BRI-CHEM

Q2 2022

Management Discussion & Analysis

June 30, 2022

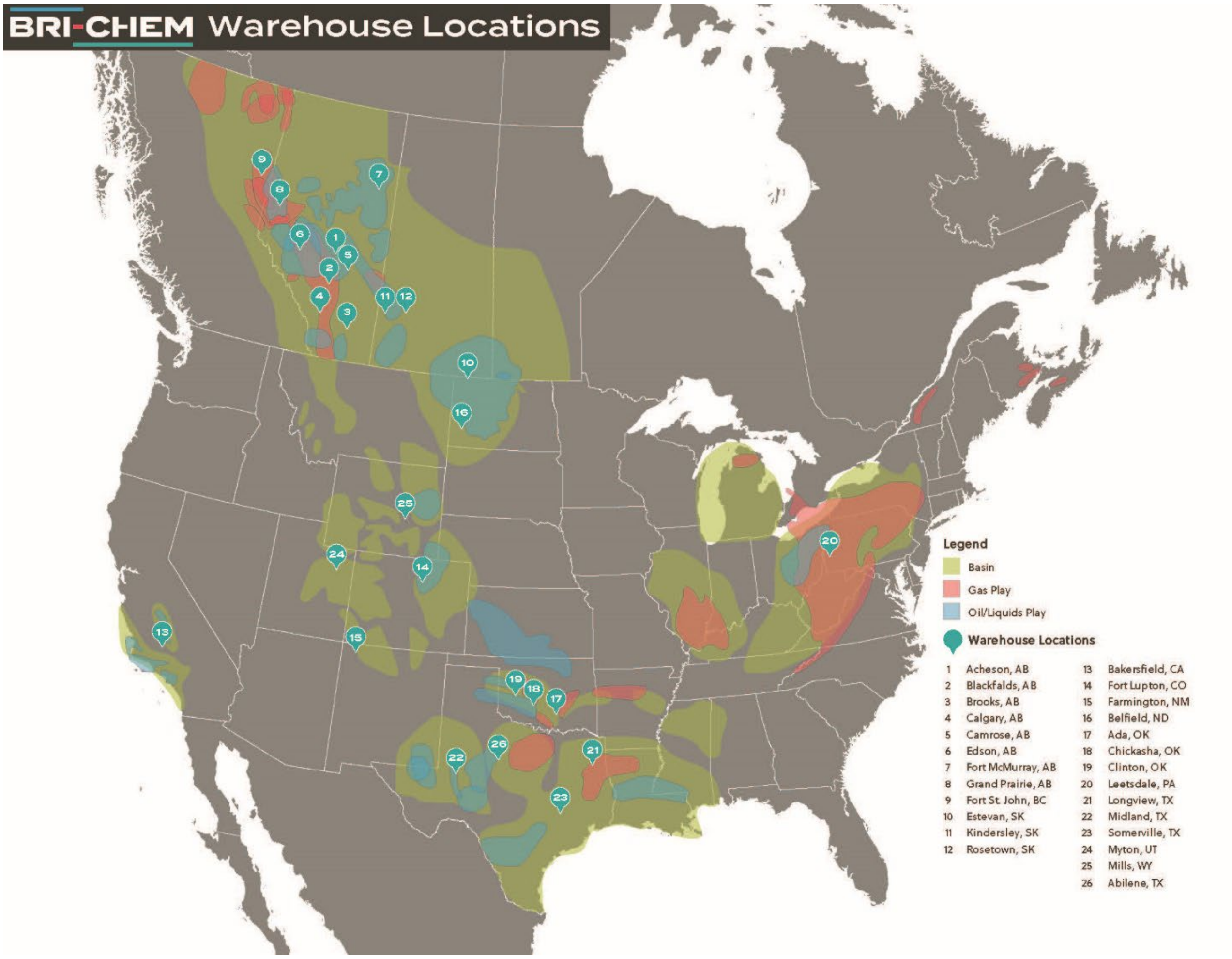
(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") of Bri-Chem Corp. ("Bri-Chem" or the "Company") was prepared as at August 11, 2022 for the three months ended June 30, 2022 and should be read in conjunction with the Company's June 30, 2022 interim condensed consolidated financial statements (the "financial statements") and December 31, 2021 and 2020 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, loss circulation materials and oil mud products to mud engineering companies who sell directly to drilling firms engaged by the oil and gas companies. Much of Bri-Chem's competitive advantage is attributed to its comprehensive network of 26 strategically placed and fully stocked warehouses throughout North America as mud engineering companies and drilling companies prefer to use one supplier of drilling fluids for all their widely dispersed drilling rig locations. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

