period ended June 30, 2017 was 1,018 representing an increase of 210% over the comparable quarter in 2016. The number of wells drilled for the six months of 2017 were 3,282 compared to 1,401 for the first half of 2016, an increase of 134%. Bri-Chem's United States drilling fluids distribution division generated sales of $12.9 million and $25.1 million for the three and six month periods ended June 30, 2017, compared to revenues of $4 million and $8.9 million in the comparable periods of 2016, representing increases of 222% and 181% respectively.

Bri-Chem's Canadian drilling fluids blending and packaging division generated sales of $2.7 million and $7.8 million for the three and six months ended June 30, 2017 compared to the prior year sales of $1.6 million and $4.7 million respectively, representing a 67% increase quarter over quarter and a 68% year over year increase. This increase is directly related to higher customer demand for blending services as a result of the increase in drilling activity throughout the first half of 2017. Bri-Chem's USA fluids blending and packaging division, generated sales of $1.2 million and $1.8 million for the three and six month periods ended June 30, 2017, compared to $1.1 million and $2.6 million for the comparable periods in 2016.

Operating income this quarter was $0.444 million compared with an operating loss of $1.4 million in the second quarter of 2016. Operating results this quarter were positively impacted by the increased activity levels throughout our North American business segments and a return to more of a traditional spring break up in Western Canada.

EBITDA was $0.788 million for the three months ended June 30, 2017 compared to negative $0.944 million in the same comparable prior year period; an increase of $1.7 million quarter over quarter or 183%. EBITDA for the first half of 2017 was $2.8 million or 5% of sales compared to negative EBITDA of $2.3 million or negative 10% for the same period of 2016. The Company had a net loss of $0.250 million for the quarter ended June 30, 2017 compared to net loss of $1.4 million in the same prior year period. For the six months ended June 30, 2017, the Company had net earnings of $0.431 million compared to a net loss of $3.5 million from the comparable prior year period.

**OUTLOOK**

Northern American oil and gas drilling activity levels, during the first half of 2017 continued to modestly grow, and we expect activity levels to remain at or near current levels for the remainder of 2017. PSAC has forecasted 3,603 wells to be drilled in Western Canada for back half of 2017, representing a 38% increase over the second half of 2016. Similar to the first half of the 2017, this anticipated drilling activity increase is expected to drive more demand for our drilling fluid products for Q3 and Q4 of 2017. The USA drilling market is also continuing to see improvements, as the active average rigs operating in the USA has continued to increase and is currently operating 924 rigs in USA. With the increased rig count in the USA, we look to expand our USA footprint to take advantage of the strong drilling activity which is anticipated to drive revenue and profit improvements from the lows of 2016.

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

**DISCUSSION OF Q2 AND YEAR TO DATE OPERATING RESULTS**

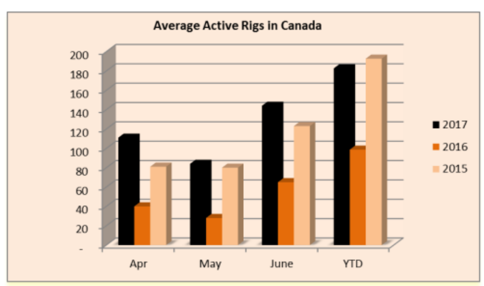
| Sales by Segment | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Change | | 2017 | 2016 | Change | |
| In $'000s | $ | $ | $ | % | $ | $ | $ | % |
| Fluids Distribution - Canada | **6,993** | 1,467 | 5,526 | 377% | **23,039** | 6,818 | 16,221 | 238% |
| Fluids Distribution - USA | **12,867** | 4,002 | 8,865 | 222% | **25,058** | 8,916 | 16,142 | 181% |
| **Total Fluids Distribution** | **19,860** | 5,469 | 14,391 | 263% | **48,097** | 15,734 | 32,363 | 206% |
| Fluids Blending & Packaging - Canada | **2,653** | 1,592 | 1,061 | 67% | **7,820** | 4,666 | 3,154 | 68% |
| Fluids Blending & Packaging - USA | **1,248** | 1,112 | 136 | 12% | **1,834** | 2,595 | (761) | (29%) |
| **Total Fluids Blending & Packaging** | **3,901** | 2,704 | 1,197 | 44% | **9,654** | 7,261 | 2,393 | 33% |
| **Consolidated Sales** | **23,761** | 8,173 | 15,588 | 191% | **57,751** | 22,995 | 34,756 | 151% |

***Consolidated Oilfield Chemical Divisions***

Bri-Chem's Q2 2017 and year to date consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses were $23.8 million and $57.8 million respectively compared to $15.9 million and $23 million in the same prior periods in 2016. This 191% second quarter revenue increase is a direct result in a quicker spring break up period in Western Canada while the USA continued to experience a surge in oil and gas drilling activity.

