Bri-Chem Corp.
Management Discussion and Analysis
Three and Nine Months Ended September 30, 2008

To Our Shareholders:

We are pleased to report on the activity and results of Bri-Chem Corp. ("Bri-Chem") for the third quarter ended September 30, 2008. During the quarter, Bri-Chem's revenue improved by 70.4% while net earnings increased 60.3% over the same period last year. A complete copy of Bri-Chem's report is available on the Internet at www.sedar.com.

The third quarter 2008 results reflect Bri-Chem's continued growth in market size over the last year as consolidated revenues were $32,184,454 for the third quarter of 2008, an increase of 70.4% when compared to $18,889,017 from the same period last year. Net earnings from operations for the three months ended September 30, 2008 is $1,883,421 or $0.14 diluted earnings per share an increase of 60.3% when compared to earnings of $1,174,774 from the same period last year. Earnings before interest, taxes, depreciation and amortization (EBITDA) is $3,521,248, an increase of $1,682,954 or 91.6% compared to the same period last year.

Net earnings from operations for the nine months ended September 30, 2008 are $3,251,902 or $0.25 diluted earnings per share an increase of 64.8% when compared to $1,973,488 from the same period last year. Earnings before interest, taxes, depreciation and amortization for the same period are $6,799,825 an increase of $3,311,815 or 94.9% compared to the same period last year. Consolidated revenues were $65,043,249, an increase of 70.4% when compared to $38,161,114 from the same period in 2007.

During the third quarter the Company acquired Weifang Steel Canada Ltd. ("Weifang"), a master wholesale distributor of steel tubular, casing and other steel products to the resource and construction industries. The acquisition of Weifang, in August 2008, contributed one month of sales activity for the quarter. The Weifang acquisition diversifies Bri-Chem's product distribution and is anticipated to provide strong revenue growth in the future.

Bri-Chem's operating performance remains strong, despite drilling activity, based on drilling operating days, being down 8.9% for the nine months ended September 30, 2008 compared to the same period of 2007. Drilling rig utilization rates remained relatively consistent at 40% compared to 39% for the same period of 2007. The overall increase in financial performance is due to Bri-Chem's strong customer relationships, strategic geographic locations, and a diversified product line through the acquisition of Weifang.

Outlook

Bri-Chem remains optimistic that drilling activity levels experienced in the third quarter of 2008 will continue over the remainder of 2008 and into the 2009 winter drilling program. Despite the current credit crisis, the Company is well positioned through diversification of products and geographic locations to continue to gain market share. With Bri-Chem's highly scalable business model, an increase in sales activity will contribute to continued earnings growth.

I would like to thank our employees for their continued commitment and dedication, and our shareholders for their support.

On behalf of the Board of Directors,
(signed) "Don Caron"
D.P. Caron, Chairman

This Management's Discussion and Analysis ("MD&A") was prepared as of November 28, 2008. It is provided to assist readers in understanding Bri-Chem Corp.'s ("Bri-Chem" or the "Company") financial performance for the three and nine months ended September 30, 2008 and significant trends that may affect future performance of the Company. This MD&A should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2007.

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars unless otherwise indicated. All references in this report to financial information concerning the Company refer to such information in accordance with GAAP and all dollar amounts in this report are in Canadian dollars unless otherwise indicated. This report also makes reference to certain non-GAAP measures in assessing the Company's financial performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. The Company includes these non-GAAP measures as it believes they are used by investors to assess the performance of the Company, and is used by management to assist in assessing comparative performance of the Company.

Statements throughout this report that are not historical facts may be considered "forward looking statements." Such statements are based on current expectations that involve risks and uncertainties which could cause actual results to differ from those anticipated. Important factors that can cause anticipated outcomes to differ materially from actual outcomes include the impact of general economic conditions, industry conditions, competition from other industry participants, volatility of petroleum prices, the ability to attract and retain qualified personnel, changes in laws or regulations, currency fluctuations, continued ability to access capital from available facilities and environmental risks. References in this MD&A to "Bri-Chem", the "Company", "us", "we", and "our" mean Bri-Chem Corp.

Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

OVERVIEW OF BUSINESS

Bri-Chem is a leading Canadian based wholesale distributor of drilling fluids, steel products and services to the resource, industrial and construction industries in North America. The Company is headquartered in Acheson, Alberta located 20 kilometers west of Edmonton, Alberta. Bri-Chem owns a 100% interest in Bri-Chem Supply Ltd. ("Bri-Chem Supply"), 100% interest in Sodium Solutions Inc. ("Sodium") and 100% interest in Weifang Steel Canada Ltd. ("Weifang"). Bri-Chem continues to concentrate on expanding its market presence in the wholesale distribution market with the focus being on the following four divisions:

OIL AND GAS FLUIDS DIVISION

Western Canadian Sedimentary Basin (WCSB)

Bri-Chem's is one of Canada's largest wholesale distributors of drilling fluid supplies to the oil and gas industry in the WCSB. Bri-Chem sells over 150 different products in a wide variety of weights and clays, lost circulation materials, chemicals and oil mud products to mud engineering companies who sell directly to drilling firms engaged by the oil companies. Much of Bri-Chem's success is attributed to their comprehensive network of 19 strategically placed and fully stocked warehouses throughout Alberta, Saskatchewan and British Columbia as mud engineering companies and drilling companies prefer to use one wholesaler for all of their projects. The drilling fluid supply business experiences some seasonality with the late spring generally being the slowest period, as customers in the natural resource sectors experience a slowdown in their activity. The peak season is in the late fall and winter when customers are not constrained by environmental forces to perform their activities.

Chemical Supplies and Packaging

The fluids market in the WCSB also includes completion fluids, cementing, acidizing and fracturing fluids. The addressable size of these markets is significant and Bri-Chem continues to grow its business presence in each of these end use applications. Bri-Chem has the ability to mix and blend products to grow and adapt to the changing environment and needs of their clients. The distribution of chemical supplies and packaging is operated through Bri-Chem's blending and packaging facilities located in Camrose and Acheson, Alberta and its principal activity is to offer an extensive product line in both packaged and truckload quantities. Bri-Chem continues to target different industries including agriculture and construction for product and industry diversification.