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



Seasonality of Operations

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

FINANCIAL AND OPERATING INFORMATION HIGHLIGHTS

(in '000s except per share amounts)	Three months ended 2022	June 30 2021	Change $	%	Six months ended 2022	June 30 2021	Change $	%
Financial performance								
Sales	**$ 25,469**	$ 13,910	$ 11,560	83%	**$ 49,005**	$ 25,400	$ 23,606	93%
Adjusted EBITDA[(1)]	**1,782**	703	1,079	154%	**4,224**	1,554	2,670	172%
As a % of revenue	**7%**	5%			**9%**	6%		
Adjusted operating earnings[(1)]	**1,690**	388	1,302	335%	**4,735**	947	3,788	400%
Adjusted net earnings [(1)]	**886**	44	842	1902%	**2,558**	199	2,359	1188%
Net earnings	**$ 341**	$ 44	$ 297	670%	**$ 8,113**	$ 185	$ 7,928	4279%
Diluted per share								
Adjusted EBITDA	**$ 0.07**	$ 0.03	$ 0.04	129%	**$ 0.16**	$ 0.06	$ 0.10	171%
Adjusted net earnings	**$ 0.03**	$ 0.00	$ 0.03	1708%	**$ 0.10**	$ 0.01	$ 0.09	1186%
Net earnings	**$ 0.01**	$ 0.00	$ 0.01	596%	**$ 0.31**	$ 0.01	$ 0.30	4273%
Financial position								
Total assets					**$ 65,007**	$ 31,460	$ 33,547	107%
Working capital					**13,218**	9,649	3,569	37%
Long-term debt					**5,100**	7,032	(1,933)	(27%)
Shareholders equity					**$ 20,280**	$ 10,245	$ 10,034	98%

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

Key Q2 2022 highlights include:

- Consolidated sales for the three months ended June 30, 2022 were $25.5 million, an increase of 83% compared to the same period last year due to stronger performance in the fluids distribution divisions in Canada and the United States as the industry is facing a significant resurgence following the easing of global economic restrictions that were in place due to the coronavirus (“COVID-19”) health pandemic.

- Adjusted EBITDA for the second quarter 2022 was $1.8 million versus $703 thousand in Q2 2021, representing a 154% increase year over year.

- Adjusted operating earnings was $1.7 million for the three months ended June 30, 2022 compared to operating earnings of $388 thousand in the prior year comparable quarter, representing a 335% increase. The increase is primarily related to bolstered sales against modest overhead increases from the prior year.

- Net earnings per diluted share for the three months ended June 30, 2022 was $0.01 per share compared to $0.00 per diluted share for same period last year;

- Working capital, as at June 30, 2022, was $13.2 million compared to $9.6 million at June 30, 2021, an increase of 37%. The increase predominantly relates to reclassifying the term loan to long term liabilities, offset by notable increases in accounts receivable and inventory balances in response to increasing market momentum.

- During Q2 2022, the Company entered into a new 20 year mortgage term loan for $6,000,000 with Canadian Western Bank (“CWB”) to refinance its existing term loan. In addition, the Company entered into an Amending Agreement with CIBC and the Company’s senior asset-based lending facility is now committed until October 31, 2024.

Summary for the three months ended June 30, 2022:

Consolidated sales for the three months ended June 30, 2022 were $25.5 million compared to $13.9 million for the same period in 2021, representing an $11.6 million increase over the comparable periods. The increase is due to increased drilling activity across most operating regions within Canada and the United States.

Bri-Chem's Canadian drilling fluids distribution division generated sales of $3.0 million for the three months ended June 30, 2022 compared to $1.7 million in the comparable prior period. The increase in sales predominantly relates to the higher drilling activity levels in 2022 than 2021. The number of active operating land rigs in Q2 2022 averaged 155, compared to 105 in the same period last year amounting to an increase of 48% over Q2 2021 (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of $17.1 million for the three months ended June 30, 2022 compared to sales of $8.3 million for the comparable period in 2021, representing a quarterly increase of 112%. This increase relates to the corresponding increase in rig activity in Q2 2022. The number of active operating land rigs in Q2 2022 averaged 699, compared to a 2021 Q2 average of 437, representing an increase of 60%. (Source: Baker Hughes).

Bri-Chem's Canadian Blending and Packaging division generated sales of $2.8 million for the three months ended June 30, 2022 compared to Q2 2021 sales of $1.4 million, representing a quarterly increase of $1.4 million. The increase in sales relates to increased cementing and stimulation activities in response to increased drilling. US Blending and Packaging sales for the three months ended June 30, 2022 were $2.5 million compared to $2.4 million in the prior year.

