Q2 2020 MD&A

North America's Oilfield Chemical Distribution & Blending Company

BRI-CHEM

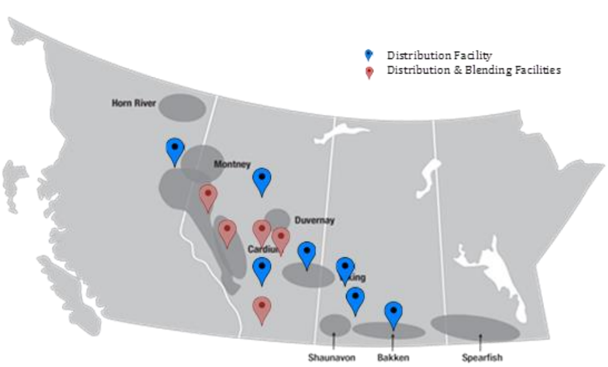
Right product. Right place. Right time.

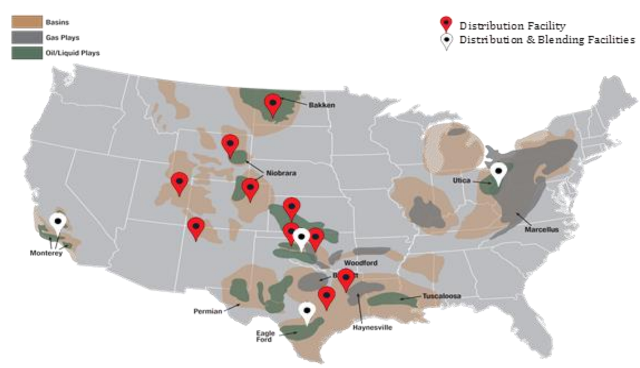
This Management's Discussion and Analysis ("MD&A") of Bri-Chem Corp. ("Bri-Chem" or the "Company") was prepared as at August 13, 2020 for the three and six months ended June 30, 2020 and should be read in conjunction with the Company's June 30, 2020 interim condensed consolidated financial statements (the "financial statements") and December 31, 2019 and 2018 audited annual consolidated financial statements. The Company's interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and include the results of Bri-Chem Corp. and its subsidiaries, Bri-Chem Supply Ltd., Sodium Solutions Inc., Solution Blend Service Ltd., Bri-Corp USA, Inc., including its three subsidiaries Bri-Chem Supply Corp, LLC, Sun Coast Materials, LLC and Bri-Chem Logistics, LLC. All amounts presented in this MD&A are in Canadian dollars, except as otherwise noted. **Readers are encouraged to review the "Cautionary Statement Regarding Forward-Looking Information and Statements" and "Non-IFRS Measures" at the end of this document.**

BUSINESS OF BRI-CHEM

Bri-Chem, headquartered in Edmonton, Alberta, Canada, has established itself, through a combination of strategic acquisitions and organic growth, as a North American industry leader for the distribution and blending of oilfield drilling, completion, stimulation and production chemical fluids. We sell, blend, package and distribute a full range of drilling fluid products from 26 strategically located warehouses throughout Canada and the United States. Bri-Chem has been operating in Canada since 1985 and we expanded into the United States in 2011 where we have successfully established 14 warehouse locations that are strategically located in major drilling regions throughout the USA. Bri-Chem's main business activity is to provide 24/7 coverage of oilfield chemicals in a wide variety of weights and clays, lost circulation materials and oil mud products to mud engineering companies who sell directly to drilling firms engaged by the oil and gas companies. Much of Bri-Chem's competitive advantage is attributed to its comprehensive network of 26 strategically placed and fully stocked warehouses throughout North America as mud engineering companies and drilling companies prefer to use one supplier of drilling fluids for all their widely dispersed drilling rig locations. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

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





<u>Seasonality of Operations</u>

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

FINANCIAL AND OPERATING INFORMATION HIGHLIGHTS

	Three months ended	June 30	Change		Six months ended	June 30	Change	
(in '000s except per share amounts)	2020	2019	$	%	2020	2019	$	%
Sales	**$ 6,819**	$ 22,721	$ (15,902)	(70%)	**$ 28,234**	$ 48,619	$(20,385)	(42%)
Adjusted EBITDA(1)	**(423)**	447	(870)	195%	**(41)**	2,028	(2,069)	(102%)
Adjusted EBITDA as a % of revenue	**(6%)**	2%			**0%**	4%		
Adjusted operating loss (1)	**(25)**	(30)	5	17%	**(495)**	940	(1,435)	(153%)
Adjusted net loss (1)	**(1,173)**	(717)	(456)	(64%)	**(1,643)**	(358)	(1,285)	(359%)
Net loss	**$ (1,276)**	$ (741)	$ (535)	(72%)	**$ (1,746)**	$ (382)	$ (1,364)	(357%)
Diluted per share								
Adjusted EBITDA	**$ (0.02)**	$ 0.02	$ (0.04)	195%	**$ (0.00)**	$ 0.08	$ (0.09)	102%
Adjusted (loss) / net earnings	**$ (0.00)**	$ (0.00)	$ 0.00	17%	**$ (0.07)**	$ (0.01)	$ (0.05)	(359%)
Net loss	**$ (0.05)**	$ (0.03)	$ (0.02)	(72%)	**$ (0.07)**	$ (0.02)	$ (0.06)	(357%)
Total assets					**$ 31,098**	$ 59,150	$(28,052)	(47%)
Working capital					**13,928**	16,560	(2,632)	(16%)
Long-term debt					**642,714**	9,016	633,698	7029%
Shareholders equity					**$ 14,800**	$ 19,325	$ (4,525)	(23%)