United States (US)

The US market is significantly larger than the WCSB and more geographically dispersed. Bri-Chem has established a US based warehouse and distribution facility in Williston, ND and has undertaken a strategic move to take advantage of a vast opportunity available for an independent wholesale drilling fluids distributor to supply customers in the US. This expansion has been done in response to a number of requests from Bri-Chem's existing clients in Western Canada to accompany them in their endeavors south of the border.

INDUSTRIAL FLUIDS DIVISION

Bri-Chem entered into a Western Canadian exclusive distribution agreement with Colloid Environmental Technologies Company (CETCO), an industrial fluids product manufacturing company based out of Illinois, USA. The agreement with CETCO has prompted Bri-Chem to pursue a new operating division focused on technologically advanced industrial fluids. In the third quarter of 2007, the Company established Performance Industrial Products ("Performance") as a division of Bri-Chem Supply Ltd. that distributes chemicals to the non-oilfield sector. Performance offers chemicals to a diverse number of markets including mining exploration, water well drilling, geothermal and geotechnical drilling, seismic and construction projects.

SPECIALTY FLUIDS DIVISION

With a laboratory in Calgary, Alberta, Bri-Chem serves its customers throughout the WCSB with testing equipment, quality assurance, training, and research and analysis of critical fluids.

STEEL PRODUCTS DIVISION

Bri-Chem has recently entered into the wholesale distribution market for steel pipe, fittings, flanges, tubular products and casing. Bri-Chem primarily services the resource and construction markets in Western Canada and Eastern United States. Bri-Chem sells various diameters of carbon steel welded pipe, carbon steel seamless pipe, stainless steel pipe, drill pipe, tubing and casing, sucker rods as well as fittings and flanges. Bri-Chem's superior vendor relationships have provided access to hard to find products and increased marketshare in a competitive industry.

Bri-Chem manages its steel product inventory through two warehouses. The Nisku, Alberta warehouse is the primary stock location for steel products in North America and also maintains a pipe yard in Louisiana which allows the Company to service major pipe distributors throughout the Southeastern USA. Bri-Chem's broad base of steel products are primarily used in the oil and gas industry, however the Company does distribute steel products to non-oilfield related industries such as construction, industrial and mining.

Seasonality of Operations

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

Business Acquisition

On August 29, 2008, Bri-Chem acquired all the issued shares of Weifang, a Western Canadian based master wholesale distributor of steel products to the resource, industrial and construction industries. The purchase price of Weifang was $10.5 million. The acquisition of Weifang expands Bri-Chem's wholesale distribution products offered in the marketplace and provides synergies across the corporate operations. Prior to the acquisition by Bri-Chem, Weifang generated revenues of approximately $37,000,000 in the trailing twelve months. The operating results of Weifang for one month have been consolidated into Bri-Chem's financial statements following the close of the acquisition and therefore the fiscal 2007 third quarter comparative amounts do not include this acquisition.

Growth Strategy

The Company will continue to focus on growth by expanding its market presence in the industrial wholesale distribution markets. Acquisitions may play a significant role in the Company's growth. Management recognizes that the key determinants to successfully building shareholder value from acquisitions are reaching agreement on an appropriate valuation and efficiently integrating corporate cultures. Acquisitions are intended to increase product, geographical, industry and seasonal diversification.

FINANCIAL SUMMARY

Consolidated statement of operations	For the three months ended September 30 2008	2007	Change $	%
Sales	$ **32,184,454**	$ 18,889,017	$ 13,295,437	70.4%
Gross margin	**5,385,950**	3,307,303	2,078,647	62.9%
Gross margin %	**16.7%**	17.5%	-	-0.8%
Operating expenses (1)	**1,864,702**	1,469,009	395,693	26.9%
EBITDA (2)	**3,521,248**	1,838,294	1,682,954	91.5%
Depreciation and amortization	**336,317**	149,564	186,753	124.9%
Interest	**422,556**	400,781	21,775	5.4%
Earnings before income taxes	**2,762,375**	1,287,949	1,474,426	114.5%
Income taxes (3)	**878,954**	113,175	765,779	676.6%
Net earnings	$ **1,883,421**	$ 1,174,774	$ 708,647	60.3%
Earnings per share				
Basic	$ **0.14**	$ 0.09	$ 0.05	53.2%
Diluted	$ **0.14**	$ 0.09	$ 0.05	53.2%
Weighted average shares outstanding				
Basic	**13,663,524**	12,794,850	n/a	n/a
Diluted	**13,663,524**	12,797,911	n/a	n/a

(1) See page 26 for a further explanation of this non-GAAP measure.
(2) Represents earnings before interest, taxes, depreciation and amortization (see page 26 for a further explanation of this non-GAAP measure).
(3) In fiscal 2007, the Company had approximately $1,603,980 of non-capital loss carry forwards available to reduce taxable income in the future years. The benefits of these losses were fully utilized in 2007.

Consolidated statement of operations	For the nine months ended September 30		Change	
	2008	2007	**$**	%
Sales	**$ 65,043,249**	$ 38,161,114	$ 26,882,135	70.4%
Gross margin	**11,467,385**	6,849,631	4,617,754	67.4%
Gross margin %	**17.6%**	17.9%		-0.3%
Operating expenses [(1)]	**4,667,560**	3,361,621	1,305,939	38.8%
EBITDA [(2)]	**6,799,825**	3,488,010	3,311,815	94.9%
Depreciation and amortization	**741,780**	326,617	415,163	127.1%
Interest	**1,273,565**	1,074,730	198,835	18.5%
Earnings before income taxes	**4,784,480**	2,086,663	2,697,817	129.3%
Income taxes [(3)]	**1,532,578**	113,175	1,419,403	1254.2%
Net earnings	**$ 3,251,902**	$ 1,973,488	$ 1,278,414	64.8%
Earnings per share				
Basic	**$ 0.25**	$ 0.16	$ 0.09	55.2%
Diluted	**$ 0.25**	$ 0.16	$ 0.09	55.2%
Weighted average shares outstanding				
Basic	**13,178,324**	12,409,506	n/a	n/a
Diluted	**13,178,324**	12,409,506	n/a	n/a

(1) See page 26 for a further explanation of this non-GAAP measure.
(2) Represents earnings before interest, taxes, depreciation and amortization (see page 26 for a further explanation of this non-GAAP measure).
(3) In fiscal 2007, the Company had approximately $1,603,980 of non-capital loss carry forwards available to reduce taxable income in the future years. The benefits of these losses were fully utilized in 2007.