Adjusted operating earnings for the three months ended June 30, 2022 was $1.7 million compared to $388 thousand during the same period last year. Adjusted EBITDA was $1.8 million for Q2 2022 compared to $703 thousand for Q2 2021. Adjusted EBITDA as a percentage of sales was 7% for the quarter. The increase is primarily related to increased drilling activity in most operating regions within Canada and the United States in tandem with maintaining most margins realized in the prior period.

OUTLOOK

The return of global energy demand has increased industry activity levels across North America and as a result the demand for drilling fluids has improved and is expected to remain robust for the remainder of 2022. The Company's operations in Canada began the second quarter at a slower rate due to spring break-up but exceeded expectations with a strong end to the quarter and higher than expected activity levels in the United States provided us with one of our strongest second quarters in Company history. Looking ahead, it is anticipated that the third and fourth quarters will have higher than usual activity levels as the continued strength in commodity pricing will drive demand for Bri-Chem's products and services throughout North America. Bri-Chem will continue to leverage its North American wide infrastructure while managing inflationary pressures that are expected to continue to escalate. Bri-Chem will be firm in managing these costs by negotiating with our suppliers and working with our customers. One of Bri-Chem's highest priorities was to refinance its high-cost debt. This was successfully completed during Q2 2022 as we reached an agreement with CWB to refinance our subordinated debt loan with a new 20 year mortgage term loan. The new mortgage term loan with CWB replaced an 11% interest sub debt loan with a longer term 5.61% interest term loan. The interest and principal savings for us will amount to approximately $1M per annum which will considerably strengthen our financial position and provide us additional free cash flow to take advantage of the increased drilling activity due to the recent surge in commodity prices. Over the longer-term, it is anticipated that new warehouse location opportunities will be a meaningful part of Bri-Chem's future growth strategy.

DISCUSSION OF Q2 OPERATING RESULTS

Divisional sales

(in 000's)	Three months ended June 30 2022	June 30 2021	Change $	%	Six months ended June 30 2022	June 30 2021	Change $	%
Fluids Distribution								
Canada	$ 2,996	$ 1,742	$ 1,254	72%	$ 6,353	$ 4,110	$ 2,243	55%
US	17,149	8,328	8,821	106%	31,688	13,019	18,669	143%
	20,145	10,069	10,076	100%	38,041	17,128	20,912	122%
Fluids Blending & Packaging								
Canada	2,842	1,446	1,396	97%	6,276	3,112	3,164	102%
US	2,483	2,395	88	4%	4,689	5,160	(471)	(9%)
	5,324	3,840	1,484	39%	10,965	8,271	2,693	33%
Consolidated sales	$ 25,469	$ 13,910	$ 11,560	83%	$ 49,005	$ 25,400	$ 23,606	93%
Geographic region								
Canada	$ 5,838	$ 3,187	2,650	83%	$ 12,629	$ 7,221	5,408	75%
US	$ 19,632	$ 10,722	8,909	83%	$ 36,376	$ 18,178	18,198	100%
Consolidated sales	$ 25,469	$ 13,910	11,560	83%	$ 49,005	$ 25,400	23,606	93%

Consolidated sales for the three months ended June 30, 2022 were $25.5 million compared to $13.9 million for the same period in 2021, representing an $11.6 million increase. The increase was due to increased drilling activity and well completions across most operating regions within Canada and the United States.

Fluids Distribution Divisions

For the three months ended June 30, 2022, the Canadian fluids distribution division generated sales of $3.0 million compared to sales of $1.7 million for the same period in 2021, representing an increase of 72%. The increase was due to the continued climb in the average number of rigs running in the second quarter. The average number of rigs operating in the second quarter of 2022 was 155 compared to 105 in the second quarter of 2021, representing a 48% increase (Source: Baker Hughes).

The US Fluids Distribution division generated sales of $17.1 million which was $8.8 million higher than the same period in 2021. This 106% increase reflects the growing momentum in drilling activity, particularly in the states of Oklahoma and Texas which have experienced the most significant increase in rig activity. The average number of rigs operating in the US for Q2 2022 was 699 compared to 437 for Q2 2021, constituting a 60% increase. (Source: Baker Hughes).

Fluids Blending & Packaging Division

The Canadian Fluids Blending and Packaging division recorded sales of $2.8 million for the three months ended June 30, 2022 compared to sales of $1.4 million for the comparable quarter in 2021. The increase predominantly relates to an uptick in cementing and stimulation work that supports oil and gas drilling.

US Fluids Blending and Packaging sales for the three months ended June 30, 2022 were $2.5 million compared to $2.4 million for the same comparable period in 2021, an increase of $88 thousand. The flat results compared to the previous period were a result of the California oil and gas market which has not realized the same growth levels in tandem with other markets within the US.