*North American Drilling Fluids Distribution Divisions*

The Company's North American drilling fluids distribution divisions recorded combined sales of $19.9 million and $48.1 million for the three and six months ended June 30, 2017 compared to sales of $14.4 million and $15.7 million in 2016, representing increases of 263% and 206% over the comparable periods. The Canadian fluids distribution divisions' sales increased by 377% for the three month period, while the USA fluids distribution division experienced a sales increase of 222% over the same comparable second quarter in 2016.



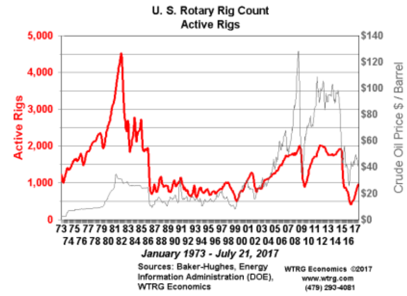

*Canadian Drilling Fluids Distribution Division*

Bri-Chem's Canadian drilling fluids distribution experienced a significant increase in sales as a result of increased drilling activity throughout Western Canada during the first half of 2017. While commodity prices remain volatile to some degree the industry has experienced a modest recovery in prices which saw a more robust second quarter in 2017 compared to 2016. Every month in the second quarter experienced a significant increase in the number of rigs operating. During the Q2 2017, Western Canada had an average of 183 rigs operating for the quarter compared to an average of 99 rigs operating for the same second quarter of 2016. Canadian distribution sales were $7 million and $23 million for the three and six months ended June 30, 2017, compared to sales of $1.5 million and $6.8 million over the same comparable periods in 2016.

Western Canada has experienced a significant increase in active drilling rigs for the first half of 2017, increasing 85% over first half of 2016. The number of wells drilled in Q2 2017 in Western Canada was 1,018 compared to the 328 wells drilled in Q2 2016, representing an increase of 210% quarter over quarter. In Canada, drilling rig utilization averaged 18% for the second quarter in 2017, an increase of 11% over the prior year quarter, while rig utilization increased 14% to 28% for the first half of 2017.

*United States Drilling Fluids Distribution Division*

The Company's USA drilling fluids distribution division generated revenues of $12.9 million and $25.1 million for the three and six months ended June 30, 2017 compared to sales of $4 million and $8.9 million for the same periods in 2016, representing increases of 222% and 181% respectively. In the USA, the average number of active rigs running during Q2 2017 was 892, as compared to 421 rigs running in Q2 2016, an increase of 112% quarter over comparable quarter. As volatile commodity prices continued to stabilize, US drilling activity increased during the first half of the year correlating to an increased demand for drilling fluid products in the major resource plays the Company services.




***Fluids Blending and Packaging Division***

*Canadian Fluids Blending and Packaging Division*

For the second quarter of 2017, the Canadian fluids blending and packaging division sales were $2.7 million compared to $1.6 million in Q2 2016 representing a 67% increase. For the six months ended June 30, 2017 the division generated sales of $7.8 million an increase of 68% year over year. These increases relate to stronger levels of bulk packaging and blending of chemicals as drilling activity levels increased year over year. With increased drilling activity levels, the division also experienced an increase in blending of production chemicals as production activity increased.

*United States Fluids Blending and Packaging Division*

For the three and six months ended June 30, 2017 sales were $1.2 million and $1.8 million respectively compared to $1.1 million and $2.6 million for the same comparable periods in 2016. The Company has implemented management and employee restructuring measures in Q1 to secure stronger business relationships. The restructuring increased sales during the second quarter.