RESULTS OF OPERATIONS

Revenue

Revenue by segment	For the three months ended September 30		Change	
	2008	2007	**$**	**%**
Fluids	**$ 27,194,254**	$ 18,889,017	$ 8,305,237	44.0%
Steel	**4,990,200**	-	4,990,200	100.0%
	$ 32,184,454	$ 18,889,017	$ 13,295,437	70.4%

Revenue by segment	**For the nine months ended September 30**		**Change**	
	2008	2007	**$**	**%**
Fluids	**$ 60,053,049**	$ 38,161,114	$ 21,891,935	57.4%
Steel	**4,990,200**	-	4,990,200	100.0%
	$ 65,043,249	$ 38,161,114	$ 26,882,135	70.4%

Consolidated sales for the three months and nine months ended September 30, 2008 were $32,184,454 and $65,043,249 respectively. This represents an increase of 70.4% and 70.4%, respectively, in revenue over the same periods in 2007.

Fluids

In the third quarter of 2008, industry drilling rig utilization rates averaged 46%, representing an 8% increase from the same period last year when drilling rig activity averaged 38%. With the increase in drilling activity in the third quarter, the Company has continued to see sales activity increase from our strengthened presence in the marketplace and commitment to our customers to provide them with their chemical needs through volatile price markets. Continued growth in the Northern BC and Southeastern Saskatchewan has largely contributed to the increase sales volumes.

During the first nine months of 2008 the Company has seen an increase in revenues from the Alberta warehouses of approximately 51% while the decline in overall drilling activity for the Alberta market is approximately 15.7%. Saskatchewan had 2,909 wells drilled during the nine months ended September 30, 2008, which generated $3,307,291 in revenues for the Company from this region, which the Company had $559,972 in revenues for the same period in 2007. The drilling programs have recovered to more normal drilling levels in both Fort Nelson and Fort St. John, British Columbia. For the nine months ended September 30, 2008, drilling activity in this region was down 3.2% with 645 wells drilled in the area as compared to 666 wells drilled during the same period last year. Despite this decrease in drilling activity, the Company has seen an increase in revenue of approximately 28% in this region as the drilling formations in this region are more complex and at a greater depth and typically require more product. Revenues generated from the non-oilfield division were $381,768 for the nine months ended September 30, 2008 compared to nil for the same period in 2007, while sales to United States amounted to $1,882,360 compared to $453,711 for the same period in 2007.

Steel Products

During the three months ended September 30, 2008, the Company recorded one month of sales activity from its recent acquisition of Weifang in Agust 2008. The steel products division generated revenues of $4,990,200 from the acquisition of Weifang. The steel products division sells primarily to the oil and gas industry and therefore the drilling activity in Western Canada affects the division's sales. With the anticipated increase in drilling activity for the winter drilling program, the division is optimistic it will continue to gain market share in the Western Canadian market. Sales in the United States amounted to $1,144,625. Growth in the US market is a key strategic initiative as the US market is significantly larger than the Canadian market and more geographically dispersed, which mitigates some of the seasonality that occurs in the Canadian market. Bri-Chem has an inventory yard in Louisiana to warehouse and distribute tubing and casing to customers in the US. The Company has undertaken a strategic move to take advantage of a vast opportunity available as a steel wholesale distributor to supply customers in the

US. This expansion has been done in response to a number of inquiries from existing and potential clients south of the border.

Gross margin

	For the three months ended September 30 2008	2007	Change $	%
Gross margin	**$ 5,385,950**	$ 3,307,303	$ 2,078,647	62.9%
% of sales	**16.7%**	17.5%		-0.8%

	For the nine months ended September 30 2008	2007	Change $	%
Gross margin	**$ 11,467,385**	$ 6,849,631	$ 4,617,754	67.4%
% of sales	**17.6%**	17.9%		-0.3%

Consolidated gross margin for the three and nine months ended September 30, 2008 were $5,385,950 and $11,467,385, respectively, an increase of 62.9% and 67.4%, respectively, compared to the same periods in 2007. The significant increase of revenues for the three and nine month period ended September 30, 2008 contributed to a corresponding increase in gross margin dollars. The gross margin as a percentage of sales decreased from the prior comparative three months ended September 30, 2007. We continue to incur product cost increases as a result of world market conditions. Those costs are passed on to customers typically through 30 days notice of price increases, therefore causing a timing delay between the increased cost of product and the increased prices to customers. In addition, the fluids division had lower margins due to the decrease in the Canadian dollar late in the third quarter, as the Company purchases approximately 25% of its chemicals from the US, while sales are predominately in Western Canada. The steel products division maintains margins of approximately 17.5%, which is considered reasonable. Gross margins remained consistent for the nine month period ended September 30, 2008.

Operating expenses

Salaries and employee benefits

	For the three months ended September 30 2008	2007	Change $	%
Salaries and benefits	**$ 1,211,834**	$ 880,911	$ 330,923	37.6%
% of sales	**3.8%**	4.7%		-0.9%

	For the nine months ended September 30 **2008**	2007	Change **$**	**%**
Salaries and benefits	**$ 2,973,916**	$ 1,888,756	$ 1,085,160	57.5%
% of sales	**4.6%**	4.9%		-0.3%

The dollar increase in salary and employee benefits for the three months ended September 30, 2008 relate to eighteen additional staff brought in from the Weifang acquisition as well as a new purchasing manager. The dollar increase in salary and employee benefits for the nine months ended September 30, 2008 relate to seven additional staff members brought in from a previous acquisition in July 2007. Executive compensation increased by $289,723 to $637,723 for the nine months ended September 30, 2008 compared to $348,000 for the same period last year. In addition, the Company paid more in variable compensation to its sales staff as a result of increased sales activity and have accrued year end employee and management bonuses.