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

Key Q2 2020 & YTD highlights include:

- Consolidated sales for the three months ended June 30, 2020 were $6.8 million, a decrease of 70% from the comparable period last year. The decrease resulted from the significant economic downturn that followed the public health measures that were taken to limit the spread of the coronavirus ("COVID-19") world pandemic. This downturn resulted in a corresponding reduction in global oil demand and the reduction in drilling and completion activity in North America.

- Adjusted EBITDA for the second quarter was negative $423 thousand versus positive $447 thousand over Q2 2019, representing a 195% decrease year over year. The decrease is related to the overall weaker performance in all operating divisions due to the economic downturn;

- Adjusted operating loss was $25 thousand for the three months ended June 30, 2020 compared to a loss of $30 thousand in the prior year comparable quarter;

- Net loss per diluted share for the three months ended June 30, 2020 was $0.05 per share compared to a net loss of $0.03 per diluted share for same period last year;

- As at June 30, 2020, working capital was $13.9 million compared to $16.6 million at June 30, 2019, a decrease of 16%. Management continues to ensure that prudent cash management practices are followed by reducing inventory to levels more appropriate to the current environment, ensuring that collecting accounts receivable remains a priority. The Company over the past quarter has taken advantage of various federal corporate subsidy programs both in Canada and the United States.

- Subsequent to the quarter end, the Company extended the term of its senior credit facility to October 31, 2021 and secured a $6.25 million Business Credit Availability Program ("BCAP") loan with its senior lender, CIBC. The loan is 80% guaranteed by the Canadian Federal Government through Business Development Bank of Canada ("BDC"). The proceeds of the loan will assist funding current operations.

Summary for the three and six months ended June 30, 2020:

Consolidated sales for the three and six months ended June 30, 2020 were $6.8 million and $28.2 million respectively compared to $22.7 million and $48.6 million for the same periods in 2019, representing a $15.9 million and $20.4 million decrease respectively over the comparable periods. The decrease in revenue is related to the pause in world economies in reaction to the COVID-19 pandemic and a significant reduction in drilling and completion activity in the Company's North American operating regions.

Bri-Chem's Canadian drilling fluids distribution division generated sales of $175 thousand and $4.0 million for the three and six months ended June 30, 2020 compared to $3.6 million and $8.9 million in the comparable prior periods. The Q2 and year to date sales were down significantly due to the overall decline in Canadian drilling activity as a result of the collapse of global oil prices and reduced demand as the result of the global COVID-19 pandemic. The number of wells drilled in Western Canada for the second quarter of 2020 was 163 compared to 806 in the same period last year, representing a decrease of 80% (Source: Petroleum Services Association of Canada "PSAC"). Bri-Chem's United States drilling fluids distribution division generated sales of $3.9 million and $16.5 million for the three and six months ended June 30, 2020 compared to sales of $14.0 million and $29.4 million for the same comparable periods in 2019, representing decreases of 72% and 44% respectively. The United States market declined rapidly as the average number of active rigs operating in the United States fell to 590 at June 30, 2020 from 990 at June 30, 2019, representing a 40% decline.

Bri-Chem's Canadian Blending and Packaging division generated sales of $1.3 million and $4.2 million for the three and six months ended June 30, 2020 compared to Q2 2019 sales of $2.0 million and 2019 six months sales of $4.9 million. The 34% decrease quarter over comparable quarter was the result of reduced demand for commodity toll packaging due to the significant decline in drilling activity. The decline was partially offset with a contract for packaging of hand sanitizer during Q2 2020 which lasted for five weeks. US Blending and Packaging sales for the three and six months ended June 30, 2020 were $1.4 million and $3.6 million compared to sales of $3.1 million and $5.4 million for the comparable periods in 2019, decreases of $1.7 million and $1.8 million respectively. Well abandonment work remained consistent in the State of California until the COVID-19 health measures were implemented which resulted in many companies slowing down well abandonment work in response to the pandemic.

Adjusted operating loss for the three months ended June 30, 2020 was $25 thousand compared to $30 thousand during the same period last year. The adjusted operating loss was offset by management's determined effort to reduce corporate and operating infrastructure costs. Adjusted EBITDA was negative $423 thousand and negative $41 thousand for the three and six months ended 2020 compared to adjusted EBITDA of $447 thousand and $2.0 million for the same comparable periods of 2019.