Divisional Gross Margin

(in 000's)	Three months ended 2022	%(1)	June 30 2021	%(1)	Change $	%	Six months ended 2022	%(1)	June 30 2021	%(1)	Change $	%
Fluids distribution												
Canada	**$ 744**	24.8%	$ 163	9.3%	$ 581	358%	**$ 1,512**	23.8%	$ 392	9.5%	$ 1,120	286%
US	**3,112**	18.1%	1,662	20.0%	1,451	87%	**6,878**	21.7%	2,489	19.1%	4,389	176%
	3,856	19.1%	1,824	18.1%	2,032	111%	**8,390**	22.1%	2,880	16.8%	5,509	191%
Fluids blending & packaging												
Canada	**843**	29.7%	410	28.4%	433	105%	**1,746**	27.8%	899	28.9%	846	94%
US	**490**	19.7%	601	25.1%	(111)	(19%)	**940**	20.0%	1,252	24.3%	(312)	(25%)
	1,333	25.0%	1,011	26.3%	321	32%	**2,685**	24.5%	2,151	26.0%	534	25%
Consolidated gross margin	**$ 5,189**	20.4%	$ 2,836	20.4%	$ 2,353	83%	**$ 11,075**	22.6%	$ 5,032	19.8%	$ 6,043	120%
Geographic region												
Canada	**1,587**	27.2%	573	18.0%	1,014	177%	**3,257**	25.8%	1,291	17.9%	1,966	152%
US	**3,602**	18.3%	2,263	21.1%	1,339	59%	**7,818**	21.5%	3,741	20.6%	4,077	109%
Consolidated gross margin	**$ 5,189**	20.4%	$ 2,836	20.4%	$ 2,353	83%	**$ 11,075**	22.6%	$ 5,032	19.8%	$ 6,043	120%

(1) Expressed as a percentage of divisional sales

Consolidated gross margin for the three months ended June 30, 2022 increased by $2.8 million compared to the same period last year. The increase in gross margin dollars is related to increased drilling activity and well completions across most operating regions within Canada and the United States.

Fluids Distribution Division

Canadian Fluids Distribution gross margin averaged 25% for the second quarter ended June 30, 2022 compared to 9% for the same period last year. The Company has been more proactive with selling higher margin and more rapid moving products over the past year which has helped to maintain targeted performance margins in light of increasing commodity and freight prices. The impairment reversal realized in the first quarter raised year to date margins in this business unit by approximately 0.5%.

US Fluids Distribution gross margin for the three months ended June 30, 2022, was 18%, which was lower than the realized margin in Q2 2021. There are supply constraints on key products in the US that the Company requires in order to offer a complete suite of products for drilling fluid companies however in the most recent quarter there were increased logistical costs associated with maintaining supply of these items, which ultimately reduced margin. The impairment reversal realized in the first quarter raised year to date margins in this business unit by approximately 2.4%.

Fluids Blending & Packaging Division

Canadian Fluids Blending & Packaging division gross margin increased to 30% during the three months ended June 30, 2022, from 28% in the corresponding period of 2021. The increase in gross margin was due to revised pricing strategies for key product lines in tandem with a favorable sales mix. The impairment reversal realized in the first quarter raised year to date margins in this business unit by approximately 1.3%.

The US Fluids Blending & Packaging division generated gross margins of 20% for the second quarter of 2022 compared to 25% for same comparable period in 2021. The decrease in gross margins is the result of product mix shifts with high margining blends being replaced with lower margining cement products. Margins are anticipated to improve slightly over the short to medium term, as those abandonment activities will yield further drilling permits in the region.

Salaries and Benefits

(in 000's)	Three months ended June 30 2022	2021	Change $	%	Six months ended June 30 2022	2021	Change $	%
Salaries and benefits	**$ 1,669**	$ 1,177	$ 491	42%	**$ 3,274**	$ 1,472	$ 1,802	122%

Salaries and benefits increased $491 thousand for the three months ended June 30, 2022 compared to the prior year quarter as the Company adjusted its cost structure and headcount based on current drilling activity levels. Salaries were reduced by 20% in a wage rollback program during Q1 2020, with the 20% rollback returned to employees in June of 2021. Salary and benefits expenses were also reduced by Government wage subsidies received in 2021, totalling $994 thousand. The Company employed 60 (28 Canada and 32 US) employees at June 30, 2022 compared to 55 (24 Canada and 31 US) at June 30, 2021.

Selling, General, and Administration

(in 000's)	Three months ended June 30 2022	2021	Change $	%	Six months ended June 30 2022	2021	Change $	%
Selling	**$ 91**	$ 65	$ 26	40%	**$ 147**	$ 133	$ 14	11%
Professional and consulting	**138**	115	22	19%	**226**	245	(19)	(8%)
General and administrative	**940**	534	406	76%	**1,437**	1,061	376	35%
Rent, utilities, and occupancy costs	**362**	371	(9)	(3%)	**737**	716	21	3%
Total selling, general and administration	**$ 1,531**	$1,086	$ 445	133%	**$ 2,548**	$2,156	$ 392	18%

Selling expenses are related to meals and entertainment, transportation, and travel incurred by Bri-Chem's sales team. Selling expenses for the three months ended June 30, 2022 were higher than the same period in 2021. The increase relates to advertising and marketing costs primarily associated with website redevelopment.