Selling, general and administration

	For the three months ended September 30 **2008**	2007	Change **$**	**%**
Selling	$ 178,230	$ 156,138	$ 22,092	14.1%
Professional and consulting	160,880	144,639	16,241	11.2%
General and administration	107,932	174,398	(66,466)	-38.1%
Rent, utilities and occupancy costs	205,826	112,923	92,903	82.3%
	$ 652,868	$ 588,098	$ 64,770	11.0%
Selling, general and administrative expenses (as a % of sales)				
Selling	0.6%	0.8%		
Professional and consulting	0.5%	0.8%		
General and administration	0.3%	0.9%		
Rent, utilities and occupancy costs	0.6%	0.6%		
	2.0%	3.1%		

	For the nine months ended September 30 2008	2007	Change $	%
Selling	$ 449,608	$ 519,674	$ (70,066)	-13.5%
Professional and consulting	382,790	306,033	76,757	25.1%
General and administration	349,569	392,741	(43,172)	-11.0%
Rent, utilities and occupancy costs	511,677	254,417	257,260	101.1%
	$ 1,693,644	$ 1,472,865	$ 220,779	15.0%

Selling, general and administrative expenses (as a % of sales)

	2008	2007
Selling	0.7%	0.6%
Professional and consulting	0.6%	0.9%
General and administration	0.5%	1.1%
Rent, utilities and occupancy costs	0.8%	1.3%
	2.6%	3.9%

The following is an analysis of the selling, general and administrative categories:

Selling expenses increased for the three months ended September 30, 2008 as operating costs, such as vehicle leases, customer relations and travel expenses for sales staff increased due to the addition of a new sales person as well as $20,815 of selling costs incurred in Weifang. Selling costs for the nine months have decreased as the Company has amended its policy on leasing vehicles in the company. Effective in 2008, sales personnel are paid an allowance as part of their overall compensation package. In the prior year the Company leased vehicles and incurred costs for operating those vehicles and these costs were recorded as selling expenses. Selling costs relate to customer relation costs, promotion and travel costs.

Professional and consulting expenses increased by 11.2% and 25.1%, respectively, for the three and nine months ended September 30, 2008. The increase is due to increased accounting and consulting fees relating to public reporting matters along with placement fees for hiring of staff. Costs in this category comprise mainly accounting, legal, advisory and consulting fees.

General and administration expenses decreased due to a recovery of bad debts of $54,887 previously written off. General and administration costs consist of licenses, office and computer expenses, and insurance and general bank charges.

Warehouse rent, utilities and occupancy cost expenses increased for the three and nine months ended September 30, 2008 due to an acquisition completed in July 2007 which brought four new warehouses in Veteran, Swift Current, Estevan and Nisku and along with new office space in Calgary. Liquid storage tank rentals increased as the Company has expanded its storage capacity for liquid invert to include Edson, Estevan and Grande Prairie. The Weifang acquisition in August 2008 brought in one new warehouse in Nisku which holds the Company's steel products. Costs in this category are comprised mainly of rent, utilities, warehouse expense for the Camrose, Acheson and Estevan locations as well as liquid storage tank rentals.

Amortization

	For the three months ended September 30 **2008**	2007	Change $	%
Property and equipment	**$ 99,977**	$ 74,759	$ 25,218	33.7%
Intangibles	**236,340**	74,805	161,535	215.9%
Total	**$ 336,317**	$ 149,564	$ 186,753	124.9%

	For the nine months ended September 30 **2008**	2007	Change $	%
Property and equipment	**$ 271,830**	$ 192,812	$ 79,018	41.0%
Intangibles	**469,950**	133,805	336,145	251.2%
Total	**$ 741,780**	$ 326,617	$ 415,163	127.1%

Amortization expense increased during the three and nine months ended September 30, 2008 when compared to the same periods last year. The increase relates to $386,924 of capital additions over the past nine months. $400,976 of capital assets were acquired from an acquisition completed in July 2007 and $738,248 of capital assets were acquired from the Weifang acquisition in August 2008. In addition, amortization of intangibles increased related to the customer relationships, tradename, sales backlog and non-compete agreements.

Interest

	For the three months ended September 30 **2008**	2007	Change $	%
Interest on long-term debt	**$ 177,436**	$ 197,517	$ (20,081)	-10.2%
Interest on short-term operating debt	**243,895**	203,264	40,631	20.0%
Interest on obligations under capital lease	**1,225**	-	1,225	
Total	**$ 422,556**	$ 400,781	$ 21,775	5.4%

	For the nine months ended September 30		Change	
	2008	2007	**$**	**%**
Interest on long-term debt	**$ 475,983**	$ 550,442	$ (74,459)	-13.5%
Interest on short-term operating debt	**796,357**	524,288	272,069	51.9%
Interest on obligations under capital lease	**1,225**	-	1,225	
Total	**$ 1,273,565**	$ 1,074,730	$ 198,835	18.5%

Interest on long-term debt decreased during the three and nine month period ended September 30, 2008 when compared to the same period last year as part of the long-term debt principal balance has been repaid over the past year. Interest on short-term operating debt has increased for the three and nine month period ended September 30, 2008 when compared to the same period last year as the Company had a higher revolving line of credit balance due to increased activity levels, carrying more inventories as a result of additional warehouses, and the settlement of the Weifang acquisition.

As at September 30, 2008, long-term debt consisted of a $2,200,000, 6% note payable plus accrued interest issued to shareholders of the Company as a result of the January 2007 reverse takeover of Gwelan Supply Ltd., promissory notes payable of $3,000,000 plus accrued interest to the former owners of Weifang, a $1,860,772 prime plus 0.85% demand loan outstanding with a Canadian chartered bank, and a $3,000,000 subordinated loan bearing interest at prime plus 7% with a financial institution.