OUTLOOK

The Company is cautiously optimistic that the markets that we serve will experience modest increase in drilling activity beginning late in the third quarter and continuing into the fourth quarter of 2020 as crude oil prices strengthened near the end of the second quarter of 2020 following a steady economic recovery as North American lockdowns related to COVID-19 began to ease. Bri-Chem anticipates that drilling activity will remain well below prior year levels in the second half of 2020 as customers continue to reduce capital spending budgets in an effort to manage their working capital. The Company remains focused on reducing overheads, limiting all spending and offsetting costs by utilizing COVID-19 relief programs provided by the Canadian and USA federal governments. These moves have allowed the Company to maintain operations during this pandemic. The proceeds of the recently funded BCAP loan will provide the Company with the necessary working capital to continue operating in all its North American regions, however we will carefully monitor the market activity and will adjust operations accordingly.

DISCUSSION OF Q2 OPERATING RESULTS

Divisional sales

(in 000's)	Three months ended June 30 2020	2019	Change $	%	Six months ended June 30 2020	2019	Change $	%
Fluids Distribution								
Canada	**$ 175**	$ 3,604	$ (3,429)	(95%)	**$ 3,956**	$ 8,941	$ (4,985)	(56%)
USA	**3,933**	14,001	(10,068)	(72%)	**16,456**	29,379	(12,923)	(44%)
	4,108	17,605	(13,497)	(77%)	**20,412**	38,320	(17,908)	(47%)
Fluids Blending & Packaging								
Canada	**1,348**	2,040	(692)	(34%)	**4,237**	4,889	(652)	(13%)
USA	**1,363**	3,076	(1,713)	(56%)	**3,585**	5,410	(1,825)	(34%)
	2,711	5,116	(2,405)	(47%)	**7,822**	10,299	(2,477)	(24%)
Consolidated sales	**$ 6,819**	$ 22,721	$ (15,902)	(70%)	**$ 28,234**	$ 48,619	$ (20,385)	(42%)

Consolidated sales for the three and six months ended June 30, 2020 were $6.8 million and $28.2 million respectively compared to $22.7 million and $48.6 million for the same periods in 2019, representing a $15.9 million decrease quarter over comparable quarter. The decrease in revenue is related to world economies pausing in reaction to the COVID-19 pandemic and a significant reduction in drilling and completion activity in the Company's North American operating regions. In North America, both Canada and the United States paused non-essential businesses which resulted in a significant decrease in demand for oil and natural gas. As a result, drilling rig activity fell to historically low levels. Our blending divisions in Canada and the US have experienced similar decreases, however, our Canadian blending and packaging division was able to provide packaging services for hand sanitizer for a five week period.

Fluids Distribution Divisions

The Canadian fluids distribution division recorded sales of $175 thousand for the three months ended June 30, 2020 compared to sales of $3.6 million for the same quarter in 2019, a decrease of 95%. The decrease was the result of the economic downturn due to the COVID-19 pandemic and the dramatic drop in crude oil prices which caused many operators to suspend drilling programs until pricing returns to higher levels and stabilized. The number of wells drilled for the second quarter of 2020 decreased by 80% to 163 wells drilled, while decreasing by 17% for the first half of 2020 with 23 operating rigs running on average compared to 81 rigs operating for Q2 2019. With the reduced drilling activity levels, demand for drilling fluid products will remain low and many customers who self supply products will have sufficient stock given the decline in activity.

The US Fluids Distribution division generated sales of $3.9 million and $16.5 million for the three and six months ended June 30, 2020 representing decreases of $10.1 million and $12.9 million respectively when compared to the same periods in 2019. The 72% quarter over comparable quarter decrease relates to significant decline in drilling activity as many US states reacted to the global pandemic and implemented economic and industry shut downs. With limited US and world demand, oil prices plummeted which caused many operators to curtail drilling activity which impacted the divisions sales in Q2 2020. The average number of rigs operating during the second quarter were 396 compared to 990 for Q2 2019, while the US average number of rigs operating during the first half of 2020 was 590 compared to 1,018 for the first half of 2019, a decrease of 42% (Source: Baker Hughes).

Fluids Blending & Packaging Division

The Canadian Fluids Blending and Packaging division recorded sales of $1.3 million for the three months ended June 30, 2020 compared to sales of $2.0 million for the comparable quarter in 2019. The divisions was impacted the collapse in oil prices along with the COVDI-19 global pandemic, however, we did experience sales of packaging of hand sanitizer for a period of five weeks during the quarter.

US Fluids Blending and Packaging sales for the three and six months ended June 30, 2020 were $1.4 million and $3.6 million compared to $3.1 million and $5.4 million for the same comparable periods in 2019 representing decreases of $1.7 million and $1.8 million respectively. The decrease is the result of less well abandonment work as the State of California reacted to the COVID-19 pandemic. In addition, one customer removed a rig out of production early in 2020 for maintenance which consumed a significant amount of product in 2019. This rig is expected to return to work sometime in the third quarter of 2020.

