Q2 2018 MD&A

BRI-CHEM

Right product. Right place. Right time.

North American Oilfield Chemical Distribution & Blending Company

Q2 MANAGEMENT DISCUSSION & ANALYSIS – June 30, 2018

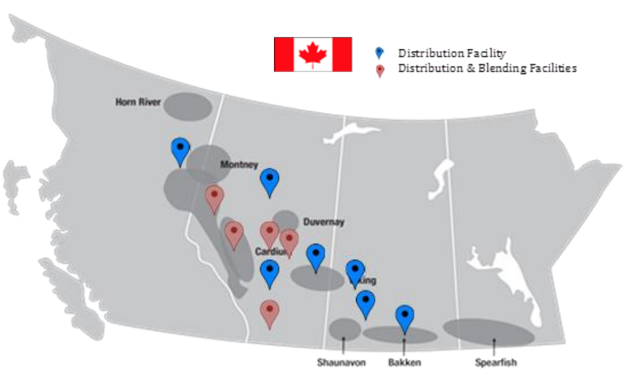
The following Management's Discussion and Analysis ("MD&A") of Bri-Chem Corp. ("Bri-Chem" or the "Company") is for the three and six months ended June 30, 2018. This MD&A should be read in conjunction with Bri-Chem's June 30, 2018 unaudited condensed consolidated interim financial statements and the audited annual consolidated financial statements and MD&A for the financial year ended December 31, 2017. The Company's consolidated condensed interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard 34, "Interim Financial Reporting", and are presented in Canadian dollars unless otherwise indicated. No update is provided where an item is not material or where there has been no material change from the discussion in the aforementioned interim and annual MD&A.

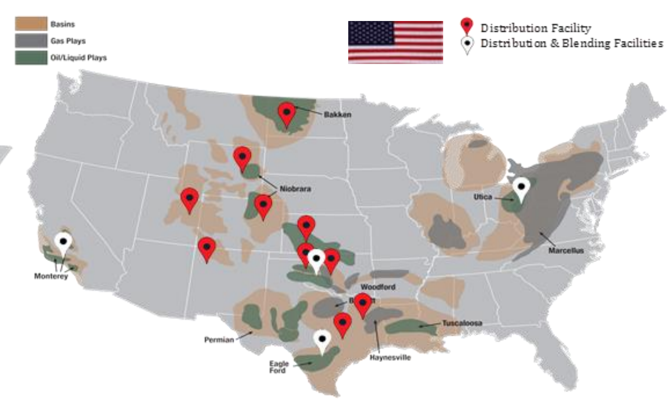
The Company's consolidated condensed interim financial statements include the accounts of Bri-Chem Corp. and its subsidiaries, Bri-Chem Supply Ltd., Sodium Solutions Inc., Solution Blend Service Ltd., Bri-Corp USA, Inc., including its three subsidiaries Bri-Chem Supply Corp, LLC, Sun Coast Materials, LLC and Bri-Chem Logistics, LLC. Readers should carefully read the sections regarding "Cautionary Statement Regarding Forward-Looking Information and Statements" and "Non-IFRS Measures" in this report. All references to dollar amounts are to Canadian dollars, except where otherwise indicated. This MD&A was prepared as at August 14, 2018.

BUSINESS OF BRI-CHEM

Bri-Chem, headquartered in Edmonton, Alberta, Canada, has established itself, through a combination of strategic acquisitions and organic growth, as a North American industry leader for the distribution and blending of oilfield drilling, completion, stimulation and production chemical fluids. We sell, blend, package and distribute a full range of drilling fluid products from 30 strategically located warehouses throughout Canada and the United States. Bri-Chem has been operating in Canada since 1985 and we expanded into the United States in 2011 where we have successfully established 13 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 26 strategically placed and fully stocked warehouses throughout North America as mud engineering companies and drilling companies prefer to use one supplier of drilling fluids for all their widely dispersed drilling rig locations.





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, 2018.

In $'000s *(except per share amounts)*	For the three months ended June 30, 2018	2017	Change $	%	For the six months ended June 30 2018	2017	Change $	%
Revenue	**$ 27,255**	$ 23,761	$ 3,494	15%	**$ 62,572**	$ 57,751	$ 4,821	8%
Adjusted Operating income (loss) (1)	**(640)**	444	(1,084)	(244%)	**331**	2,292	(1,961)	(86%)
Adjusted EBITDA(2)	**(366)**	788	(1,154)	(146%)	**559**	2,823	(2,264)	80%
Adjusted EBITDA as a percentage of revenue	**-1%**	3%	-		**1%**	5%	-	
Adjusted Net (loss)/earnings (3)	**(1,101)**	(250)	(851)	(340%)	**(1,207)**	431	(1,638)	380%
Net (loss)/earnings	**$ (3,740)**	$ (250)	$ (3,490)	(1396%)	**$ (3,846)**	$ 431	$ (4,277)	992%
Per Share Data (Diluted)								
Adjusted EBITDA	**$ (0.02)**	$ 0.03	$ (0.04)	(116%)	**$ 0.02**	$ 0.12	$ (0.09)	80%
Adjusted Net (Loss)/earnings	**$ (0.05)**	$ (0.01)	$ (0.04)	(341%)	**$ (0.05)**	$ 0.02	$ (0.07)	384%
Net (Loss)/earnings	**$ (0.16)**	$ (0.01)	$ (0.15)	(1398%)	**$ (0.16)**	$ 0.02	$ (0.18)	993%
Shares Outstanding								
Basic	23,932,981	23,632,981			23,932,981	23,632,981		
Diluted	23,932,981	23,962,981			23,932,981	23,962,981		
Financial Position								
Total Assets	**$ 74,171**	$ 61,251	$ 12,920	21%				
Working Capital	**20,409**	14,513	5,896	41%				
Long-term debt	**8,616**	143	8,473	5925%				
Shareholders Equity	**25,388**	28,282	(2,894)	(10%)				

(1) Represents operating income before financing costs, foreign exchange, and income taxes and adjusted for restructuring charges, share-based payments and lost margin on one-time sales of product below cost (See page 15 for a further explanation of this non-IFRS measure).

(2) Represents earnings before interest, taxes, depreciation, amortization, impairment and restructuring charges, share-based payments and lost margin on one-time sales of product below cost (See page 15 for a further explanation of this non-IFRS measure).

(3) Represents net earnings adjusted for one-time sales below cost and restructuring costs, net of tax. (See page 15 for a further explanation of this non-IFRS measure).