Income taxes

The provision for income taxes in the third quarter of 2008 is $878,954 and $1,532,578 for the three and nine months ended September 30, 2008 compared to current tax expense of $113,175 in the same periods last year. The increase in current taxes for the three and nine months ended September 30, 2008 resulted from increased earnings and because no income taxes were recorded in the first six months of 2007, as the Company had approximately $1,603,980 of non-capital loss carry forwards available to offset taxable income. The benefits of these losses were fully utilized in fiscal 2007 and recognized as a reduction of income tax expense. The Company's current income tax effective rate is 32.0% for the nine months ended September 30, 2008.

Net earnings and earnings per share

	For the three months ended September 30		Change	
	2008	2007	**$**	**%**
Net earnings	**$ 1,883,421**	$ 1,174,774	$ 708,647	60.3%
% of revenue	**5.9%**	6.2%		
EBITDA [(1)]	**$ 3,521,248**	$ 1,838,294	$ 1,682,954	91.5%
% of revenue	**10.9%**	9.7%		

	For the nine months ended September 30		Change	
	2008	2007	$	%
Net earnings	**$ 3,251,902**	$ 1,973,488	$ 1,278,414	64.8%
% of revenue	**5.0%**	5.2%		
EBITDA (1)	**$ 6,799,825**	$ 3,844,010	$ 2,955,815	76.9%
% of revenue	**10.5%**	10.1%		

(1) Represents earnings before interest, taxes, depreciation and amortization (see page 26 for a further explanation of this non-GAAP measure).

Net earnings from operations for the three months ended September 30, 2008 increased by 60.3% to $1,883,421 from $1,174,774 for the same period last year. Net earnings, as a percentage of revenues, for the third quarter of 2008 was 5.9% compared to 6.2% for the three months ended September 30, 2007. EBITDA from operations increased by 91.5% in the third quarter of 2008 when compared to the same quarter last year. The increase in net earnings and EBITDA is due to the increased sales activity experienced in the third quarter, without corresponding increases to operating overhead.

Earnings per share for the three and nine months ended September 30, 2008 were based on the weighted average number of shares outstanding during the period. The basic and diluted weighted average number of shares outstanding for the three months ended September 30, 2008 was 13,663,524 and for the nine months ended September 30, 2008 was 13,178,324. During the second quarter, 283,000 agent options were exercised at a price of $2.00 per share. During the third quarter, the Company issued 1,304,348 common shares at a price of $2.30 per share as consideration for the purchase of Weifang.

SUMMARY OF QUARTERLY DATA

(in thousands of Cdn $)	2008 Q3	2008 Q2	2008 Q1	2007 Q4	Total TTM
Sales	$ 32,184	$ 10,658	$ 22,201	$ 21,358	$ 86,401
Gross margin ($)	5,386	2,005	4,077	4,047	15,515
Gross margin (%)	16.7%	18.8%	18.4%	18.9%	18.0%
EBITDA (1)	3,521	702	2,576	2,180	8,979
Net earnings	$ 1,883	$ 104	$ 1,265	$ 427	$ 3,679
Basic earnings per share	$ 0.14	$ 0.01	$ 0.10	$ 0.03	$ 0.28
Diluted earnings per share	$ 0.14	$ 0.01	$ 0.10	$ 0.03	$ 0.28
Weighted average shares outstanding					
Basic	13,663,524	12,939,278	12,926,838	12,926,838	
Diluted	13,663,524	12,939,278	12,926,838	12,926,838	

(in thousands of Cdn $)	2007 Q3	2007 Q2	2007 Q1	2006 Q4 [2]	Total TTM
Sales	$ 18,889	$ 6,136	$ 13,136	$ 13,132	$ 51,293
Gross margin ($)	3,307	1,163	2,380	2,233	9,083
Gross margin (%)	17.5%	19.0%	18.1%	17.0%	17.7%
EBITDA [1]	1,838	337	1,313	950	4,438
Net earnings (loss)	$ 1,175	$ (102)	$ 900	$ 203	$ 2,176
Basic earnings (loss) per share	$ 0.09	$ (0.01)	$ 0.07	$ 0.02	$ 0.17
Diluted earnings (loss) per share	$ 0.09	$ (0.01)	$ 0.07	$ 0.02	$ 0.17
Weighted average shares outstanding					
Basic	12,794,850	12,212,552	12,212,552	10,205,700	
Diluted	12,797,911	12,241,740	12,224,739	10,205,700	

(1) EBITDA is a non-GAAP measure which the Company defines as earnings before interest, taxes, depreciation, amortization (See page 26 for a further explanation of this non-GAAP measure).
(2) As a result of the reverse take-over effective January 1, 2007, the comparative 2006 financial figures reflect those of the consolidated Gwelan Supply Ltd. when it was a private company. Comparative earnings per share are presented using the amount of shares that were exchanged for Gwelan Supply Ltd. effective January 1, 2007 upon amalgamation.

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

Revenues increased in the third quarter of 2008 due to the increased drilling activity in the WCSB. The continued commitment to customer service, the addition of Weifang and the diversification both in products and geographic service areas have also contributed for the increase.