Divisional Gross Margin

	Three months ended				Change		Six months ended				Change	
			June 30						June 30			
(in 000's)	2020	%(1)	2019	%(1)	$	%	2020	%(1)	2019	%(1)	$	%
Fluids distribution												
Canada	**$ (45)**	(25.7%)	$ 359	10.0%	$ (404)	(113%)	**$ 527**	13.3%	$ 962	10.8%	$ (435)	(45%)
USA	**426**	10.8%	1,827	13.0%	(1,401)	(77%)	**2,266**	13.8%	4,263	14.5%	(1,997)	(47%)
	381	9.3%	2,186	12.4%	(1,805)	(83%)	**2,793**	13.7%	5,225	13.6%	(2,432)	(47%)
Fluids blending & packaging												
Canada	**385**	28.6%	434	21.3%	(49)	(11%)	**1,046**	24.7%	1,108	22.7%	(62)	(6%)
USA	**364**	26.7%	1,101	35.8%	(737)	(67%)	**955**	26.6%	1,967	36.4%	(1,012)	(51%)
	749	27.6%	1,535	30.0%	(786)	(51%)	**2,001**	25.6%	3,075	29.9%	(1,074)	(35%)
Total gross margin	**$ 1,130**	16.6%	$3,721	16.4%	$(2,591)	(70%)	**$4,794**	17.0%	$8,300	17.1%	$(3,506)	(42%)

(1) Expressed as a percentage of divisional sales

Consolidated gross margin for the three months ended June 30, 2020 was $1.1 million, $2.6 million lower when compared to the $3.7 million of gross margin dollars for the same period last year. The decrease relates to the dramatic decrease in oil and gas drilling in North America as world economies paused in reaction to the COVID-19 pandemic. Despite the significant drop in sales, gross margins as a percentage of sales remained strong at 16.6% of second quarter sales, while remaining consistent year over year. The fluids distribution divisions in Canada and the United States experienced reduced sales and margins, however, margins remained stable in our blending and packaging divisions.

Fluids Distribution Division

Canadian Fluids Distribution gross margin fell to negative 26% for the second quarter of 2020 as the division had limited sales. Margins have been compressed due to weak demand and over-stock of inventory in the marketplace. In addition, the Company incurred carrying costs of storing the remainder of its oil-based mud products. Lastly the division incurred additional transportation costs to relocate inventory to warehouses were demand for those products were higher. For the first half of 2020, margins improved to 13.3% compared to 10.8% for the first half of 2019. Margins improved year over year as the division increased selling prices on certain products during 2020. The division experienced increased sales of higher margin products in Q1 2020 compared to Q1 2019 which has also contributed to the increase in gross margins year over year. We will attempt to maintain margins over the short to medium term, however, given the current lack of demand for oil and gas, management is cautious as to the impact on margins and could see margin compression in the immediate near term.

US Fluids Distribution gross margin for the three months ended June 30, 2020 were 10.8%, a decrease of 2.2% as a percentage of sales compared to Q2 2019, while gross margin dollars fell by $2.0 million for the first half of 2020 compared to the first half of 2019. The decrease in margins during the quarter was the result of the division incurring additional transportation costs to move inventory from warehouse to warehouse in an effort to reduce inventory. These additional transportation costs were not passed through to customers. In addition, given the weaker drilling activity level in the second quarter, the Company experienced pricing pressure from a number of customers in order to retain certain sales. Finally, with lower rig activity, the division sold more lower margin commodity products during the quarter and throughout the first half of 2020 which had a negative impact on gross margins. With continued volatile oil and gas prices, margins are likely to remain compressed in the short term while the Company attempts to maintain market share as drilling activity softens.

Fluids Blending & Packaging Division

Canadian Fluids Blending & Packaging division gross margin increased significantly during the second quarter of 2020 compared to Q2 2019. The improved margin was the result of higher sales of production and stimulation products in comparison to lower margin commodity toll packaging, resulting in higher margins quarter over comparable quarter. Margins for the first half of 2020 remained relatively consistent compared to the first half of 2019 as the division has not experienced the pricing pressure as our other divisions have.

The US Fluids Blending & Packaging division generated gross margins, for the three months ended June 30, 2020, were 27% compared to 36% for same comparable period in 2019. The decrease in gross margin is the result of one customer removing a drilling rig out of service for maintenance and therefore wesold significantly less high margin product during the quarter. The division has maintained strong margins on its other products for well abandonment work. Margins are anticipated to improve slightly over the short to medium term but will likely not return to the level experienced in 2019 until the rig is put back in production.