Professional and consulting fees increased by $22 thousand for Q2 2022 compared to Q2 2021 as the Company incurred additional fees relating to potential acquisitions of property.

General and administration expenses for the three months ended June 30, 2022 increased by $406 thousand compared to the same period last year. The increase is due to the loss on extinguishment of previous financing.

Rent, utilities, and occupancy costs decreased by $9 thousand for the three months ended June 30, 2022 compared to the same period last year. The negligible differences in expenses are attributable to sustained activity levels and overheads in most of its warehouses.

Depreciation on Property and Equipment

(in 000's)	Three months ended June 30 2022	2021	Change $	%	Six months ended June 30 2022	2021	Change $	%
Depreciation on right of use	**$ 119**	$ 121	$ (3)	(2%)	**$ 200**	$ 245	$ (45)	(18%)
Depreciation on property and equipment	**179**	110	68	62%	**316**	$ 224	92	41%
Total depreciation	**$ 297**	$ 232	$ 65	28%	**$ 516**	$ 470	$ 46	10%

Depreciation on property and equipment has been relatively consistent between periods due to management's discipline on capital spending initiatives. Depreciation on property and equipment for the three months ended June 30, 2022 increased $68 thousand when compared to June 30, 2021. The increase was the result of a new property and equipment assets acquired between comparative periods.

Financing Costs

(in 000's)	Three months ended 2022	June 30 2021	Change $	%	Six months ended 2022	June 30 2021	Change $	%
Interest on short-term operating debt	**$ 254**	$ 174	$ 81	46%	**$ 460**	$ 236	$ 224	95%
Interest on long-term debt	**262**	215	47	22%	**513**	477	37	8%
Interest on lease liabilities	**30**	12	18	100%	**51**	27	24	92%
Cash interest paid	**546**	401	145	36%	**1,024**	739	285	39%
Add non-cash interest expense:								
Amortization of deferred financing costs	**22**	41	(18)	(46%)	**96**	79	18	22%
Fair value of warrants issued	**-**	-	-	0%	**-**	-	-	0%
Non cash interest realized	**22**	41	(18)	(46%)	**52**	79	(26)	(33%)
Total interest expense	**$ 568**	$ 441	127	29%	**$ 1,120**	$ 818	302	37%

Interest on short-term operating debt increased by $81 thousand compared to the same period last year as the Company maintained a higher bank indebtedness balance caused by purchasing more inventory to support operations. Interest on long term debt and interest on lease liabilities did not materially change as leaseholds and debt structure remained unchanged in the quarter.

Foreign Exchange (Gain) / Loss

(in 000's)	Three months ended 2022	June 30 2021	Change $	%	Six months ended 2022	June 30 2021	Change $	%
Foreign exchange (gain) / loss	**$ 205**	$ (131)	$ 336	(256%)	**$ 134**	$ (137)	$ 271	(197%)

The Canadian dollar weakened compared to the US dollar for the second quarter of 2022 which resulted in a foreign exchange loss for the quarter. This decrease in the Canadian dollar exchange rate caused the Company to have an unfavourable position on certain net advances denominated in USD, which resulted in a foreign exchange loss.

Income Tax Expense

(in 000's)	Three months ended 2022	June 30 2021	Change $	%	Six months ended 2022	June 30 2021	Change $	%
Current	**$ 31**	$ 21	$ 10	51%	**$ 31**	$ 69	$ (38)	(55%)
Deferred	**545**	-	545	0%	**(4,662)**	-	(4,662)	0%
Total income tax expense	**$ 576**	$ 21	$ 556	2707%	**$ (4,632)**	$ 48	$ (4,700)	(9792%)

The provision for income taxes for the three months ended June 30, 2022 is $31 thousand as the Company leveraged loss carry forward balances from past years to reduce its tax expense. Deferred tax expense was $545 thousand as the Company realized income in the quarter which reduced temporary differences between the tax and accounting base of US operations. Given current economic conditions and activity levels in the region, the Company has determined the utilization of deferred tax assets is more probable than not. Bri-Chem's effective income tax rate was 23% 2022 (2021 - 27%).