**Gross Margin**

| | For the three months ended June 30 | | | | | | For the six months ended June 30 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | Change | | 2017 | | 2016 | | Change | |
| In $'000s | $ | %(1) | $ | %(1) | $ | % | $ | %(1) | $ | %(1) | $ | % |
| Distribution - Canada | **677** | **9.7%** | 242 | 16.5% | 435 | 180% | **2,503** | **10.9%** | 557 | 8.2% | 1,946 | 349% |
| Distribution - USA | **2,287** | **17.8%** | 666 | 16.6% | 1,621 | 243% | **4,562** | **18.2%** | 1,463 | 16.4% | 3,099 | 212% |
| **Total distribution** | **2,964** | **17.5%** | 908 | 16.6% | 2,056 | 226% | **7,065** | **14.7%** | 2,020 | 12.8% | 5,045 | 250% |
| Blending - Canada (1) | **762** | **28.7%** | 447 | 28.1% | 315 | 70% | **1,926** | **24.6%** | 1,143 | 24.5% | 783 | 69% |
| Blending - USA | **555** | **44.5%** | 546 | 49.1% | 9 | 2% | **683** | **59.3%** | 1,177 | 45.3% | (494) | (42%) |
| **Total Blending** | **1,317** | **33.8%** | 993 | 36.7% | 324 | 33% | **2,609** | **37.0%** | 2,320 | 32.0% | 289 | 12% |
| **Total** | $ 4,281 | 18.0% | $ 1,901 | 23.3% | $ 2,380 | 125% | $ 9,674 | 16.8% | 4,340 | 18.9% | 5,334 | 123% |

(1) As a percentage of divisional revenues

Bri-Chem's Q2 2017 consolidated margins from its North American oil and gas drilling fluids distribution, blending and packaging businesses was up 125% to $4.3 million compared to $1.9 million in the same prior period in 2016. The increase is due to stronger drilling activity in North America and a depletion of excess inventory in the market place which caused many customers to purchase product as activity levels increased. 2017 year to date gross margins dollars rose by 123% to $9.7 million from $4.3 million from 2016.

Canadian fluid distribution margins averaged 9.7% for the second quarter ended June 30, 2017 and 10.9% for the first half of 2017 compared to an average gross margin of 16.5% and 8.2% for the same comparable periods in 2016. The decrease in gross margins in Q2 2017 was due mainly to product mix where the division sold lower margin commodity products compared to the prior year. For the year to date, the division has experienced an increase in gross margins as activity levels have increased which has enabled us to stabilize our selling prices. Due to the significant increase in rig activity, many customers did not have excess inventory of their own and therefore required to purchase more fluid inventory from the Company during 2017. Throughout

2016, the division experienced significant pricing pressure given the weak market conditions, which caused a reduction in gross margins.

The USA fluids distribution margins were 17.8% and 18.2% respectively for the three and six months ended June 30, 2017; an increase of 1.2% and 1.8% compared to the same periods in 2016. With an increase in the USA rig count and stability of pricing to customers, the division continues to recover from the margin compression experienced during the first half of 2016 due to the rapid decline in drilling activity. As rig activity continues to increase, customers have commenced purchasing product again to service drilling rigs operating within the regions we service in the USA. Margins have a tendency to fluctuate based on product mix and geographic region, and the division experienced an increase in rig activity in regions that provide higher margin products.

Canadian fluids blending and packaging division margins were consistent at 28.7% and 24.6% for the three and six months ended June 30, 2017, compared to the same comparable prior year periods. The United States blending and packaging division generated gross margins of 44.5% for Q2 2017 recovering from their compressed margins in Q1 2017. The increase relates to the overall increase in divisional sales and of high margin product being sold during the second quarter of 2017.

**Salaries and Employee Benefits**

| | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Change | | 2017 | 2016 | Change | |
| **In $'000s** | $ | $ | $ | % | $ | $ | $ | % |
| Salaries and benefits | **1,899** | 1,910 | (11) | (1%) | **3,748** | 3,836 | (88) | (2%) |
| **% of sales** | **8.0%** | 23.4% | | | **6.5%** | 16.7% | | |

Salaries and benefits were consistent in the second quarter of 2017 compared to 2016 while decreasing modestly for the first half of 2017 compared to the prior period of 2016. As a result of the surge in 2017 business activity, salaries and benefits, as a percentage of sales, decreased to 6.5% compared to 16.7% for the first half in 2016. The Company added 3 more employees this quarter compared to the same prior year quarter, as well sales commissions increased due to higher sales levels in the fluids distribution division in Canada and the USA. The Company employed 71 (32 Canada and 39 USA) employees at June 30, 2017 compared to 68 (29 Canada and 39 USA) at June 30, 2016. Management is constantly re-evaluating the infrastructure of the Company and may continue to adjust employee levels given the level of drilling fluid demand in the industry.