FINANCIAL CONDITION & LIQUIDITY

Balance Sheet **As at**		**September 30** **2008**		December 31 2007
Current assets	**$**	**78,152,785**	$	46,161,272
Property and equipment		**3,534,277**		2,688,781
Other assets		**9,358,675**		3,068,236
TOTAL ASSETS	**$**	**91,045,737**	$	51,918,289
Current liabilities	**$**	**55,753,550**	$	26,378,736
Long-term liabilities		**10,583,499**		7,298,218
TOTAL LIABILITIES		**66,337,049**		33,676,954
Share capital		**15,485,274**		12,347,444
Retained earnings and contributed surplus		**9,223,414**		5,893,891
TOTAL SHAREHOLDERS' EQUITY		**24,708,688**		18,241,335
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**91,045,737**	$	51,918,289

Financial Ratios	**September 30** **2008**	December 31 2007
Working capital ratio	**1.40**	1.75
Days sales in receivables	**105.2**	132.9
Inventory turns	**3.6**	2.5
Days purchases in payables	**57.1**	63.6

As at September 30, 2008, the Company had positive working capital of $22,399,235 compared to $19,782,536 at December 31, 2007. The Company's current ratio (defined as current assets divided by current liabilities) was 1.4 to 1 for the nine months ended September 30, 2008 compared to 1.75 to 1 at December 31, 2007. The decrease in the working capital ratio is the result of Company increasing its inventory to prepare for the winter drilling program and the use of the Company's operating line to fund the Weifang acquisition. As at September 30, 2008, the Company had $27,877,715 outstanding under its available credit facilities of $25,000,000, with a Canadian chartered bank, as compared to $12,050,168 at December 31, 2007. Subsequent to the third quarter end, the Company renewed and amended its credit facility, which resulted in an increase to the line of credit to $35,000,000. The bank provided additional funds of $5,000,000 (maximum of $30,000,000) during the interim period until the amended credit facility was fully funded.

The Company also has $2,000,000 available on a $5,000,000 subordinated loan facility which can be drawn on at anytime in increments of $500,000. The decrease in days sales in receivables from December 2007 is due to increased efforts to collect outstanding amounts from a busier sales period. The decrease in days purchases in payables is due to faster payment of purchases and a reduction in purchases due to additional inventory at the warehouses from the customary returns in the second quarter. Due to the seasonal nature of the oil and gas industry in Western Canada, the Company collects many of its receivables during the spring and summer months and has significant receivable balances in the fall and winter when the drilling programs typically are at their busiest. This results in a significant timing difference in the calculation of the days sales in receivables.

The Company's balance sheet, as at September 30, 2008 has total assets of $91,045,737 as compared to total liabilities of $66,337,049. Accounts receivable increased by $18,134,895 (72.9%) from $24,885,748 to $43,020,647. Receivables of $10,934,839 were acquired from the acquisition of Weifang and increased sales activity resulted in the increased receivables at September 30, 2008. Inventory has increased by $11,467,482 (54.3%) due to $7,827,077 of steel tubing, casing, fittings and flanges from the acquisition of Weifang, as well additional stock of fluid items that have been difficult to replenish due to increased global market demands.

Payables and accruals were $25,354,120 compared to $11,967,882 at December 31, 2007, an increase of $13,386,236 or 111.9%, which was a result $10,261,414 of payables from the acquisition of Weifang and increased purchase of product to ensure supply to customers in a tighter world demand of certain products.

Cash used for operating activities for the nine months ended September 30, 2008 was $4,060,728 compared to cash received of $8,127,799 for the same period in 2007. The Company's decrease in cash from operating activities relates to increased sales volumes and the purchase of inventory to prepare for the winter drilling program as well as purchasing of additional steel inventory to better service customers. In the third quarter of 2008, the Company acquired Weifang for $10,508,906, which included cash payment of $4,948,206. In addition, the Company paid $5,500,000 to close out Weifang's credit facility. These payments were paid out of the Company's current facility. Prepaid expenses increased by $2,389,132 as steel product was prepaid in advance to ensure timely shipment. The prepayment of inventory was funded out of the Company's operating line of credit. We expect to see our cash from operations to decrease in the short to medium term, as we purchase more inventories for the winter drilling program and expand the steel products offered to customers, however these decreases may be offset by changes to the working capital balances resulting from increased sales activity. We expect our working capital to remain strong throughout the remainder of 2008, with our strong balance sheet, available cash from credit facilities and cash provided by operating activities we will be able to fund a reasonable and sustainable level of growth.

Commitments

The Company has committed to numerous operating lease arrangements for property and equipment. The minimum lease payments under the leases are as follows:

2009	$ 797,233
2010	145,183
2011	118,006
2012	2,565
2013	-
	$ 1,062,987

Goodwill

Goodwill represents the excess of the purchase price of an acquisition over the fair value of the underlying net assets acquired at the date of acquisition. Goodwill arising from acquisitions is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate the asset might be impaired. Impairment is tested by comparing the carrying amount of the reporting unit, including goodwill, with its fair value. Fair value is determined using the discounted, estimated future operating cash flows of the reporting unit. When the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered to be impaired. When the carrying value of the reporting unit exceeds its fair value, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any.

Intangibles

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a business combination that meet the specified criteria for recognition apart from goodwill is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized over their useful lives. The amortization methods and estimated useful lives of intangible assets, which are reviewed annually, are as follows:

Customer relationships	Straight-line –5 years
Proprietary technology, technological expertise and proprietary blends	Straight-line – 3 years
Sales backlog	Straight-line – 6 months
Tradename	Straight-line – 5 years
Non-compete agreements	Straight-line – 3 to 5 years

Property and equipment

The Company's September 30, 2008 investment in property and equipment was a new office trailer in Estevan, Saskatchewan, betterments to the packaging facility and machinery as well as new computers and furniture. The capital expenditures were funded from the line of credit. Capital expenditures typically are comprised of betterments and upgrades to existing assets. The Company ensures equipment is efficient and profitable or the equipment is replaced when the cost of maintenance and operating the equipment is not feasible. Future capital expenditures of approximately $625,000 are being proposed to build an additional blending unit in Acheson and on machinery for the steel products division in Nisku. The Company plans to fund these capital expenditures from the credit line available and from cash flow from operating activities.

Off-balance sheet arrangements

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

Transactions with related parties

During the three and nine months ended September 30, 2008, the Company incurred selling, general and administration expenses in the normal course of operations with Western America Capital Group, an affiliated company which a certain director controls, as follows:

a) Management advisory services of $30,000 and $90,000, respectively (September 30, 2007 – $45,000 and $105,000).

b) Accounting, administrative and corporate expenses of $9,150 and $40,202 respectively (September 30, 2007 – $9,000 and $27,000).