Q2 HIGHLIGHTS

Key Q2 2018 & YTD highlights include:

- Bri-Chem generated consolidated revenue of $27.3 million, an increase of 15% from the second quarter in 2017, resulting primarily from higher business activity levels in the US fluids distribution segment;
- Revenue decreased by 47% in the Canadian fluids distribution as a result of an early and prolonged spring breakup period and a corresponding reduction of wells drilled in the second quarter of 2018 and the Canadian blending division revenue increased 8%. The USA fluids distribution division and blending division revenue increased 46% and 52% respectively over the second quarter of 2017;
- Adjusted operating loss was $0.64 million for the three months ended June 30, 2018 compared to operating earnings of $0.44 million in Q2 2017, representing a $1.1 million decrease;
- Adjusted EBITDA for the second quarter was negative $0.4 million versus $0.8 million in the comparable period in 2017. This decrease is mainly due to the decrease in Canadian fluids distribution sales. In addition, the Company invested in the increase of its infrastructure to keep up with the increased demand in the USA throughout the first half of 2018;
- Bri-Chem reported an adjusted net loss of $1.1 million or $0.05 loss per share diluted compared to net loss of $0.250 million or $0.01 loss per share diluted in 2017.
- During Q2, Bri-Chem discontinued operating from Kermit and Three Rivers, Texas and moved from Enid, Oklahoma to Ada, Oklahoma in an effort to redeploy its inventory and equipment in higher margin opportunities. This restructuring resulted in one-time sales of product below cost amounting to $1.7 million of negative gross margin and shut down and moving costs of $0.648 million during Q2. As a result of these one-time restructuring costs our non-adjusted operating

loss was $3.3 million for the three months ended June 30, 2018 compared to operating earnings of $0.44 million in Q2 2017, representing a $3.7 million decrease, while year to date, the Company reported a non-adjusted net loss of $3.8 million or $0.16 loss per share compared to net earnings of $0.431 million or $0.02 earnings per share for the same period in 2017;

- Working capital, as at June 30, 2018, was $20.4 million compared to $24.3 million at December 31, 2017. The Company's current ratio (defined as current assets divided by current liabilities) was 1.51 to 1 compared to 1.56 to 1 as at December 31, 2017.

Summary for the three and six months ended June 30, 2018:

During Q2 2018, drilling activity levels remained stable in the United States as the USA rig count averaged 1,038 rigs operating during Q2 2018, while Canada experienced a slower start to summer drilling program due to wet weather conditions in June. Bri-Chem's Q2 2018 consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses was $27.3 million compared to $23.8 million in the same prior period in 2017, while the Company had sales of $62.6 million for the first half of 2018 compared to $57.8 million for the first half of 2017. This revenue increase is a result of an increase in drilling fluid demand in the United States, while Western Canada experienced an earlier than expected and prolonged spring break up.

Bri-Chem's Canadian drilling fluids distribution division generated sales of $3.7 million and $15.5 million for the three and six months ended June 30, 2018, compared to sales of $7 million and $23 million over the comparable periods in 2017. Q2 2018 and year to date sales were lower as many customers were adequately stocked with their own inventories for the winter drilling season given consistent drilling activity levels over the past few quarters. In addition, the industry experienced a prolonged spring break and wet weather conditions throughout Alberta caused delays to summer drilling programs. The number of wells drilled in Western Canada for the three month period ended June 30, 2018 was 906, representing a decrease of 11% over the comparable quarter in 2017. Bri-Chem's United States drilling fluids distribution division generated sales of $18.7 million and $36.7 million for the three month and months ended June 30, 2018, compared to revenues of $12.9 million and $25.1 million in the comparable periods of 2017, representing increases of 46% and 46% respectively.

Bri-Chem's Canadian drilling fluids blending and packaging division generated sales of $2.9 million and $7 million for the three and six months ended June 30, 2018 compared to the prior year quarter sales of $2.7 million and $7.8 million respectively, representing an 8% increase quarter over quarter and an 11% decrease year over year. The increase relates to customers requiring certain products in the quarter and the division adding new blends to a few existing customers. The year to date decrease is due to softer demand for blending services particularly in the month of March as rig activity declined much sooner than expected for spring breakup. Bri-Chem's USA fluids blending and packaging division, generated sales of $1.9 million and $3.4 million for the three and six month periods ended June 30, 2018, compared to $1.2 million and $1.8 million for the comparable periods in 2017 as the division has seen customer growth with the return of well abandonment work in California.

Adjusted operating loss this quarter was $0.64 million compared with operating earnings of $0.44 million in the second quarter of 2017. Operating results this quarter decreased due to the late start of the summer drilling program in Western Canada due to an usually wet and prolonged spring breakup period.

Adjusted EBITDA was negative $0.4 million and $0.4 million for the three and six months ended June 30, 2018 compared to $0.8 million and $2.8 million in the same comparable prior year periods; decreases of $1.1 million quarter over quarter and $2.3 million year over year. The second quarter adjusted EBITDA as a percentage of sales was negative 1% compared to 3% from the prior year quarter. This decrease in quarter over quarter adjusted EBITDA is mainly attributed to lower sales in the Canadian fluids distribution division as the industry experienced a decrease in rig activity during the quarter. In addition, the Company reinstated its wage rollback and increased its employee base to keep up with the increased demand in the USA. The Company had non-adjusted net loss of $3.7 million for the quarter ended June 30, 2018 compared to a net loss of $0.250 million in the same prior year period. Adjusting for one-time sales below cost and restructuring costs, adjusted net loss was $1.1 million for the second quarter while the adjusted net loss was $1.2 million for the first half of 2018.

OUTLOOK

During Q1, management initiated a comprehensive strategic review of all 30 warehouse locations to determine which warehouses were not achieving target gross margins and EBITDA and therefore not the best use of further cashflow resources. The Company determined that two oil based mud facilities in Texas were incurring substantial above average operating costs, increased transportation costs due to a shortage of trucking and logistics within the Texas region and due to the competitive environment in those locations, target gross margins and EBITDA percentages were well below other warehouses with no opportunity to achieve higher margins in the future. As a result, an immediate plan was implemented to discontinue operations in those warehouses and to have the restructuring completed as quickly as possible. The focus of the restructuring plan is to strengthen the Company and enhance long-term shareholder value.

Looking to the third quarter and beyond, sales are currently robust across all North American divisions and we expect our consolidated margins to be at or above historical normalized levels. Northern American oil and gas drilling activity levels should remain consistent for the remainder of 2018, however, PSAC has forecasted 3,586 wells to be drilled in Western Canada for the second half of 2018 with 1,839 wells to be drilled in the third quarter, representing a 5% forecasted decrease over Q3 2017. Bri-Chem will continue to be proactive in seeking higher margin opportunities throughout all its North America business segments. We will aim to stay focused on our strategy, maintain our market share and not sacrifice either to achieve our margin goals in the near term.