**Selling and Administration**

| | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Change | | 2017 | 2016 | Change | |
| **In $'000s** | $ | $ | $ | % | $ | $ | $ | % |
| Selling | **142** | 120 | 22 | 18% | **251** | 227 | 24 | 11% |
| Professional and consulting | **262** | 59 | 203 | 344% | **446** | 271 | 175 | 65% |
| General and administrative | **457** | 378 | 79 | 21% | **773** | 830 | (57) | (7%) |
| Rent, utilities, and occupancy costs | **835** | 581 | 254 | 44% | **1,686** | 1,261 | 425 | 34% |
| **Total** | **1,696** | **1,138** | **558** | **49%** | **3,156** | **2,589** | **567** | **22%** |

Selling expenses were consistent for the second quarter and year to date when compared to last year comparative periods. With weaker drilling activity levels over the past two years, the Company implemented a number of cost cutting initiatives and as demand starts to increase these costs will start to increase. Management will continued to manage its selling costs prudently as the market recovers.

Professional and consulting expenses increased by $203,804 for the second quarter of 2017 and $174,670 for the first six months of 2017 compared to the same periods in 2016. The increase in professional and consulting expenses relates to increases in legal and accounting fee accruals.

General and administration expenses increased by $78,740 for second quarter of 2017 compared to the second quarter of 2016. The increase was due to increased activity levels which caused increased spending in waste disposal, fees and licences and general office expenses. The expenses decreased by $146,464 for the six months ended June 30, 2017 compared to the same periods in 2016. The decrease year over year related to a significant reduction to insurance costs of $52,630 as the Company carried less inventory throughout the year that needed to be insured.

Warehouse rent, utilities and occupancy costs increased by $254,489 for the second quarter ended June 30, 2017 compared to the same prior year quarter. The increase was due to $250,000 payment to break a yard lease that was no longer required and was not to expire until 2019. In addition to the break fee, the increase for the first half of 2017 was due to an increase in facility repairs and maintenance of $42,043 along with increases in repairs and operating costs to forklifts of $41,768. A portion of the Company's sublease of certain properties expired in late 2016, which was offset against rent expense in prior periods, which resulted in increased warehouse rent of approximately $78,000 for Q1 2017. The costs in this category are comprised mainly of rent, utilities, and warehouse expenses for the Edmonton, Leduc, Camrose, Acheson and USA locations as well as liquid storage tank rentals.

***Depreciation and Amortization***

| | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Change | | 2017 | 2016 | Change | |
| In $'000s | $ | $ | $ | % | $ | $ | $ | % |
| Depreciation on property and equipment | **242** | 271 | (29) | (11%) | **477** | 544 | (67) | (12%) |
| **Total** | **242** | **271** | **(29)** | **-11%** | **477** | **544** | **(67)** | **-12%** |

The depreciation of property and equipment decreased during the three and six months ended June 30, 2017 with book values reduced due to normal amortization that occurred during the year.

***Financing costs***

| | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Change | | 2017 | 2016 | Change | |
| In $'000s | $ | $ | $ | % | $ | $ | $ | % |
| Interest on short-term operating debt | **321** | 234 | 87 | 37% | **657** | 591 | 66 | 11% |
| Interest on long-term debt | **299** | 262 | 37 | 14% | **593** | 516 | 77 | 15% |
| Interest on obligiatons under finance lease | **1** | 11 | (10) | (91%) | **3** | 16 | (13) | (81%) |
| Cash Interest paid | **621** | **507** | **114** | **22%** | **1,253** | **1,123** | **130** | **12%** |
| Add non-cash interest expense: | | | | | | | | |
| Deferred interest expense | **199** | 182 | 17 | 9% | **391** | 360 | 31 | 9% |
| Amortization of deferred financing costs | **74** | 56 | 18 | 32% | **145** | 112 | 33 | 29% |
| Total interest expense | **894** | **745** | **96** | **13%** | **1,108** | **1,011** | **97** | **10%** |

Interest on short-term operating debt increased by $87,255 and $66,459 for the three and six months ended June 30, 2017 as the Company maintained a higher credit facility balance during the first half of 2017 due to increased purchases of fluids as a result of increased drilling activity. Interest on long-term debt for the three and six months ended June 30, 2017 was relatively consistent compared the same comparable periods in 2016, as the Company has not paid down any principal over the past seven quarters due to the industry downturn. The deferred interest expense is a compounded deferral interest charge on the unpaid balance of the long-term debt.