The Company expensed interest of $33,000 and $126,774, respectively, (September 30, 2007 - $51,852 and $147,852) on promissory notes payable issued in 2006 which are held by two of the Company's directors, officers and significant shareholders. In addition, the Company expensed $15,781 (September 30, 2007 – nil) on promissory notes payable issued on the acquisition of Weifang, which are held by three of the former owners of Weifang.

OUTLOOK

In spite of the recent challenges facing the oil and natural gas industry, Bri-Chem remains focused on capitalizing on their increasing market share in the fluids division. Bri-Chem continues to deal with the uncertainty in the business environment in the provinces of Alberta and Saskatchewan, however Bri-Chem has identified a number of growth opportunities through its recent acquisition of Weifang. This acquisition provides Bri-Chem with a strategic foothold in new geographic regions throughout Canada and the United States.

Although we continue to have increased sales growth, the Company remains tentative due to the current economic instability that exists in the international credit markets. This instability could have a negative impact on the industries which the Company operates in. It is uncertain what the short-term impact of this instability will have on industries and the Company. However, the Company has a strong balance sheet and cashflow from operations and access to credit through its financial institutions. The Company will continue to focus on its unyielding customer service and will manage its operating costs through this period of instability.

With sustained sales growth the Company continues to demonstrate its business model of low overheads is highly scalable and can contribute to increased earnings. With the stable balance sheet, its acquisition of Weifang and strong customer base, management believes it is well positioned to grow sales and gain market share and establish the Company as a master wholesale distributor of fluid and steel products.

Drilling activity is anticipated to be relatively consistent for the remainder of 2008 and into the first quarter of 2009 as the winter drilling activities will commence in the fourth quarter. The Canadian Association of Oilwell Drilling Contractors (CAODC) forecasts that drilling rig utilization for the fourth quarter of 2008 and the first quarter of 2009 will be 50% and 55% respectively. With the Company's strategically located warehouses and strong competitive position, the fluids divisions will continue to increase its marketshare in core regions in the WCSB.

Bri-Chem's industrial fluids division will continue to penetrate the market with expansion of warehouse facilities, such as the one in Abbottsford, BC. In addition, the industrial fluids division will continue to work with new customers abroad to become the vendor of choice.

The Company's steel products division will continue to obtain marketshare through its strong backlog, continued sales orders and availability of steel products from superior vendor relationships. The division also intends to pursue new geographic opportunities to increase its presence in the marketplace and lessen the seasonality of fluid operations. Management believes Weifang will be synergistic and will provide Weifang broader territorial coverage for its products.

Management and the Board are constantly evaluating additional acquisition opportunities and will continue to seek and identify targets that fit the corporate requirements as accretive and geographically favorable.

RISKS AND UNCERTAINTIES

Competition and Industry Conditions

There is a strong correlation between drilling activity and demand for the Company's product. Industry demand for the Company's drilling products is further determined by activity levels that are focused on deep well drilling and applications common to the foothills region and northern Alberta and British Columbia, areas known for deeper drilling. Oil and gas activity in these geographic regions is normally strong during winter months or other times when climatic conditions are favorable.

The capital expenditure programs of oil and gas companies largely affect the products provided by the Company. The magnitude of capital expenditures determines the demand for the Company's drilling fluids to the oil and gas industry. The primary catalysts to high expenditures and activity levels in the energy industry are oil and gas prices which, in turn, are influenced strongly by supply and demand expectations. The ability to forecast the price of crude oil or natural gas is extremely difficult as many global factors affecting commodity prices are beyond the control of the Company.

Alberta Royalty Review

The Government of Alberta receives royalties on production of natural resources from lands in which it owns the mineral rights. On October 25, 2007, the Government of Alberta unveiled a new royalty regime that will introduce new royalties for conventional oil, natural gas and oil sands that are linked to price and production levels. The new royalty regime is expected to be implemented effective January 1, 2009.

The implementation of the proposed changes to the royalty regime in Alberta is subject to certain risks and uncertainties. The significant changes to the royalty regime require new legislation, changes to existing legislation and regulation and development of proprietary software to support the calculation and collection of royalties.

Additionally, certain proposed changes contemplate further public and/or industry consultation. There may be modifications introduced to the proposed royalty structure prior to the implementation thereof. The changes to the royalty regime may effect the exploration for, and the development of, oil and natural gas by entities operating in the Province of Alberta, which effects could negatively impact the business and cash flow of the Company.

Supply-Side Risks

The Company distributes industrial products manufactured or supplied by a number of major suppliers. The Company does not have long-term contracts with any of its major suppliers. Although the Company believes that it has access to similar products from competing suppliers, any disruption in the Company's sources of supply, particularly of the most commonly sold items or any material fluctuation in the quality, quantity or cost of such supply, could have a material adverse effect upon the Company's results of operations and financial condition. Also, supply shortages occur at times as a result of unanticipated demand, production difficulties or delivery delays. In such cases, suppliers often allocate products among distributors. Future supply shortages may occur from time to time and may have a short-term material adverse effect on the Company's results of operations and financial condition.

Oil and Natural Gas Prices

The revenue, cash flow and earnings of the Company are substantially dependent upon and affected by the level of activity associated with oil and natural gas exploration. Both short-term and long-term trends in oil and natural gas prices affect the level of such activity. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, may affect both the demand for and the supply of oil and natural gas. Weather conditions, governmental regulation, levels of consumer demand, the availability of pipeline capacity and other factors beyond the Company's control may also affect the supply of and demand for oil and natural gas leading to future price volatility.

Seasonal Weather

In Canada, the level of activity in the oil and natural gas industry is influenced by seasonal weather patterns. Spring break-up during the second quarter of each year leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of energy services. The timing and duration of spring break-up is dependent on weather patterns and the duration of this period will have an impact on the level of business of the Company.