Salaries and Benefits

(in 000's)	Three months ended June 30 2020	2019	Change $	%	Six months ended June 30 2020	2019	Change $	%
Salaries and benefits	**$ 616**	$ 2,123	$(1,507)	(71%)	**$ 2,567**	$ 4,363	$(1,796)	(41%)

Salaries and benefits decreased for the three and six months ended June 30, 2020 compared to the prior year quarters as the Company adjusted its cost structure based on current drilling activity levels. The Company responded to the Covid-19 pandemic with layoffs of employees across all divisions, reduced work week schedules in certain divisions to four days a week with a corresponding 20% wage reduction, reduced hours for hourly employees in all warehouses. During the second quarter, the Company applied for and successfully received $777,500 in wage relief from the US Federal government under the Payroll Protection Program grant. In addition, the Company was eligible for the Canadian Emergency Wage Subsidy ("CEWS") program which resulted in a federal subsidy of $180,880 during the second quarter. The Company employed 49 (24 Canada and 25 US) employees at June 30, 2020 compared to 84 (36 Canada and 48 US) at June 30, 2019. The Company continues to closely monitor demand levels of our products and will continue to adjust head count to correspond with industry drilling activity levels. The Company will continue to apply for any federal government grants or subsidies as they are available.

Selling, General, and Administration

(in 000's)	Three months ended June 30 2019	2018	Change $	%	Six months ended June 30 2020	2019	Change $	%
Selling	**$ 39**	$ 198	$(159)	(80%)	**$ 137**	$ 209	$ (72)	(34%)
Professional and consulting	**144**	127	17	13%	**255**	357	(102)	(29%)
General and administrative	**417**	474	(57)	(12%)	**816**	570	246	43%
Rent, utilities, and occupancy costs	**346**	463	(117)	(25%)	**865**	857	8	1%
Total selling, general and administration	**$ 946**	$1,262	$(316)	(104%)	**$2,073**	$1,993	$ 80	(19%)

Selling expenses are mainly related to meals and entertainment, transportation, and travel incurred by Bri-Chem's sales team. Selling expenses for the three and six months ended June 30, 2020 decreased by $159 thousand and $72 thousand respectively compared to the same quarters in 2019. The decrease in Q2 2020 was the result of COVID-19 limiting travel of sales staff as regional economies, where the Company operates, were shut down and travel was restricted.

Professional and consulting fees increased by $17 thousand for Q2 2020 while decreasing $102 thousand for the six months ended June 30, 2020. The decrease for the first half of 2020 relates to the Company reducing its monthly accruals for audit fees.

General and administration expenses for the three months ended June 30, 2020 decreased by $57 thousand compared to the same period last year and increased by $246 thousand for first half of 2020 compared to the first half of 2019. The difference is due to a large bad debt recovery of $167 thousand that occurred in 2019 compared to a bad debt expense of $212 thousand in 2020. Insurance costs increased by $5 thousand quarter over comparable quarter, while waste disposal costs increased by $26 thousand and warehouse clean up costs have also increased during 2020. These increases were partially offset by a decrease in offices supplies and computer services of $19 thousand.

Rent, utilities, and occupancy costs decreased by $117 thousand for the three months ended June 30, 2020 compared to the same comparable quarter last year. As part of the US federal grant program resulting from COVID-19, the Company used a portion of the Payroll Protection loan in the US as an offset against rent expenses in the second quarter of 2020 as permitted under the federal guidelines. In addition, the Company updated its application of IFRS 16 whereby the Company adjusted certain classifications as short-term leases which are expensed as period costs rather than capitalized.

Restructuring Costs

	Three months ended				Six months ended			
		June 30	Change			June 30	Change	
(in 000's)	2020	2019	$	%	2020	2019	$	%
Restructuring	**$ 103**	$ 4	$ 99	2475%	**$ 103**	$ 24	$ 79	329%

During 2020, management determined that given market conditions in Canada the Company would no longer supply low margin oil based mud in Canada as there were other competitors that were set up to handle the product. As a result, the Company incurred tank clean out costs related to the product and disposals of certain materials. There may be additional costs to complete the shut down of this product in future quarters but the amount of those costs can not be readily determinable at this time.

Depreciation on Property and Equipment

	Three months ended				Six months ended			
		June 30	Change			June 30	Change	
(in 000's)	2020	2019	$	%	2020	2019	$	%
Depreciation on right of use	**$ 206**	$ 338	$ (132)	(39%)	**$ 335**	$ 571	$ (236)	(41%)
Depreciation on property and equipment	**101**	129	(28)	(22%)	**268**	$ 432	(164)	(38%)
Total depreciation	**$ 307**	$ 467	$ (160)	(34%)	**$ 603**	$ 1,003	$ (400)	(40%)

Depreciation on property and equipment for the three and six months ended June 30, 2020 decreased $28 thousand and $164 thousand compared to the same periods in 2019. These decreases were the result of the Company impairing several assets at the end of 2019 to which no depreciation was taken in 2020. The depreciation on right of use assets was adjusted in the first quarter of 2020 due to revaluation of the right-of-use assets recognized on the adoption of IFRS 16 in 2019 which resulted in lower depreciation for the quarter and year over year.