***Foreign exchange***

| | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Change | | 2017 | 2016 | Change | |
| In $'000s | $ | $ | $ | % | $ | $ | $ | % |
| Foreign exchange (gain) loss | **(82)** | (130) | 48 | (37%) | **(1)** | 397 | (398) | (100%) |
| **Total** | **(82)** | **(130)** | **48** | **-37%** | **4,902** | **6,112** | **(1,210)** | **-20%** |

During the second quarter of 2017, the Canadian dollar increased its value in relation to the US dollar. This increase in the Canadian dollar exchange rate caused the Company to have a favorable position on certain net advances denominated in USD, which resulted in having a foreign exchange gain of $82,455 for the three month period ended June 30, 2017.

***Income tax expense/ (Recovery)***

| | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Change | | 2016 | 2015 | Change | |
| **In $'000s** | $ | $ | $ | % | $ | $ | $ | % |
| Current | **(152)** | (689) | 537 | 78% | **65** | (1,347) | 1,412 | (105%) |
| Deferred | **107** | 149 | (42) | (28%) | **152** | 373 | (221) | (59%) |
| **Total** | **(45)** | **(540)** | **495** | **-92%** | **217** | **(974)** | **1,191** | **-122%** |

The provision for income taxes for the three months ended June 30, 2017 is a net current tax recovery of $45,057 compared to a net recovery of $539,686 in the same period in 2016. The significant lower total tax recovery in the second quarter is the result of improved profitability in the Company due to increase drilling activity in first half of 2017. The deferred tax expense is due to the utilization of deferred tax assets that were utilized this year as a result of tax planning initiatives. The Company's effective income tax rate is 27% for the three months ended June 30, 2017 (2016 – 26%).

***Net earnings/(loss) and EBITDA***

| | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Change | | 2017 | 2016 | Change | |
| **In $'000s** | $ | $ | $ | % | $ | $ | $ | % |
| Net earnings/(loss) | **(250)** | (1,437) | 1,187 | 83% | **431** | (3,534) | 3,965 | 112% |
| % of sales | **(1%)** | (18%) | | | **1%** | (15%) | | |
| EBITDA (1) | **788** | (944) | 1,732 | 183% | **2,823** | (2,337) | 5,160 | 221% |
| % of sales | **3%** | (12%) | | | **5%** | (10%) | | |

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

The Company had net loss of $0.250 million and net earnings of $431 million for the three and six months ended June 30, 2017 compared to net loss of $1.4million and $3.5 million in the same prior year periods. The second quarter loss as a percentage of sales was 1% compared to negative 18% from the prior year quarter. The improvement in drilling activity experienced in the first quarter of 2017 continued into the second quarter of 2017, which resulted in improved profitability quarter over quarter.

EBITDA was $0.8 million and $2.8 million for the three and six months ended June 30, 2017 compared to negative $0.9 million and negative $2.3 million in the same comparable prior year periods; increases of $1.7 million quarter over quarter and $5.2 million year over year. The second quarter EBITDA as a percentage of sales was 3% compared to negative 12% from the prior year quarter.

Basic and diluted loss per share for the three months ended June 30, 2017 was negative $0.01, while basic and diluted earnings per share for the six month period of 2017 was $0.02. Earnings per share was based on the weighted average number of shares outstanding during the quarter ended June 30, 2017. The basic and diluted weighted average numbers of shares outstanding for the quarter ended June 30, 2017 were 23,632,981 and 23,692,981 (2016 – 23,632,981 and 23,632,981) respectively.