Impairment Reversal

Considering general economic factors in tandem with realized earnings, The Company has recognized an impairment reversal corresponding to expense recognized in fiscal 2018 and 2019, which is recognized in the statement of profit or loss. The reversals were allocated primarily to machinery and equipment and were recognized in Q1 2022. The proration of these impairment reversals are as follows:

Cash Generating Unit	Carrying Amount March 31, 2022	Recoverable Amount	Excess of Recoverable Amount over Carrying Amount
Bri-Chem Supply Ltd.	$ 5,557,699	$ 5,589,211	$ 31,512
Sodium Solutions Inc.	2,356,410	2,401,675	45,265
Solution Blend Services Ltd.	575,344	613,374	38,030
Bri-Chem Supply Corp.	19,284,748	20,063,094	778,346
Total	**$ 27,774,201**	**$ 28,667,354**	**$ 893,153**

Adjusted EBITDA and Net (Loss) / Earnings

(in 000's)	Three months ended June 30 2022	2021	Six months ended June 30 2022	2021
Net earnings	**$ 341**	$ 44	**$ 8,113**	$ 185
Add:				
Restructuring costs [(1)]	**-**	-	**-**	13
Less:				
Deferred tax (credit) / expense	**545**	-	**(4,662)**	-
Property and equipment impairment reversal	**-**	-	**(893)**	-
Adjusted net earnings	**886**	44	**2,558**	198
Add:				
Financing costs	**568**	407	**1,120**	818
Income tax expense	**31**	21	**31**	69
Depreciation and amortization	**297**	232	**516**	470
Adjusted EBITDA	**$ 1,782**	$ 703	**$ 4,224**	$ 1,554

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

Adjusted EBITDA was $1.8 million for the three months ended June 30, 2022 compared to $703 thousand in the same period last year. Second quarter adjusted EBITDA as a percentage of sales was 4% which is a slight increase over same period last year. The increase is primarily related to the increased drilling activity and well completions across most operating regions within Canada and the United States realized in tandem with improved margins on many products. Adjusted net earnings were $886 thousand and for the three months ended June 30, 2022 compared to Adjusted net earnings of $44 thousand in Q2 2021.

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)	2022 Q2	2022 Q1 [(2)]	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4 [(1)]	2020 Q3
Sales	**$ 25,469**	$ 23,536	$ 18,544	$ 16,461	$ 13,910	$ 11,490	$ 9,473	$ 7,449
Gross margin ($)	**5,189**	5,886	3,809	3,402	2,835	2,197	1,358	1,180
Gross margin (%)	**20.4%**	25.0%	20.5%	20.7%	20.4%	19.1%	14.3%	15.8%
Adjusted EBITDA [(1)]	**1,782**	2,442	1,408	980	703	851	(461)	(765)
Net earnings/(loss)	**$ 341**	$ 7,772	$ 784	$ 348	$ 44	$ 141	$ (1,541)	$ (1,861)
Basic and diluted earnings/(loss) per share	**$ 0.01**	$ 0.29	$ 0.03	$ 0.01	$ 0.00	$ 0.01	$ (0.06)	$ (0.08)

(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 Q1 2022, Bri-Chem reversed asset impairment charges in the amount of 893 thousand, relating to the impairments realized by the Company in fiscal 2018 and 2019.

Quarterly results generally reflect the seasonality factors discussed above. Q2 2022 sales remained stronger than the previous trailing quarters and comparable to sales realized in Q1 2021. The Company has been able to remove specific price concessions on products as industry trends and demand for drilling fluids continue to normalize post the realization of the COVID-19 pandemic.

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.

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 2022		December 31 2021
Current assets	**$**	**51,724**	$	36,793
Current liabilities		**38,506**		31,643
Working capital	**$**	**13,218**	$	5,150

As at June 30, 2022, the Company had positive working capital of $13.2 million compared to $5.2 million at December 31, 2021. The Company’s current ratio (defined as current assets divided by current liabilities) was 1.34 to 1 at June 30, 2022 compared to 1.16 to 1 as at December 31, 2021. The increase relates to reclassifying the term loan to long term liabilities, offset by notable increases in accounts receivable and inventory balances in response to increasing market momentum.

Summary of cash flows (000's)		June 30 2022		June 30 2021
Operating activites	**$**	**(5,818)**	$	(1,396)
Financing activities		**5,991**		1,330
Investing activities		**(172)**		65
Change in cash position	**$**	**-**	$	-

For the period ended June 30, 2022, $5.8 million of cash was used by operating activities compared to cash used of $1.4 million for the same period in 2021. Cash from operating activities was used to finance the purchase of additional inventories. Cash generated in financing activities was $6 million for the three months ended June 30, 2022, compared to cash used of $1.3 million for the same comparable period. This increase was due to advances on the ABL Facility in tandem with increased interest realized from maintaining a higher level of bank indebtedness over the comparable quarter. Cash used in investing activities was $172 thousand for the second quarter of 2022 and $65 thousand generated for the same comparable period as the Company had minimal capital expenditures in the period.