DISCUSSION OF Q2 AND YTD OPERATING RESULTS

Sales by Segment	For the three months ended June 30				For the six months ended June 30			
	2018	2017	Change		2018	2017	Change	
In $'000s	$	$	$	%	$	$	$	%
Fluids Distribution - Canada	**3,732**	6,993	(3,261)	(47%)	**15,515**	23,039	(7,524)	(33%)
Fluids Distribution - USA	**18,748**	12,867	5,881	46%	**36,679**	25,058	11,621	46%
Total Fluids Distribution	**22,480**	19,860	2,620	13%	**52,194**	48,097	4,097	9%
Fluids Blending & Packaging - Canada	**2,874**	2,653	221	8%	**6,984**	7,820	(836)	(11%)
Fluids Blending & Packaging - USA	**1,901**	1,248	653	52%	**3,394**	1,834	1,560	85%
Total Fluids Blending & Packaging	**4,775**	3,901	874	22%	**10,378**	9,654	724	7%
Consolidated Sales	**27,255**	23,761	3,494	15%	**62,572**	57,751	4,821	8%

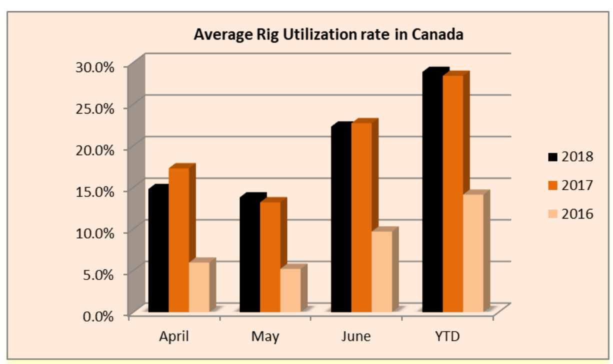
Consolidated Oilfield Chemical Divisions

Bri-Chem's Q2 2018 and year to date consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses was $27.3 million and $62.6 million respectively compared to $23.8 million and $57.8 million in the same prior periods in 2017. This 15% second quarter increase was due to higher oil base mud sales in our USA fluids distribution division and increased demand for drilling fluid products in other major regions, such as mid continent and the North East USA.

North American Drilling Fluids Distribution Divisions

The Company's North American drilling fluids distribution divisions recorded combined sales of $22.5 million and $52.2 million for the three months and six months ended June 30, 2018 compared to sales of $19.9 million and $48.1 million in 2017, representing increases of 13% and 9% over the comparable periods. The Canadian fluids distribution divisions' sales decreased by 47% for the three month period, while the USA fluids distribution division experienced a sales increase of 46% over the same comparable quarter in 2017.

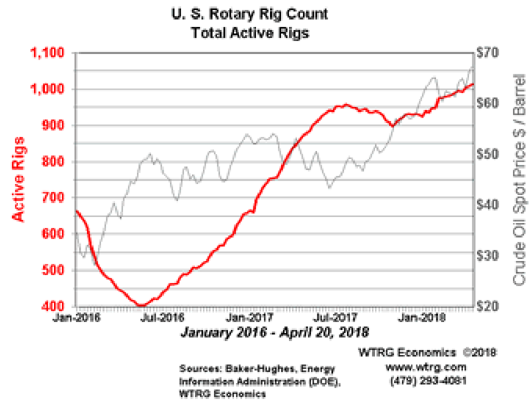
Canadian Drilling Fluids Distribution Division



Canadian distribution sales were $3.7 million for the three months ended June 30, 2018, compared to sales of $7.0 million over the same comparable period in 2017. The decrease in revenue resulted from a prolonged spring break up in Western Canada, which delayed rig activity starting up for the summer drilling programs. The division generated sales of $15.5 million for the six months ended June 30, 2018 compared to sale of $23.0 million of the comparable first have of the year in 2017. Many of our larger customers were more prepared carrying their own inventory throughout 2018 in difference to having to replenish inventory levels in Q1 2017 due to a quick industry rebound at the end of fiscal 2016. In addition to more inventory in the market place, Western Canadian drilling activity experienced a rapid decrease in the number of rigs operating in the latter half of March which lead to lower sales and earlier than expected product returns during the first half of the year.

Western Canada's active rig count remained flat for the first half of 2018, decreasing by 6.1% over the first half of 2017. The number of wells drilled in Q2 2018 in Western Canada was 906 compared to the 1,018 wells drilled in Q2 2017, representing a decrease of 11% quarter over quarter. In Canada, drilling rig utilization averaged 17% for the second quarter of 2018, a decrease of 1% quarter over quarter, while rig utilization increased 0.5% to 28.9% for the first half of 2018.

United States Drilling Fluids Distribution Division



The Company's USA drilling fluids distribution division generated revenues of $18.7 million and $36.7 million for the three and six months ended June 30, 2018 compared to sales of $12.9 million and $25.1 million for the same periods in 2017, representing increases of 46% for the quarter and year to date. Demand for drilling fluid products in Texas and other major regions, such as mid continent and the North East, experienced vast gains. However, the Company determined that substantial above average operating costs were being incurred to maintain two Texas warehouse operations. Also due to the competitive environment in those locations, target gross margins and EBITDA percentages were not achievable and therefore not the best use of cashflow resources. During the second quarter of 2018, Bri-Chem discontinued operating in Kermit and Three Rivers, Texas and sold certain inventories below cost to recover cash quickly while transferring remaining inventories and equipment to other regions with higher margin opportunities.

The average number of active rigs running during Q2 2018 was 1,038, as compared to 892 rigs running in Q2 2017, an increase of 16% quarter over quarter.

Fluids Blending and Packaging Division

Canadian Fluids Blending and Packaging Division

For the second quarter of 2018, the Canadian fluids blending, and packaging division sales were $2.9 million compared to $2.7 million in 2017 representing an 8% increase this quarter over the prior year quarter. This modest increase is related to new blending requirements from customers during the quarter. For the six months ended June 30, 2018 the division generated sales of $7 million a decrease of 11% year over year. The decrease was the result of customers having more appropriate levels of inventory on hand for the winter drilling season compared to the same quarter a year ago. Additionally, Western Canadian drilling activity experienced a rapid decrease in the number of rigs operating in the latter half of March which lead to lower sales.

United States Fluids Blending and Packaging Division

For the three and six months ended June 30, 2018 sales were $1.9 million and $3.4 million respectively compared to $1.2 million and $1.8 million for the same comparable periods in 2017 representing a 52% increase quarter over quarter and 85% increase year over year. The increases are the result of increased well abandonment work in the State of California due to overall increased in drilling activity in the USA.