**SUMMARY OF QUARTERLY DATA**

| In $'000s | 2017 Q2 | 2017 Q1 | 2016 Q4 | 2016 Q3 | Total TTM |
|---|---|---|---|---|---|
| Sales | $ 23,761 | $ 33,990 | $ 22,098 | $ 16,999 | $ 96,848 |
| Gross margin ($) | 4,281 | 5,392 | 3,942 | 2,735 | 16,350 |
| Gross margin (%) | 18.0% | 15.9% | 17.8% | 16.1% | 16.9% |
| EBITDA (1) | 788 | 2,036 | 1,244 | 99 | 4,167 |
| Net earnings/(loss) (2) | $ (250) | $ 681 | $ (2,570) | $ (688) | (2,827) |
| Basic earnings/(loss) per share | $ (0.01) | $ 0.03 | $ (0.11) | $ (0.03) | $ (0.12) |
| Diluted earnings/(loss) per share | $ (0.01) | $ 0.03 | $ (0.11) | $ (0.03) | $ (0.12) |

| In $'000s | 2016 Q2 | 2016 Q1 | 2015 Q4 | 2015 Q3 | Total TTM |
|---|---|---|---|---|---|
| Sales | $ 8,173 | $ 14,821 | $ 21,507 | $ 27,495 | $ 71,996 |
| Gross margin ($) | 1,902 | 2,438 | 1,564 | 4,833 | 10,737 |
| Gross margin (%) | 23.3% | 16.4% | 7.3% | 17.6% | 14.9% |
| EBITDA (1) | (944) | (1,394) | (5,696) | 2,239 | (5,795) |
| Net earnings/(loss) from continuing operations (2) | $ (1,437) | $ (2,098) | $ (13,373) | $ 351 | (16,557) |
| Basic earnings/ (loss) per share from continuing operations | $ (0.06) | $ (0.09) | $ (0.57) | $ 0.01 | $ (0.71) |
| Diluted earnings/ (loss) per share from continuing operations | $ (0.06) | $ (0.09) | $ (0.57) | $ 0.01 | $ (0.71) |

(1) EBITDA is non-IFRS measures which the Company defines as earnings before interest, taxes, depreciation and amortization and share-based payments expense. (See page 13 for a further explanation of these non-IFRS measures).

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

Weather conditions can affect the sale of the Company's products and services. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As a result, spring months in Western Canada and the duration of the spring break-up during Q2 has a direct impact on the Company's activity levels. In addition, many exploration and production areas in northern Western Canada are accessible only in winter months when the ground is frozen hard enough to support the weight of heavy equipment. The timing of freeze-up and spring break-up affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company's slowest period.

**FINANCIAL CONDITION AND LIQUIDITY**

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

The Company's operating cash flow has historically been affected by the overall profitability of sales within the Company's segments, the Company's ability to invoice and collect from customers in a timely manner and the Company's ability to efficiently manage costs. The Company's cash flow from operations has historically been sufficient to meet the Company's working capital, capital expenditure and debt servicing requirements.

As at June 30, 2017, the Company had positive working capital of $14.5 million compared to $12.7 million at December 31, 2016. The Company's current ratio (defined as current assets divided by current liabilities) was 1.44 to 1 compared to 1.33 to 1 as at December 31, 2016.

The following table summarizes the Company's sources and uses of funds for the six months ended June 30, 2017 and 2016:

| Summary of Consolidated Statements of Cash Flows<br>Period ended | | June 30<br>2017 | | June 30<br>2016 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Cash generated (used) in operating activities | **$** | **4,537** | $ | 13,328 |
| Cash generated (used) in financing activities | | **(4,277)** | | (12,994) |
| Cashgenerated (used) in investing activities | | **(260)** | | (334) |
| Net increase in cash and cash equivalents | **$** | **-** | $ | - |
| Cash and cash equivalents, beginning of the period | | **-** | | - |
| Cash and cash equivalents, end of the period | **$** | **-** | $ | - |

**Operating activities**

Cash generated in operating activities for the six month period ended June 30, 2017 was $4.5 million compared to cash generated of $13.3 million for the prior year period. The Company's cash flow generated in operating activities mainly relates to the increased activity levels over the past couple of quarters which also provided for a higher level of accounts receivables. In addition, the Company increased its purchases of inventory to keep up to new demand for drilling fluid products. Accounts receivable increased by $12.5 million, inventories remained consistent while accounts payable increased by $8.3 million.