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

On July 16, 2020, 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 March 29, 2021, the Company entered into the First Amendment to the Third Amending Agreement to the ABL Facility, further reducing its minimum adjusted tangible net worth financial covenant requirement.

On October 20, 2021, the Company entered into the Second Amendment to the Third Amending Agreement to the ABL Facility and BCAP Loan to extend the term to maturity to the earlier of October 31, 2024 or six months prior to GreyPoint Capital Inc. term loan maturity. In addition, the Second Amendment to the ABL Facility further reduces the minimum adjusted tangible net worth financial covenant and reduces the interest rate from 1.5% to 1.35% above CIBC's prime lending rate.

On May 9, 2022, the Company amended its ABL Facility agreement to coincide with the refinancing of its subordinated debt. All relevant terms remain the same apart from the addition of a fixed charge coverage ratio covenant of no less than 1.0 tested monthly. This covenant has a trigger clause which commences at the beginning of calendar 2023 and the covenant takes effect if the Company meets the threshold of 1.0 for two consecutive months.

On May 9, 2022, the Company signed an agreement with Canadian Western Bank ("CWB") to refinance its subordinated debt with another lender. The CWB financing consists of $6 million term loan and includes a tangible net worth covenant of $9,295,000 and a fixed charge coverage ratio covenant of no less than 1.10, both tested annually. The debt has a term of 20 years and bears an interest rate of 5.61% per annum. The extinguishment of the old term debt resulted in a loss of $445,251, realized within the statement of operations and comprehensive income. The CWB financing is secured by: an unlimited corporate guarantee supported by a general security agreement from all entities within the group, only to a prior charge from the ABL facility, first demand collateral mortgage over all owned lands and only to a prior charge from the ABL facility, first demand collateral mortgage over all owned lands and premises; assigned by the Company to CWB of all risk insurance in the amounts and from an insurer acceptable to CWB, on all Company real property, without limitation lands, buildings, fixtures and equipment owned by the Company, showing CWB as first loss payee.

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, 2021. These risks and uncertainties are not the only ones facing Bri-Chem. Additional risks and uncertainties not currently known to the Company or that the Company currently considers remote or immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.

Volatility of Oil and Natural Gas Industry Conditions

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

Credit Risk

As a result of the continued volatility in the North American oil and natural gas markets, the Company is exposed to heightened credit risk because a substantial portion of the Company's dealings are with entities involved in the oil and gas industry. Regarding accounts receivable, the Company remains focused on actively managing credit risk. Management has remained diligent in assessing credit levels granted to customers, monitoring the aging of receivables and taking proactive steps to collect outstanding balances. Revenue from one customer amounted to $3,149,008 (June 30, 2021 - $2,396,246) representing 12.0% (June 30, 2021 – 17.2%) of consolidated sales and 17.9% (June 30, 2021 – 28.8%) of USA Fluid Distribution segment sales, for three months ended. For the six months ending June 30, 2022, revenue from this customer amounted to $7,004,201 (June 30, 2021 - $3,110,822) representing 14.1% (June 30, 2021 – 12.2%) of consolidated sales, and 19.0% (June 30, 2021 – 23.9%) of USA Fluid Distribution segment sales. The Company does not usually enter into long-term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customer, or any significant decrease in sales to a customer, or prices paid or any other changes to the terms of service with a customer, could have a material adverse impact on the financial results, cash flows, and overall financial condition of the Company. Significant fluctuations in global oil and gas prices, declines in drilling fluid product demand and significant declines in the stock market have occurred for various reasons linked to the COVID-19 pandemic. These events will have an impact on future revenues of the company and may accelerate financial conditions such as banking covenants in the foreseeable future. The Company has not yet experienced unexpected challenges with recoverability of accounts receivable balances and realization or inventory values on December 31, 2021 balances presented in these financial statements, however, uncertainty exists with respect to recoverability of accounts receivable and realization of inventories originated subsequent to the quarter.

Global Health Crisis and COVID-19

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

Transportation and Distribution Network Risk

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

Cyber Security

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

Government Regulation

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

Climate Change

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

Seasonal Operations

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

OFF-BALANCE SHEET FINANCING

Bri-Chem has no off-balance sheet financing.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended June 30, 2022 the Company incurred office sharing costs that were paid to a company over which a Director has control. A summary of these costs for the periods presented is as follows:

	Three months ended									Six months ended							
			June 30		Change							June 30		Change			
(in 000's)		2022		2021		$		%		2022		2021		$		%
Office sharing costs	**$**	**7**	$	9	$	(2)		(22%)	**$**	**16**	$	18	$	(2)		(11%)

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, 2021 and 2020. There have been no changes to the Company's critical accounting estimates as at June 30, 2022.