Financing Costs

(in 000's)	Three months ended 2020	June 30 2019	Change $	%	Six months ended 2020	June 30 2019	Change $	%
Interest on short-term operating debt	**$ 118**	$ 356	$ (238)	(67%)	**$ 327**	$ 793	$ (466)	(59%)
Interest on long-term debt	**222**	249	(27)	(11%)	**465**	474	(9)	(2%)
Interest on obligiatons under finance lease	**26**	39	(13)	100%	**56**	83	(27)	(33%)
Cash interest paid	**366**	644	(278)	(43%)	**848**	1,350	(502)	(37%)
Add non-cash interest expense:								
Amortization of deferred financing costs	**52**	49	3	6%	**104**	91	13	14%
Total interest expense	**$ 418**	$ 693	$ (275)	(40%)	**$ 952**	$ 1,441	$ (489)	(34%)

Interest on short-term operating debt decreased by $238 thousand and $466 thousand for the three and six months ended June 30, 2020 compared to the same prior year periods as the Company maintained a lower average bank indebtedness balance. Interest on long-term debt for the three and six months ended June 30, 2020 decreased as the principal balance continues to reduce as part of regular monthly payments. Interest on obligation under finance lease obligations decreased marginally, quarter over comparable quarter.

Foreign Exchange Loss / (Gain)

(in 000's)	Three months ended 2020	June 30 2019	Change $	%	Six months ended 2020	June 30 2019	Change $	%
Foreign exchange (gain) / loss	**$ (10)**	$ (11)	$ 1	(9%)	**$ 196**	$ (86)	$ 282	(328%)

The Canadian dollar compared to the US dollar remained relatively unchanged for the second quarter of 2020, which resulted in a small foreign exchange gain for the quarter. The foreign exchange loss for the first half of 2020 increased $282 thousand due to depreciation of the Canadian dollar relative the US. This decrease in the Canadian dollar exchange rate caused the Company to have an unfavourable position on certain net advances denominated in USD, which resulted in a foreign exchange gain.

Income Tax Expense / (Recovery)

(in 000's)	Three months ended 2020	June 30 2019	Change $	%	Six months ended 2020	June 30 2019	Change $	%
Current	**$ 24**	$ 4	$ 20	500%	**$ 47**	$ (58)	$ 105	(181%)
Deferred	**-**	-	-		**-**	-	-	
Total income tax expense	**$ 24**	$ 4	$ 20	500%	**$ 47**	$ (58)	$ 105	(181%)

The provision for income taxes for the three months ended June 30, 2020 is a net expense of $24 thousand as the Company was profitable in its US consolidated operations but was offset by the Canadian consolidated tax position. Bri-Chem's effective income tax rate was 25% 2020 (2019 - 27%).

Adjusted EBITDA and Net Loss

(in 000's)	Three months ended June 30 2020	2019	Change $	%	Six months ended June 30 2020	2019	Change $	%
Adjusted EBITDA	**$ (423)**	$ 447	$ (870)	195%	**$ (41)**	$ 2,028	$ (2,069)	(102%)
As a % of sales	**(6%)**	2%			**0%**	4%		
Net loss	**$ (1,276)**	$ (741)	$ (535)	(72%)	**$(1,746)**	$ (382)	$ (1,364)	(357%)
As a % of sales	**(19%)**	(3%)			**(6%)**	(1%)		

Adjusted EBITDA was negative $423 thousand for the three months ended June 30, 2020 compared to positive $447 thousand in the same period last year, while adjusted EBITDA was negative $41 thousand for the first half of 2020 compared to $2.1 million for the first half of 2019. Second quarter adjusted EBITDA as a percentage of sales was negative 6% compared to positive 2% for the same period last year. This decrease was due to lower sales during the first half of 2020 as world economies paused as a result of COVID-19. Net loss was $1.3 million and $1.7 million for the three and six months ended June 30, 2020 compared to a net loss of $741 thousand and $382 thousand in the same periods last year.

SUMMARY OF QUARTERLY DATA

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

(in 000's)	2020 Q2	2020 Q1	2019 Q4 [(2)]	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3
Sales	**$ 6,819**	$ 21,415	$ 21,307	$ 21,800	$ 22,721	$ 25,898	$ 27,705	$ 31,159
Gross margin ($)	**1,130**	4,579	3,849	4,259	3,721	4,579	3,909	5,101
Gross margin (%)	**16.6%**	21.4%	18.1%	19.5%	16.4%	17.7%	14.1%	16.4%
Adjusted EBITDA [(1)]	**(423)**	383	(38)	954	447	1,602	580	1,376
Net earnings/(loss)	**$ (1,276)**	$ (470)	$ (3,104)	$ (170)	$ (741)	$ 359	$ (5,570)	$ 61
Basic and diluted earnings/(loss) per share	**$ (0.05)**	$ (0.02)	$ (0.13)	$ (0.01)	$ (0.03)	$ 0.02	$ (0.23)	$ -

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

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

Quarterly results generally reflect the seasonality factors discussed above. Q1 2020 gross margin % remained stronger than the previous and prior comparable period quarters as the Company has seen an increase in sales of higher margin products including production chemicals as well as cement additives in California while margins in the second quarter of 2020 compressed due to COVID-19 and the fall in oil prices.