**Financing activities**

Cash used in financing activities was $4.3 million for the six months ended June 30, 2017, compared to cash used of $13 million in the comparable period in 2016. The cash used in financing activities relates to advances and repayments of the ABL Facility. During the first half of the year, the net advance of the operating line is a combination of collection of accounts receivable, net reduction of inventory and payments to vendors. The Company repaid $3.2 million on its operating facility during the first half of 2017 as funds received from outstanding receivables were collected, net of funds being used to purchase inventory. The Company also paid $1.1 million in interest on borrowing during the six months along with making a payment on its promissory note payable from the acquisition of Solution Blend Service in 2014.

**Investing activities**

Cash used in investing activities amounted to $0.260 million for the six months ended June 30, 2017 compared to cash used of $0.334 million in the same period of 2016. The cash used was a result of proceeds on disposal of certain trucking assets during Q1 2017. The Company is expected to spend approximately $450,000 on capital expenditures for the back half of 2017, mainly in the USA.

*Credit Facilities*

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

As at June 30, 2017, the Company had drawn $11.1 million, net of unamortized transaction costs of $15,500 on its available credit facilities of $25 million, as compared to indebtedness of $14.5 million at December 31, 2016. The Company is required to comply with two financial covenants under its ABL Facility being a minimum adjusted tangible net worth ratio and maximum annual eligible capital expenditures. Failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, would permit acceleration of the relevant indebtedness.

The minimum adjusted tangible net worth covenant requires the Company to ensure adjusted tangible net worth is greater than $24.1 million as at June 30, 2017. This is defined, on a consolidated basis, as total assets, less intangibles and goodwill less total liabilities. The capital expenditures limit is set at a maximum of 120% of consolidated budgeted yearly capital expenditures, but does not include capital additions by way of finance lease.

On November 30, 2012, the Company secured a subordinated debt facility with Fulcrum Capital Partners Inc. ("Fulcrum"). The initial term of the sub debt facility is for five years and is secured by a second charge general security agreement covering all present and after acquired property and postponement of claim from related parties. The sub debt facility bears interest at 11.50%, with repayments of interest only for the first fifteen months of the agreement, then quarterly principal repayments of $300,000 plus interest. Total transaction costs relating to the subordinate debt facility amounted to $312,786.

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

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

| | **June 30 2017** | **Requirement** | December 31 2016 | Requirement |
|---|---|---|---|---|
| Minimum tangible net worth | **$ 27,772,079** | **Must exceed $ 24,127,200** | $ 29,571,250 | Must exceed $ 24,484,000 |
| Eligible capital expenditures | **$ 449,015** | **Not to exceed $ 1,020,000** | $ 364,187 | Not to exceed $ 723,480 |
| Adjusted EBITDA | **$ 3,130,486** | **Must exceed $ (2,834,900)** | $ (1,505,447) | Must exceed $ (4,601,987) |

(1) EBITDA is non-IFRS measures which the Company defines as earnings before interest, taxes, depreciation and amortization and share-based payments expense. (See page 13 for a further explanation of these non-IFRS measures).

The minimum covenants are noted in the above table. The Company monitors its covenants on an ongoing basis and reports on its compliance to its lender on a monthly basis. As at June 30, 2017, the Company was in compliance with all financial covenants.

The Company and its senior lenders have agreed to extend the Asset Based Credit Facility to October 31, 2017. The extension was put in place to eliminate the need to recreate financing agreements while the Company is actively seeking and reviewing financing alternatives as it pertains to its subordinated debt facility that is set to mature on November 30, 2017. As part of the extension, the Asset Based Lending Facility amended certain financial covenants.

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

*Cash Requirements for Capital Expenditures*

Historically, the Company has financed its capital expenditures and acquisitions through its ABL Facility, subordinated debt and equity. The budgeted future capital expenditures for the remainder of 2017 are approximately $450,000 (2016 - $250,000) which may include future equipment upgrades to blending and packaging equipment for the Canadian blending and packaging division as well as laboratory equipment for the USA blending division. The Company also plans to purchase storage tanks for its liquid mud blending facility in Texas. Capital expenditures typically are comprised of betterments and upgrades to existing assets, and additions incurred during the period. The Company ensures equipment is efficient and profitable or the equipment is replaced when the cost of maintenance and operating the equipment is not feasible. However, if a sustained period of market and commodity price uncertainty and financial market volatility persists in 2017, the Company's activity levels, cash flows and access to credit may be negatively impacted, and the expenditure level would be reduced accordingly. Conversely, if future growth opportunities present themselves, the Company would look at expanding this planned capital expenditure amount.