Gross Margin

	For the three months ended June30						For the six months ended June 30					
	2018		2017		Change		2018		2017		Change	
In $'000s	$	%(1)	$	%(1)	$	%	$	%(1)	$	%(1)	$	%
Distribution - Canada	**169**	**4.5%**	677	9.7%	(508)	(75%)	**1,941**	**12.5%**	2,503	10.9%	(562)	(22%)
Distribution - USA	**620**	**3.3%**	2,287	17.8%	(1,667)	(73%)	**2,911**	**7.9%**	4,562	18.2%	(1,651)	(36%)
Total distribution	**789**	**3.5%**	2,964	17.5%	(2,175)	(73%)	**4,852**	**9.3%**	7,065	14.7%	(2,213)	(31%)
Blending - Canada (1)	**614**	**21.4%**	762	28.7%	(148)	(19%)	**1,457**	**20.9%**	1,926	24.6%	(469)	(24%)
Blending - USA	**626**	**32.9%**	555	44.5%	71	13%	**1,167**	**34.4%**	683	59.3%	484	71%
Total Blending	**1,240**	**26.0%**	1,317	33.8%	(77)	(6%)	**2,624**	**25.3%**	2,609	37.0%	15	1%
Total	$ 2,029	7.4%	$4,281	18.0%	$(2,252)	-53%	$ 7,476	11.9%	9,674	16.8%	(2,198)	-23%

(1) As a percentage of divisional revenues

Adjusted Gross Margins

In $'000s	For the three months ended June30 2018 $	2017 $	Change $	%	For the six months ended June 30 2018 $	2017 $	Change $	%
Gross Margin ($)	**2,029**	4,281	(2,252)		**7,476**	9,674	(2,198)	(23%)
As a percentage of sales	**7%**	18%		(11%)	**12%**	17%		(5%)
Addback: Losses from sales associated with one-time reduction of inventory due to warehouse closures (1)	**1,911**	-	1,911	100%	**1,911**	-	1,911	100%
Adjusted Gross Margin ($)(2)	**3,940**	4,281	(341)	(8%)	**9,387**	9,674	(287)	(3%)
Adjusted gross margin as percentage of sales	17%	18%		-1%	16%	17%		-1%

(1) Losses are due to the 0ne-time sale of inventory as part of the Company's restructuring of its Texas warehouses. These one-time sales are due to selling oil-based products at discounts to liquidate inventory.
(2) Adjusted gross margins reflect gross margin under IFRS excluding one-time losses from sales under unfavourable terms due to warehouse shut down and additional valuation allowance outside of normal operations (see Page 15 for further explanation of this non-IFRS measure).

Bri-Chem's Q2 2018 consolidated margins from its North American oil and gas drilling fluids distribution, blending and packaging businesses was $2.0 million compared to $4.3 million for the same prior quarter in 2017. Consolidated margins as a percentage of sales fell by 10.6% in Q2 2018 compared to Q2 2017 as the Company recorded one-time sales of products below costs as a result of discontinuation of operations in two of our Texas warehouses. In addition, the Company recorded a $250,000 valuation allowance for a product in Canada. Adjusting gross margins for one time sales below cost and the valuation allowance, gross margins would have been $3.9 million or 17% of consolidated sales for the quarter.

Canadian fluid distribution margins averaged 4.5% for the second quarter ended June 30, 2018 and 12.5% for the first half of the 2018 compared to an average gross margin of 9.7% and 10.9% for the same comparable periods in 2017. The decrease in margins during the quarter related to the division recording a $250,000 valuation adjustment on inventory. The Canadian market currently has an overstock of barite and management has determined that it will need to reduce the selling price of this product to compete in the marketplace. Adjusting for this one time valuation adjustment, gross margins would have been 11.2% for Q2 2018, an increase compared to the second quarter of 2017. The increase in gross margins for the first half of 2018 was due the Company selling less lower margin products such as oil based mud and barite which resulted in overall higher gross margins. With the return of stable drilling activity, customers purchased less commodity products for the first half of 2018 compared to the first half of 2017, which also improved margins as the non-commodity products typically have higher margins. We anticipate gross margins in the division should return closer to traditional margins for the remainder of 2018 apart from potential barite sales due to the market currently having excess barite inventory available for 2018.

The USA fluids distribution margins were 3.3% for the three months ended June 30, 2018; a decrease of 14.5% compared to the same period in 2017, while gross margins were 7.9% for the first half of 2018 compared to 18.2% for the same comparable period. The decrease in margins related to one time sales of oil based mud, from Kermit and Three Rivers, Texas, at or below cost as those warehouses were discontinued in Q2 2018 due to overly competitive environment and excessively low margin product sales in those regions. If we exclude the effect of these one-time sales below cost, gross margins would have been 15.5% for Q2 2018 and 14% for the first half of 2018. The decrease in margins year over year relates to a combination of increased sales of lower margin products of oil based mud and barite being sold in the highly competitive west Texas region during the first half of 2018. In addition, those Texas warehouses experienced increased warehouse rent, storage tank rental for blending and oil based mud storage and an increase in transportation costs due to a shortage of trucking. Margins fluctuate based on product mix and geographic region, however, the division did experience higher margins due to an increase in rig activity in other USA regions such as the mid-continent and the North East. As a result of discontinuing operations in Kermit and Three Rivers, Texas the Company will seek to redeploy excess inventory and equipment in higher margin opportunities which should help expedite bringing margins back to historical levels in the back half of 2018.

Margins for the Canadian fluids blending and packaging division declined to 21.4% for the three months ended June 30, 2018, compared to 28.7% for the same comparable prior year period. The decrease related to a small cost increases on product that were not able to be passed on to customers during the quarter. Year to date, gross margins averaged 20.9% for the first half of 2018 compared to 24.6% for the first half of 2017. The division has had to adjust certain bulk commodities in efforts to stay competitive in the marketplace which has resulted in lower margins. Over the medium term we expect margins to remain consistent to those experienced in the first half of 2018.

The United States blending and packaging division generated gross margins of 32.9% and 34.4% for the three and six months ended June 30, 2018. Gross margin dollars increased by 13% quarter over comparable quarter and 71% year over year. The increase of the gross margins for the quarter and year to date relates to the increase of overall sales and improved margins and product mix.