FINANCIAL CONDITION AND LIQUIDITY

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

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

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

The Company's operating cash flow has historically been affected by the overall profitability of sales within the Company's segments, the Company's ability to invoice and collect from customers in a timely manner, and the Company's ability to efficiently manage its inventory and operating costs.

Working capital position (000's)		June 30 2020		December 31 2019
Current assets	**$**	**22,652**	$	54,464
Current liabilities		**8,724**		37,051
Working capital	**$**	**13,928**	$	17,413

As at June 30, 2020, the Company had positive working capital of $13.9 million compared to $17.4 million at December 31, 2019. The Company's current ratio (defined as current assets divided by current liabilities) was 2.60 to 1 compared to 1.47 to 1 as at December 31, 2019.

Summary of cash flows (000's)		June 30 2020		June 30 2019
Operating activites	**$**	**8,835**	$	12,324
Financing activities		**(8,837)**		(12,243)
Investing activities		**2**		(81)
Change in cash position	**$**	**-**	$	-

For the period ended June 30, 2020, $8.8 million of cash was generated by operating activities compared to cash generated of $12.2 million for the same period in 2019. This decrease was mainly due to a slowdown in overall operations. The Company continued to reduce inventory levels throughout the first half of 2020 and focused efforts on collection of accounts receivable. With decreased drilling demand in 2020, the Company did not have as many receivables to collect. Cash used in financing activities was $8.8 million for the first half of 2020, compared to cash used of $12.2 million the same comparable period. This decrease was the result of repayments of bank indebtedness of $7.1 million along with interest paid on credit facilities of $891 thousand and repayment of long-term debt of $400 thousand. Cash used in financing activities was negligible for the first half of 2020 compared to $81 thousand for the same comparable period as the Company had no capital expenditures in the period.

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

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

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

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

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

On July 16, 2020, the Company amended certain terms of its term debt facility which included a 2.0% payment in kind interest until loan maturity, amendments to certain financial covenants and the issuance of 2,500,000 of warrants in the Company.

RISKS AND UNCERTAINTIES

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with the detailed information appearing elsewhere in this MD&A and Bri-Chem's other public disclosure documents, including the Annual Information Form for the Company for the year ended December 31, 2019. These risks and uncertainties are not the only ones facing Bri-Chem. Additional risks and uncertainties not currently known to the Company or that the Company currently considers remote or immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.

Volatility of Oil and Natural Gas Industry Conditions

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

Credit Risk

As a result of the continued volatility in the North American oil and natural gas markets, the Company is exposed to heightened credit risk because a substantial portion of the Company's dealings are with entities involved in the oil and gas industry. Regarding accounts receivable, the Company remains focused on actively managing credit risk. Management has remained diligent in assessing credit levels granted to customers, monitoring the aging of receivables and taking proactive steps to collect outstanding balances. No one customer accounted for more than 10% of sales in the first half 2020. Bri-Chem's top 5 customers' account for approximately 27% (2019: 40%) of revenue for the first half of 2020. The Company does not usually enter into long-term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customer, or any significant decrease in sales to a customer, or prices paid or any other changes to the terms of service with a customer, could have a material adverse impact on the financial results, cash flows, and overall financial condition of the Company. Significant declines in global oil and gas prices, declines in drilling fluid product demand and significant declines in the stock market have occurred for various reasons linked to the COVID-19 pandemic. These events will have an impact on future revenues of the company and may accelerate financial conditions such as banking covenants in the foreseeable future. The Company has not yet experienced unexpected challenges with recoverability of accounts receivable balances and realization or inventory values on March 31, 2020 balances presented in these financial statements, however, uncertainty exists with respect to recoverability of accounts receivable and realization of inventories originated subsequent to year end. With the increasingly weakened global oil price and COVID-19-19 pandemic this could result in significant delays in collections and could impact the Company's ability to continue as going concern.

Global Health Crisis and COVID-19

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

Transportation and Distribution Network Risk

The Company relies on a large distribution network to manage the sale of inventory from the point of initial material inventory purchase to final customer sale. Common to industry practice, the Company has no formal long-term contract with its major inventory storage and distribution supplier. A significant disruption to its transportation and distribution network could have a material adverse impact to the Company.

Cyber Security

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

Government Regulation

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

Climate Change

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

Seasonal Operations

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

OFF-BALANCE SHEET FINANCING

Bri-Chem has no off-balance sheet financing.

TRANSACTIONS WITH RELATED PARTIES

During the three and six months ended June 30, 2020 the Company incurred office sharing costs that were paid to a company over which a Director has control. A summary of these costs for the periods presented is as follows:

(in 000's)	Three months ended June 30 2020	Three months ended June 30 2019	Change $	Change %	Six months ended June 30 2020	Six months ended June 30 2019	Change $	Change %
Office sharing costs	**$ 9**	$ 9	$ -	0%	**$ 18**	$ 18	$ -	0%

CRITICAL ACCOUNTING ESTIMATES

Bri-Chem's critical accounting estimates are discussed in Note 2 of its annual audited consolidated financial statements for the years ended December 31, 2019 and 2018. There has been one change in critical accounting estimates since the year ended December 31, 20219 which is discussed in Note 3 of the June 30, 2020 interim condensed consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES

Bri-Chem's accounting policies are discussed in Note 2 of the annual audited consolidated financial statements for the years ended December 31, 2019 and 2018. On January 1, 2020 the Company adopted IAS 1 "Presentation of Financial Instruments Amendment" and IFRS 3 "Business Combinations" which are discussed in Note 3 of the June 30, 2020 interim condensed consolidated financial statements.