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, 2021 and 2020.

OUTSTANDING SHARES

As at June 30, 2022, the Company had 23,932,981 common shares issued and outstanding and no potentially dilutive shares. The Company had 810,000 stock options outstanding as at June 30, 2022.

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

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 Earnings and Adjusted EBITDA

Adjusted Net Earnings are defined as net earnings before non-recurring events, net of corporate income taxes ("Adjusted Net Earnings"). Management believes that in addition to net earnings, Adjusted Net 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. 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 earnings under IFRS, as disclosed in the annual consolidated financial statements, to Adjusted Net Earnings and Adjusted EBITDA:

(in 000's)		Three months ended June 30 2022		2021		Six months ended June 30 2022		2021
Net earnings	**$**	**341**	$	44	**$**	**8,113**	$	185
Add:								
Restructuring costs [1]		**-**		-		**-**		13
Less:								
Deferred tax (credit) / expense		**545**		-		**(4,662)**		-
Property and equipment impairment reversal		**-**		-		**(893)**		-
Adjusted net earnings		**886**		44		**2,558**		198
Add:								
Interest		**568**		407		**1,120**		818
Income tax expense		**31**		21		**31**		69
Depreciation and amortization		**297**		232		**516**		470
Adjusted EBITDA	**$**	**1,782**	$	703	**$**	**4,224**	$	1,554

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

Adjusted Operating Earnings

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

(in 000's)		Three months ended June 30 2022		2021		Six months ended June 30 2022		2021
Operating earnings	**$**	**1,690**	$	388	**$**	**4,735**	$	934
Add:								
Restructuring costs		**-**		0		**-**		13
Adjusted operating earnings		**1,690**		388		**4,735**		947

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, 2022 and, based on that evaluation, have concluded that these controls and procedures are effective in providing such reasonable assurance, except as noted below.

Internal controls over financial reporting (“ICFR”)

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

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

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

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

Changes in ICFR

There were no changes in the Company’s ICFR in 2022 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 the year ended December 31, 2020 which is available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise. Company is exposed in the conduct of its business, fluctuations in prevailing commodity prices or currency and interest rates, the competitive environment to which the various business divisions are, or may be, exposed in all aspects of their business, the ability of the Company’s various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Company’s various business divisions to attract and maintain key personnel and other qualified employees, various environmental risks to which the Company’s business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Company’s business divisions operate, timing and costs associated with the acquisition of capital equipment, the impact of weather and other seasonal factors that affect business operations, availability of financial resources or third-party financing and the impact of new laws and regulations or changes in existing laws, regulations or administrative practices on the part of regulatory authorities, including without limitation taxation and environmental laws and regulations and changes in how such laws and regulations are interpreted and enforced. Forward-looking information respecting the anticipated costs associated with the purchase of capital equipment are based upon historical prices for various classes of equipment, expectations relating to the impact of inflation on the future cost of such equipment and management’s views concerning the negotiating position of the Company and its affiliates. Forward-looking information concerning the nature and timing of growth within the various business divisions is based on the current budget of the Company (which is subject to change), factors that affected the historical growth of such business divisions, sources of historic growth opportunities and expectations relating to future economic and operating conditions. Forward-looking information concerning the future competitive position of the Company’s business divisions is based upon the current competitive environment in which those business divisions operate, expectations relating to future economic and operating conditions, current and announced build programs and other expansion plans of other organizations that operate in the energy service business. Forward-looking information concerning the financing of future business activities is based upon the financing sources on which the Company and its predecessors have historically relied and expectations relating to future economic and operating conditions. Forward-looking information concerning future economic and operating conditions is based upon historical economic and operating conditions, opinions of third-party analysts respecting anticipated economic and operating conditions. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All the forward-looking statements of the Company contained in this MD&A

are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in additional detail in this MD&A under the heading “Risk Factors and Risk Management” on page 20 and in the Company’s Annual Information Form (AIF) for the year ended December 31, 2021 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

Tony Pagnucco, CPA, CA
CFO
Edmonton, Alberta

Albert Sharp[1] [2]
Director
Parkland County, Alberta

Eric Sauze, CPA, CA, CFA[1] [2]
Director
Edmonton, Alberta

Brian Campbell[1]
Director
Edmonton, Alberta

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

Corporate Office
27075 Acheson Road
Acheson, Alberta T7X 6B1
Ph: 780.962.9490
Fax: 780.962.9875

Auditors
Kingston Ross Pasnak LLP
Suite 1500, 9888 Jasper Avenue
Edmonton, Alberta T5J 5C6

Shares Listed
Toronto Stock Exchange
Trading Symbol – BRY

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