Salaries and Employee Benefits

Salaries and benefits increased modestly for the second quarter of 2018 compared to the prior period of 2017, as the Company has increased overhead to keep up with demand levels. Due to the increased demand in activity levels, salaries and benefits as a percentage of sales, increased to 7.8% compared to 6.5% for the first half of 2018. The Company reinstated its wage rollback of 5% for employees and 10% for management in Q2 2017 and began hiring additional warehouse and accounting personal to keep up with increased demand in Canada and the USA. The Company employed 84 (36 Canada and 48 USA) employees at June 30, 2018 compared to 71 (32 Canada and 39 USA) at June 30, 2017. Management is constantly re-evaluating the infrastructure of the Company and may continue to adjust employee levels given the level of drilling fluid demand in the industry.

Selling and Administration

	For the three months ended June 30				For the six months ended June 30			
	2018	2017	Change		2018	2017	Change	
In $'000s	$	$	$	%	$	$	$	%
Selling	**186**	142	44	31%	**379**	251	128	51%
Professional and consulting	**158**	262	(104)	(40%)	**451**	446	5	1%
General and administrative	**502**	457	45	10%	**978**	773	205	27%
Rent, utilities, and occupancy costs	**1,045**	835	210	25%	**1,941**	1,686	255	15%
Total	**1,891**	**1,696**	**195**	**11%**	**3,749**	**3,156**	**593**	**19%**

Selling expenses increased slightly by approximately $44,000 for the quarter and approximately $128,000 for the first half of 2018 when compared to the same periods of 2017. With increased drilling activity the Company has increased selling expenses including advertising and promotion by $42,747. Travel costs increased by $61,668 year over year as sales and management increased travel due to increased demand of drilling fluid products. Selling costs consist of expenses related to travel and entertainment of customers. As activity levels improved throughout 2017 and continued into 2018, the sales staff have increased customer relation efforts.

Professional and consulting expenses decreased by $104,193 for the second quarter and were relatively consistent for the first six months of 2018 compared to the same periods in 2017. The decrease in professional and consulting expenses relates to a decrease in legal and accounting fee accruals during the second quarter of 2018.

General and administration expenses increased by $44,859 for the second quarter of 2018 compared to the second quarter of 2017. The increase was due to increased spending in waste disposal, fees and licences. These expenses increased by $205,287 for the six months ended June 30, 2018 compared to the same period in 2017. The increase relates to uncollectible accounts receivable of $227,256 compared a recovery of $35,065 in the first half of 2017. Insurance costs increased by $61,786 year over year as the Company is insuring more inventory this year compared to last. This increase was offset by a decrease in safety and bank charges.

Warehouse rent, utilities and occupancy costs increased by $209,984 for the second quarter ended June 30, 2018 compared to the same prior year quarter. The increase was due to increase warehouse costs related to expansion in West Texas and additional costs in forklift operating costs along with increased utilities. For the first half of 2018, occupancy costs increased by $255,258 as the Company reclassified telephone costs this year from general and administration to occupancy costs, which resulted in an additional $75,000 of expenses being reported. The costs in this category are comprised mainly of warehouse rent, utilities.

Restructuring Costs

	For the three months ended June 30				For the six months ended June 30			
	2018	2017	Change		2018	2017	Change	
In $'000s	$	$	$	%	$	$	$	%
Restructuring costs	**648**	-	648	100%	**648**	-	648	100%
Total	**648**	**-**	**648**	**100%**	**648**	**-**	**648**	**100%**

During Q1, management initiated a comprehensive strategic review of all 30 warehouse locations to determine which warehouses were not achieving target gross margins and EBITDA and therefore not the best use of further cashflow resources. The Company determined that two oil based mud facilities in Texas were incurring substantial above average operating costs, increased transportation costs due to a shortage of trucking and logistics within the Texas region and due to the competitive environment in those locations, target gross margins and EBITDA percentages were well below other warehouses with no opportunity to achieve higher margins in the future. As a result, an immediate plan was implemented to discontinue operations in those warehouses and to have the restructuring completed as quickly as possible. As a result, the Company incurred costs of $0.6 million related to the shut down of these warehouses. Costs include clean out oil-based storage tanks, additional transportation costs related to moving product to other warehouses, oil-base rental tank returns, and transportation costs of moving company owned tanks to other regions. All costs of shut down were incurred during the second quarter and the Company does not anticipate any further costs associated with this discontinuance of operations in West Texas.

Depreciation and Amortization

	For the three months ended June 30				For the six months ended June 30			
	2018	2017	Change		2018	2017	Change	
In $'000s	$	$	$	%	$	$	$	%
Depreciation on property and equipment	**261**	242	19	8%	**521**	477	44	9%
Total	**261**	**242**	**19**	**8%**	**521**	**477**	**44**	**9%**

The depreciation of property and equipment increased during the three and six months ended June 30, 2018 with 2017 and 2018 asset additions being depreciated during 2018.

Financing costs

	For the three months ended June 30				For the six months ended June 30			
	2018	2017	Change		2018	2017	Change	
In $'000s	$	$	$	%	$	$	$	%
Interest on short-term operating debt	**456**	277	179	65%	**884**	574	310	54%
Interest on long-term debt	**231**	269	(38)	(14%)	**461**	531	(70)	(13%)
Interest on obligiatons under finance lease	-	1	(1)	100%	**2**	3	(1)	(33%)
Cash Interest paid	**687**	**547**	**140**	**26%**	**1,347**	**1,108**	**239**	**22%**
Add non-cash interest expense:								
Deferred interest expense	-	199	(199)	(100%)	-	392	(392)	(100%)
Amortization of deferred financing costs	**23**	75	(52)	(69%)	**45**	145	(100)	(69%)
Total interest expense	**710**	**821**	**192**	**23%**	**1,392**	**1,645**	**339**	**21%**

Interest on short-term operating debt increased by $179,381 and $310,004 for the three and six months ended June 30, 2018 as the Company maintained a higher credit facility balance during the first half of 2018. In addition, as a result of the amended credit facility in 2017, the Company received a reduction in the interest on the facility. Interest on long-term debt for the three and six months ended June 30, 2018 was lower compared same periods in 2017, as the Company replaced its high interest subordinated debt with lower interest term debt in late 2017 resulting in lower interest costs and elimination of the deferred interest.

Foreign exchange

	For the three months ended June 30				For the six months ended June 30			
	2018	2017	Change		2018	2017	Change	
In $'000s	$	$	$	%	$	$	$	%
Foreign exchange (gain) loss	**(12)**	(82)	70	(85%)	**293**	(1)	294	(29400%)
Total	**(12)**	**(82)**	**70**	**-85%**	**293**	**(1)**	**294**	**-29400%**

During the second quarter of 2018, 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 an unfavorable position on certain net advances denominated in USD, which resulted in having a foreign exchange gain of $12,420 for the three month period ended June 30, 2018.