**Off-balance sheet arrangements**

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

**Transactions with related parties**

During the three and six months ended June 30, 2017, the Company incurred office sharing costs of $9,000 and $18,000 respectively (June 30, 2016 – $15,000 and $30,000) that were paid to a company over which a director has control.

**RISK FACTORS AND RISK MANAGEMENT**

**The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with the detailed information appearing elsewhere in this MD&A and Bri-Chem's other public disclosure documents, including the Annual Information Form for the Company for the year ended December 31, 2016. These risks and uncertainties are not the only ones facing Bri-Chem. Additional risks and uncertainties not currently known to the Company or that the Company currently considers remote or immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.**

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

**Industry Conditions**

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

**Credit Risk**

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

The top 6 customers (2016: top 5) of the Company account for approximately 36% (2016: 29%) of revenue for the six months ended June 30, 2017, of which one customer accounts for approximately 11.9%. The Company does not usually enter into long term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customer, any significant decrease in sales to a customer, or prices paid or any other changes to the terms of service with customers, could have a material adverse effect on the financial results, cash flows, and the overall financial condition of the Company.

**Government Regulation**

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

**CRITICAL ACCOUNTING ESTIMATES**

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

**FUTURE ACCOUNTING POLICIES CHANGES**

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

**ACCOUNTING POLICIES**

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

**SHARE DATA**

As at August 8, 2017, the Company had 23,632,981 common shares issued and outstanding. As of August 8, 2017, options to purchase 1,420,000 common shares were outstanding at an average price of $2.40 per common share.

**NON-IFRS MEASURES**

Management believes that, in addition to net earnings, EBITDA is a useful supplemental measure that provides a measure of operating performance without reference to financing decisions, depreciation or income tax impacts, which are not controlled at the operating management level. Investors should be cautioned that EBITDA should not be construed as alternatives to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from that of other entities and accordingly may not be comparable to measures used by other entities.

EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment charges and share-based payments. The following is a reconciliation of EBITDA to net earnings for each of the periods presented in this MD&A.

| EBITDA | For the three months ended June 30 2017 | For the three months ended June 30 2016 | For the six months ended June 30 2017 | For the six months ended June 30 2016 |
|---|---|---|---|---|
| Net earning/(loss) | **$ (250)** | $ (1,437) | **$ 431** | $ (3,534) |
| Add: | | | | |
| Interest | **821** | 690 | **1,645** | 1,483 |
| Income taxes | **(45)** | (540) | **218** | (974) |
| Depreciation and amortization | **242** | 271 | **477** | 544 |
| Share-based payment | **20** | 72 | **52** | 144 |
| EBITDA | **$ 788** | **$ (944)** | **$ 2,823** | **$ (2,337)** |

**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 June 30, 2017 and, based on that evaluation, have concluded that these controls and procedures are effective in providing such reasonable assurance.

*Internal controls over financial reporting*

The CEO and CFO, together with management, are also responsible for establishing and maintaining internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO, together with management, have evaluated the design and operating effectiveness of the Company's ICFR as of June 30, 2017 and, based on that evaluation, have concluded that the controls are effective in providing such reasonable assurance.

*Changes in internal control over financial reporting*

There were no changes in the Company's internal control over financial reporting that occurred in 2017 that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting.

It should be noted that while the CEO and CFO believe that Bri-Chem Corp.'s disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS**

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

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

## Corporate Information

***Officers and Directors***

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

Jason Theiss, CA
CFO
Edmonton, Alberta

Trent Abraham
President, North American Operations
Denver, Colorado

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

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

Brian Campbell(1)
Director
Edmonton, Alberta

***Auditors***

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

***Corporate Office***

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

***Shares Listed***

Toronto Stock Exchange
Trading Symbol – BRY

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

***Bankers***

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

***Lenders***

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

***Transfer Agent***

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

***Share Capital***

Issued: 23,632,981

***Web Site***

[www.brichem.com](http://www.brichem.com)