OUTSTANDING SHARES

As at August 13, 2020, the Company had 23,923,981 common shares issued and outstanding and no potentially dilutive shares. The Company had 1,120,000 stock options outstanding as at June 30, 2020.

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

Subsequent to the quarter end, the Company issued 2,500,000 warrants to GreyPoint Capital Inc. in conjunction with amendments to its subordinated term debt credit facility which was amended on July 16, 2020. The warrants have an exercise price of $0.10 and expire on July 15, 2024.

NON-IFRS MEASURES

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

Adjusted Net Loss and Adjusted EBITDA

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

(in 000's)	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Net (loss) earnings	**$ (1,276)**	$ (741)	**$ (1,746)**	$ (382)
Add:				
Restructuring costs [1]	**103**	24	**103**	24
Adjusted net loss	**(1,173)**	(717)	**(1,643)**	(358)
Add:				
Interest	**418**	693	**952**	1,441
Income taxes	**25**	5	**47**	(58)
Depreciation and amortization	**307**	466	**603**	1,003
Adjusted EBITDA	**$ (423)**	$ 447	**$ (41)**	$ 2,028

(1) Represents costs related to clean out of oil based mud storage tanks as the Company is eliminating oil based mud in Canada

Adjusted Operating Earnings

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

(in 000's)	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Operating (loss)/earnings	**$ (128)**	$ (54)	**$ (598)**	$ 916
Add:				
Restructuring costs [1]	**103**	24	**103**	24
Adjusted operating (loss)/earnings	**(25)**	(30)	**(495)**	940

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

Internal controls over financial reporting ("ICFR")

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

The Chief Executive Officer and Chief Financial Officer have concluded, based on their assessment, that the design and implementation of the Company's disclosure controls and procedures and ICFR are not effective due to the material weaknesses in ICFR as described below. A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

- A material weakness was identified relating to the evaluation of impairment for property and equipment which was corrected and resulted in an impairment charge of $2.2 million for the year ended December 31, 2019.
- Control limitations were identified relating to segregation of duties, review of journal entries and various IT related weaknesses around passwords and monitoring of user access in the accounting process. These situations are common to many small companies. While deficiencies in segregation of duties could lead to a material misstatement in the financial statements, other checks and balances including direct involvement of senior management in the day to day operations of the Company are in place, and no misstatement has occurred related to segregation of duties. However, these mitigating procedures may not be considered enough to reduce the likelihood that a material misstatement would be prevented or detected in the future.

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

Changes in ICFR

There were no changes in the Company's ICFR in 2020 that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting. It should be noted that while the CEO and CFO believe that Bri-Chem Corp.'s disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, except as noted above, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), the credit risk to which the Company is exposed in the conduct of its business, fluctuations in prevailing commodity prices or currency and interest rates, the competitive environment to which the various business divisions are, or may be, exposed in all aspects of their business, the ability of the Company's various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Company's various business divisions to attract and maintain key personnel and other qualified employees, various environmental risks to which the Company's business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Company's business divisions operate, timing and costs associated with the acquisition of capital equipment, the impact of weather and other seasonal factors that affect business operations, availability of financial resources or third-party financing and the impact of new laws and regulations or changes in existing laws, regulations or administrative practices on the part of regulatory authorities, including without limitation taxation and environmental laws and regulations and changes in how such laws and regulations are interpreted and enforced. Forward-looking information respecting the anticipated costs associated with the purchase of capital equipment are based upon historical prices for various classes of equipment, expectations relating to the impact of inflation on the future cost of such equipment and management's views concerning the negotiating position of the Company and its affiliates. Forward-looking information concerning the nature and timing of growth within the various business divisions is based on the current budget of the Company (which is subject to change), factors that affected the historical growth of such business divisions, sources of historic growth opportunities and expectations relating to future economic and operating conditions. Forward-looking information concerning the future competitive position of the Company's business divisions is based upon the current competitive environment in which those business divisions operate, expectations relating to future economic and operating conditions, current and announced build programs and other expansion plans of other organizations that operate in the energy service business. Forward-looking information concerning the financing of future business activities is based upon the financing sources on which the Company and its predecessors have historically relied and expectations relating to future economic and operating conditions. Forward-looking information concerning future economic and operating conditions is based upon historical economic and operating conditions, opinions of third-party analysts respecting anticipated economic and operating conditions. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in additional detail in this MD&A under the heading "Risk Factors and Risk Management" on page 19 and in the Company's Annual Information Form (AIF) for the year ended December 31, 2018 which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.

Corporate Information

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