Income tax expense

In $'000s	For the three months ended June 30 2018 $	2017 $	Change $	%	For the six months ended June 30 2018 $	2017 $	Change $	%
Current	**(405)**	(152)	(253)	(166%)	**(384)**	65	(449)	(691%)
Deferred	**168**	107	61	57%	**237**	152	85	56%
Total	**(237)**	**(45)**	**(192)**	**427%**	**(147)**	**217**	**(364)**	**-168%**

The provision for income taxes for the three months ended June 30, 2018 is a net current tax recovery of $237,617 compared to a net recovery of $45,057 in the same period in 2017. The income tax recovery in the second quarter is the result of losses incurred in segments of the business for which taxes would be recovered from prior years or applied against profits in future years. The deferred tax expense is due to the utilization of deferred tax assets that would be utilized during the year as a result of tax planning initiatives. The Company's effective income tax rate is 27% for the three months ended June 30, 2018 (2017 - 27%).

Net Adjusted (loss)/earnings and Adjusted EBITDA

In $'000s	For the three months ended June 30 2018 $	2017 $	Change $	%	For the six months ended June 30 2018 $	2017 $	Change $	%
Net (Loss)/earnings	**(3,749)**	(250)	(3,499)	(1400%)	**(3,846)**	431	(4,277)	992%
% of sales	**(14%)**	(1%)			**(6%)**	1%		
Adjusted Net (loss)/earnings (1)	**(1,101)**	(250)	(851)	(340%)	**(1,207)**	431	(1,638)	380%
% of sales	**(4%)**	(1%)			**(2%)**	1%		
Adjusted EBITDA (2)	**(366)**	788	(1,154)	(146%)	**559**	2,823	(2,264)	80%
% of sales	**(1%)**	3%			**1%**	5%		

(1) Represents earnings adjusted for one-time sales below cost and restructuring costs, net of tax. (See page 15 for a further explanation of this non-IFRS measure).

(2) Represents earnings before interest, taxes, depreciation, amortization, share-based payments and one-time sales below cost (see page 15 for a further explanation of this non-IFRS measure).

The Company had a net loss of $3.7 million and $3.8 million for the three and six months ended June 30, 2018 compared to net loss of $0.250 million and net earnings of $0.43 million in the same prior year periods. Adjusted net loss was $1.1 million or negative $0.05 for the quarter, while adjusted net loss was $1.2 million or $0.05 diluted loss per share for the six months ended June 30, 2018.

Adjusted EBITDA was negative $0.4 million and positive $0.4 million for the three and six months ended June 30, 2018 compared to $0.8 million and $2.8 million in the same comparable prior year periods; a decrease of $1.2 million quarter over quarter and $2.3 million year over year. The second quarter EBITDA as a percentage of sales was negative 1% compared to positive 3% for the same period in 2017. This decrease in quarter over quarter EBITDA is mainly attributed to reduced drilling activity and prolonged start to the summer drilling program in Western Canada.

Basic and diluted adjusted loss per share for the three months ended June 30, 2018 was $0.05, while basic and diluted adjusted loss per share for the six month period of 2018 was $0.05. Adjusted loss per share was based on the weighted average number of shares outstanding during the quarter ended June 30, 2018. The basic and diluted weighted average numbers of shares outstanding for the quarter ended June 30, 2018 was 23,932,981 and 23,932,981 (2017 – 23,632,981 and 23,962,981) respectively.

SUMMARY OF QUARTERLY DATA

In $'000s	2018 Q2[2]	2018 Q1	2017 Q4	2017 Q3	Total TTM
Sales	$ 27,255	$ 35,318	$ 27,917	$ 30,542	$ 121,032
Gross margin ($)	2,079	5,447	5,030	6,006	18,562
Gross margin (%)	7.6%	15.4%	18.0%	19.7%	15.3%
Adjusted EBITDA [1]	(366)	924	1,772	2,337	4,667
Net earnings/(loss)	$ (3,740)	$ (106)	$ 690	$ 670	(2,486)
Basic earnings/(loss) per share	$ (0.16)	$ -	$ 0.03	$ 0.03	$ (0.10)
Diluted earnings/(loss) per share	$ (0.16)	$ -	$ 0.03	$ 0.03	$ (0.10)

In $'000s	2017 Q2	2017 Q1	2016 Q4[3]	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%
Adjusted EBITDA [1]	788	2,033	1,244	99	4,164
Net earnings/(loss)	$ (377)	$ 725	$ (2,570)	$ (688)	(2,910)
Basic earnings/ (loss) per share	$ (0.02)	$ 0.03	$ (0.11)	$ (0.03)	$ (0.13)
Diluted earnings/ (loss) per share	$ (0.02)	$ 0.03	$ (0.11)	$ (0.03)	$ (0.13)

(1) Adjusted EBITDA is non-IFRS measures which the Company defines as earnings before interest, taxes, depreciation and amortization, share-based payments expense and one-time product sales sold below cost. (See page 15 for a further explanation of these non-IFRS measures).
(2) During Q2, 2018 Bri-Chem discontinued operating from Kermit and Three Rivers, Texas and moved from Enid, Oklahoma to Ada, Oklahoma in an effort to redeploy its inventory and equipment in higher margin opportunities. This restructuring resulted in one-time sales of product below cost amounting to $1.7 million of negative gross margin and shut down and moving costs of $0.648 million.
(3) In Q4 2016, the Company recognized impairment charges on plant and equipment, goodwill and other intangible assets in the amount of $593,014.

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, 2018, the Company had positive working capital of $20.4 million compared to $24.3 million at December 31, 2017. The Company's current ratio (defined as current assets divided by current liabilities) was 1.51 to 1 compared to 1.56 to 1 as at December 31, 2017.

The following table summarizes the Company's sources and uses of funds for the three months ended June 30, 2018 and 2017:

Summary of Consolidated Statements of Cash Flows Period ended		June 30 2018		June 30 2017
Continuing operations				
Cash generated (used) in operating activities	**$**	**474**	$	4,537
Cash generated (used) in financing activities		**152**		(4,277)
Cashgenerated (used) in investing activities		**(626)**		(260)
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, 2018 was $0.5 million compared to cash generated of $4.5 million for the prior year period. The decrease in the Company's cash flow used in operating activities relates to the purchasing and build of inventory levels to support improved drilling activity. The Company collected many receivables form the winter drilling season and as a result accounts receivable decrease by $3.4 million. Inventory reduced by experienced an increase in accounts receivable of $2.9 million and inventory increased by $5.7 million for the quarter compared to the year end at December 31, 2017, while accounts payable decreased by $6.5 million over the same period.

Financing activities

Cash generated in financing activities was $0.2 million for the six months ended June 30, 2018, compared to cash used of $4.37 million in the comparable period in 2017. The cash provided by financing activities relates to advances and repayments of the ABL Facility. Year to date, the net advance of the operating line is a combination of collection of accounts receivable, net reduction of inventory and payments to vendors. The Company advanced an additional $1.9 million on its operating facility during the first half of 2018 as funds were used to purchase inventory as demand for fluid products increased as a result of drilling activity increases. The Company also paid $1.3 million in interest on borrowing during the first six months of the year along with making $400,000 of principal payments on its term debt.

Investing activities

Cash used in investing activities amounted to $0.6 million for the six months ended June 30, 2018 compared to cash used of $0.260 for the same period in 2017. During the first half of 2018 the Company purchased equipment such as additional storage and mix tanks for the US operations as well deposits on an upgrade to its ERP system. The Company is expected to spend approximately $250,000 on capital expenditures for the remainder of 2018 to complete the ERP system upgrade as well as a truck in the USA blending and packaging division.

Credit Facilities

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

On August 11, 2016, the Company renewed and amended the terms of its ABL Facility to decrease the maximum borrowing base down to $20 million from $40 million. Other amendments included an increase in interest rates, adjustment to the financial covenants and an extension of the maturity date to August 12, 2017. The ABL Facility bears interest either at the Canadian prime rate plus 3.0% (2015 – Canadian prime rate plus 1.5%) or bankers' acceptance rate plus 4.50% (2015 - bankers' acceptance rate plus 3.00%) or LIBOR plus 4.50% (2015 - LIBOR plus 1.50%). All other terms of the ABL Facility remain unchanged. On February

16, 2017, the Company further amended the terms of the ABL Facility to increase the maximum borrowing base from $20 million to $25 million. No other changes were made to the ABL Facility.

As at June 30, 2018, the Company had drawn $29.0 million, net of unamortized transaction costs of $94,394 on its available credit facilities of $40 million, as compared to $15 million at December 31, 2017. The Company is required to comply with two financial covenants under its ABL Facility being a minimum fixed charge coverage ratio and a maximum annual eligible capital expenditures. Failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, would permit acceleration of the relevant indebtedness.

The fixed charge coverage covenant requires the Company to ensure a minimum of 1 to 1. This is defined as the trailing twelve months of EBITDA, less non-funded capital expenditures, to the sum of cash interest paid, plus cash income taxes paid, plus the aggregate of all dividends, distributions and principal repayments, and any amortization. EBITDA is defined as net income before interest on debt, taxes on net income and depreciation and amortization and non-recurring charges (including one-time transaction, acquisition, restructuring expense, share based payments, and foreign exchange gains or losses). The capital expenditure limit is set at a maximum of 120% of consolidated budgeted yearly capital expenditures but does not include capital additions by way of finance lease.

On November 6, 2017, the Company secured a $10 million term debt facility with Grey Point Capital Inc. ("GreyPoint"). The initial term of the debt facility is for five years and is secured by a first charge over all real property, plant and equipment and a second charge general security agreement covering all present and after acquired assets and postponement of claim from related parties. The term debt facility bears interest at the 30 day Bankers' Acceptance Rate plus 800 basis points, with repayments of $66,667 principal plus interest paid monthly. Financial covenants are consistent with those in the amended and restated ABL Facility.

On November 30, 2012, the Company secured a $10 million subordinated debt facility with Fulcrum Capital Partners Inc. ("Fulcrum"). The sub debt facility bears interest at 11.50%, with repayments of interest only for the first fifteen months of the agreement, then quarterly principal repayments of $300,000 plus interest. On November 30, 2015 and August 11, 2016, the Company amended certain terms of its subordinated debenture agreement, in conjunction with the amendment to the ABL Facility. In accordance with these amendments, the Company and Fulcrum agreed to defer quarterly principal payments due on September 30, 2016, December 31, 2016, March 31, 2017 and June 30, 2017. The amendments also modified certain financial covenants, registered a first charge on specific assets and included an 8.5% principal deferral fee on the outstanding principal balance until paid in full. The Fulcrum subordinated debt loan had an outstanding balance of $9,604,749. The Company paid the entire principal balance in full from the proceeds received from the GreyPoint $10 million term loan. The Company received a full release from Fulcrum.

	June 30 2018	**Requirement**		Dec 31 2017		Requirement
Fixed Charge coverage ratio	**1.41**	**Must exceed 1.00**		10.94		Must exceed 1.00
Eligible capital expenditures	**626,029**	**Not to exceed 2,241,600**	$	903,714	$	Not to exceed 1,050,000

(1) EBITDA is non-IFRS measures which the Company defines as earnings before interest, taxes, depreciation and amortization, share-based payments and one-time adjustments. (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, 2018, the Company was in compliance with all financial covenants.

Cash Requirements for Capital Expenditures

Historically, the Company has financed its capital expenditures and acquisitions through its ABL Facility, subordinated debt and equity. The budgeted future capital expenditures for the remainder of 2018 are approximately $250,000 (2017 - $350,000) which may include a truck for the USA blending and packaging division, an upgrade to the Company's ERP system along with smaller improvements to facilities in Canada and the USA. Capital expenditures typically are comprised of betterments and upgrades to existing assets, and additions incurred during the period. The Company ensures equipment is efficient and profitable or the equipment is replaced when the cost of maintenance and operating the equipment is not feasible.

Off-balance sheet arrangements

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

Transactions with related parties

During the three and six months ended June 30, 2018, the Company incurred office sharing costs of $9,000 and $18,000 respectively (June 30, 2017 – $9,000 and $18,000) that were paid to a company over which a director has control.

RISK FACTORS AND RISK MANAGEMENT

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to and must be read in conjunction with the detailed information appearing elsewhere in this MD&A and Bri-Chem's other public disclosure documents, including the Annual Information Form for the Company for the year ended December 31, 2017. These risks and uncertainties are not the only ones facing Bri-Chem. Additional risks and uncertainties not currently known to the Company or that the Company currently considers remote or immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.

In the normal course of business, The Company is exposed to financial and operating risks that may potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis. There have been no significant changes in risk and risk management since the 2017 Annual Information Form other than as described below.

Industry Conditions

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

Credit Risk

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

The top 6 customers (2017: top 6) of the Company account for approximately 32% (2017: 36%) of revenue for the six months ended June 30, 2018, of which no one customer accounts for over 10%. The Company does not usually enter into long term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customer, any significant decrease in sales to a customer, or prices paid or any other changes to the terms of service with customers, could have a material adverse effect on the financial results, cash flows, and the overall financial condition of the Company.

Transportation and Distribution Network Risk

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

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

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

Risks Related to Cybersecurity Breaches or Business System Disruptions

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

Government Regulation

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

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to our Critical Accounting Estimates since December 31, 2017. For further information, see page 17 of our December 31, 2017 Annual Audited Consolidated Financial Statements which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

FUTURE ACCOUNTING POLICIES CHANGES

There have been no significant future accounting policy changes since December 31, 2017. For further information, please see page 18 of our December 31, 2017 Annual Audited Consolidated Financial Statements which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

ACCOUNTING POLICIES

The interim consolidated financial statements for the six months ended June 30, 2018 have been prepared in accordance with the accounting policies adopted in the Company's annual financial statements for the year ended December 31, 2017. For further information, please see page 10 of our December 31, 2017 Annual Audited Consolidated Financial Statements which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

SHARE DATA

As at August 14, 2018, the Company had 23,932,981 common shares issued and outstanding. As of June 30, 2018, options to purchase 1,320,000 common shares were outstanding at an average price of $2.40 per common share.

NON-IFRS MEASURES

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

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

Adjusted EBITDA	For the three months ended June 30 2018	2017	For the six months ended June 30 2018	2017
Net earning/(loss)	**$ (3,740)**	$ (250)	**$ (3,846)**	$ 431
Add:				
Interest	**712**	821	**1,392**	1,645
Income taxes (recovery)	**(238)**	(45)	**(147)**	218
Depreciation and amortization	**261**	242	**521**	477
Share-based payment	**-**	20	**-**	52
Restructuring costs	**648**	-	**648**	-
Lost margin on one-time product sales (1)	**1,991**	-	**1,991**	-
EBITDA	**$ (366)**	**$ 788**	**$ 559**	**$ 2,823**

In compliance with IFRS accounting standards, the Company's gross margins must include all direct and overhead costs associated with ongoing activities regardless of whether the loss from sales of products was incurred. Adjusted gross margin reflects the product selling price less the cost of the product in ordinary course of business and exclude losses incurred due to management's decision on warehouse closures and additional write-down from ordinary course of operations. Management believes that the adjusted gross margin is useful information as it provides a more accurate gross margin contribution for comparative purposes. The following is a reconciliation of adjusted gross margin to IFRS compliant gross margins for each of the periods presented in the MD&A.

Adjusted Gross Margins	For the three months ended June 30 2018	2017	For the six months ended June 30 2018	2017
Gross Margin ($)	**$ 2,029**	$ 4,281	**$ 7,476**	$ 9,674
As a percentage of sales	**7%**	18%	**12%**	17%
Addback: Losses from sales related to warehouse shut down and additional inventory valuation provision	**1,911**	-	**1,911**	-
Adjusted Gross Margin ($)	**3,940**	4,281	**9,387**	9,674
Sales	**27,255**	23,761	**62,572**	57,751
Less: Sales associated with inventory in warehouse closures	**4,018**	-	**4,018**	-
Adjusted sales	**23,237**	23,761	**58,554**	57,751
Adjusted gross margin as percentage of adjusted sales	**17%**	**18%**	**16%**	**17%**

Adjusted operating (loss)/income

Adjusted operating (loss)/income has been reported in order to assist in the comparison of historical operating income/(loss) to current results. The calculation of Adjusted operating (loss)/ income normalizes the impacts of non-recurring one time unusual transactions which did not occur during the preceding year and are not expected recur within in the next year. The normalization of these expenses are the calculation of Adjusted operating (loss)/income is considered by management to be a more accurate representation of operating (loss)/income from normal operations.

Adjusted operating (loss)/income	For the three months ended June 30 2018	2017	For the six months ended June 30 2018	2017
Operating income/(loss)	**$ (3,279)**	$ 444	**$ (2,308)**	$ 2,292
Add/(deduct), net of corporate income taxes:				
Restructuring costs	**648**	-	**648**	-
Lost margin on one-time product sales (1)	**1,991**	-	**1,991**	-
Adjusted Net (loss)/earnings	**$ (640)**	**$ 444**	**$ 331**	**$ 2,292**

Adjusted Net (loss)/earnings and Adjusted Net (loss)/earnings per share

Adjusted net (loss)/earnings and adjusted net (loss)/earnings per share are measures which have been reported in order to assist in the comparison of historical net earnings to current results. The calculation of Adjusted Net 9loss)/earnings normalizes the impacts of non-recurring one time unusual transactions net of corporate income taxes which did not occur during the preceding year and are not expected recur within in the next year, and the related impact on net earnings and net earnings per share. The normalization of this net expense is the calculation of Adjusted Net (loss)/earnings and Adjusted Net (loss)/earnings per share is considered by management to be a more accurate representation of the net earnings from normal operations.

	For the three months ended June 30		For the six months ended June 30	
Adjusted Net (loss)/earnings	2018	2017	2018	2017
Net earning/(loss)	**$ (3,740)**	$ (250)	**$ (3,846)**	$ 431
Add/(deduct), net of corporate income taxes:				
Restructuring costs	**648**	-	**648**	-
Lost margin on one-time product sales (1)	**1,991**	-	**1,991**	-
Adjusted Net (loss)/earnings	$ (1,101)	$ (250)	$ (1,207)	$ 431
Weighted average number of shares				
Basic	23,932,981	23,632,981	23,932,981	23,632,981
Diluted	23,932,981	23,962,981	23,932,981	23,962,981
Adjusted net (loss)/earnings, per share				
Basic	**$ (0.05)**	$ (0.01)	**$ (0.05)**	$ 0.02
Diluted	**$ (0.05)**	$ (0.01)	**$ (0.05)**	$ 0.02

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, 2018 and, based on that evaluation, have concluded that these controls and procedures are effective in providing such reasonable assurance.

Internal controls over financial reporting

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

The Chief Executive Officer and Chief Financial Officer have concluded, based on their assessment that the design and implementation of the Company's disclosure controls and procedures have deficiencies in ICFR as described below. The deficiencies identified did not result in any material adjustments to the Company's financial statements for the period ended June 30, 2018 or any prior period.

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

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

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred in 2018 that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

Corporate Information

Officers and Directors

Don Caron[2]
Chairman, President, CEO and Director
Edmonton, Alberta

Jason Theiss, CPA, CA
CFO
Spruce Grove, Alberta

Trent Abraham
President, North American Operations
Denver, Colorado

Albert Sharp[1] [2]
Director
Spruce Grove, Alberta

Eric Sauze, CPA, 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

27075 Acheson Road
Acheson, Alberta T7X 6B1
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

CIBC
10102 Jasper Avenue
Edmonton, Alberta T5J 1W5

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: 23,932,981

Web Site

www.brichem.com