Credit Risk

The Company's revenues are predominantly from products sold to large oil and gas fluid engineering companies and steel pipe distributors which may result in significant exposure to one customer or on a combined basis to several individual customers. Concentration of credit risk on the Company's trade accounts receivable exists in the oil and gas industry. The Company's management regularly reviews outstanding accounts receivable and follows up with customers when settlement has not occurred on a timely basis. Management believes that the Company is exposed to minimal credit risk since the majority of its business is conducted with companies that have a large market presence in the industry and/or are large publicly held companies.

CRITICAL ACCOUNTING ESTIMATES

In preparing the consolidated financial statements, in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates included in the interim consolidated financial statements are the valuations of accounts receivable, the sales return provision, inventory obsolescence, future tax assets, and carrying value of goodwill, intangibles and accrued liabilities. Management feels actual results are not materially different from these estimates.

CHANGE IN ACCOUNTING POLICY AND NEW ACCOUNTING POLICY

Financial instruments

Effective January 1, 2008, the Company adopted two new Canadian Institute of Chartered Accountants (“CICA”) standards, Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation” which will replace Section 3861 “Financial Instruments – Disclosure and Presentation”. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The new presentation standard carries forward the former presentation requirements of Section 3861. These new standards have been applied prospectively without restatement of prior periods.

Inventory

Effective January 1, 2008, the Company adopted CICA Section 3031 “Inventories”. This section relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories. Under this section, inventory is to be measured at lower of cost and net realizable value. Net realizable value approximates the estimated selling price less all estimated costs of completion and necessary costs to complete the sale. Cost shall be assigned using the first-in, first-out (FIFO) or weighted average cost method. The section also requires the reversal of previous write-downs of inventory if original circumstances are reversed. This section has been applied retrospectively and had no impact on the current or previous operating results of the Company.

Inventory is measured at the lower of cost and net realizable value. Cost is determined using the first-in first-out method for direct purchase price of goods. Costs associated with freight transportation and handling fees are determined using the weighted average cost method. Net realizable value represents the estimated selling price for inventories less estimated selling costs. The cost of inventory expensed in cost of sales for the three months ended September 30, 2008 was $25,137,598 (September 30, 2007 - $15,199,193) and totaled $49,763,338 for the nine months ended September 30, 2008 (September 30, 2007 - $30,294,950).

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Rates and bases of amortization applied to write-off the cost of property and equipment over their estimated lives are as follows:

Buildings	4 to 10% declining balance
Motor vehicles	30% declining balance
Manufacturing and lab equipment	10 to 30% declining balance
Office equipment	10 to 20% declining balance
Computer hardware	30% declining balance
Computer software	20 to 100% declining balance
Pavement and landscaping	8% declining balance
Leasehold improvements	1 to 5 years straight line

The change in amortization rates from year end are the result of the acquisition of Weifang Steel Canada Ltd. during the third quarter and new accounting software was purchased during the year with an estimated life of 20%.

Obligations under capital lease

The Company accounts for leases as either operating or capital. Capital leases are those that substantially transfer the benefit and risks of ownership to the lessee. Assets acquired under capital lease are amortized over their estimated useful lives. Obligations under capital lease are measured at lower of the present value of future minimum lease payments and fair market value. Leases not meeting the capital criteria are treated as operating and are recorded as an expense in the period paid or accrued. For the purposes of financial instruments, the Company classified the obligations under capital leases as other financial liabilities which have been measured at amortized cost using the effective interest method.

General standards

Effective January 1, 2008, the Company adopted paragraphs .08(a) and .08(b) of CICA Section 1400 "General Standards of Financial Statements". This section requires management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern. The adoption of this Section did not have any impact on the Company's financial statements.

Capital disclosures

Effective January 1, 2008, the Company adopted CICA handbook Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed in order that a user of the financial statements may evaluate the entity's objectives, policies and processes for managing capital. The adoption of this section did not have any impact on the Company's financial position or results of operations and has resulted in enhanced disclosure in the financial statements.

Future accounting pronouncements

In February 2008, the CICA issued new handbook Section 3064 – "Goodwill and Intangible Assets" that supersedes Section 3062 – "Goodwill and Other Intangible Assets" and 3450 – "Research and Development Costs". This section provides additional guidance on when expenditures qualify for recognition as intangible assets and requires that costs can be deferred only when relating to an item meeting the definition of an asset. The new accounting standard is effective for interim or annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company does not expect the adoption of this standard will have a material impact on its consolidated financial statements.
In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that Canadian public enterprises will need to adopt International Financial Reporting Standards (IFRSs), effective for year ends beginning on or after January 1, 2011. The Company is currently evaluating the impact this new framework will have on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of recorded amounts of deposits, accounts receivable, as well as, bank indebtedness, accounts payable and accrued liabilities, promissory notes payable, obligations under capital lease and long-term debt.

The Company has classified deposits as held for trading measured at fair value with any gains and losses identified during periodical evaluations recorded in net income. The carrying value of these financial assets approximates their fair value due to their short period to maturity.

Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest method, which approximates the fair value.

Bank indebtedness, accounts payable and accrued liabilities, obligations under capital lease, long term debt and promissory notes payable are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. The carrying value of accounts payable and accrued liabilities approximates fair value due to the relatively short period to maturity. The carrying value of long term debt and promissory notes payable approximates its fair value as the interest rate on long term debt is variable and interest rates on the promissory notes are comparable to rates of similar debt.

Credit risk

Credit risk is the risk of a financial loss to the Company if a customer fails to meet its contractual obligations. The Company is exposed to credit risk through accounts receivable. The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. Bri-Chem also closely monitors the amount and age of balances outstanding. The Company establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information. For the three months ended September 30, 2008, the Company had recorded an allowance for doubtful accounts of nil (December 31, 2007 - $64,265). The allowance is an estimate of the September 30, 2008 trade receivable balances that are considered uncollectible. Changes to the allowance during the three months ended September 30, 2008 consisted of trade accounts receivable balances written off of $20,770, and bad debt recovery of $29,409.

Concentrations of credit risk on trade accounts receivable are with customers in the oil and gas industry. A significant decline in economic conditions within the industry would increase the risk that customers will experience financial difficulty and be unable to fulfill their obligations. The Company's exposure to credit risk arising from granting sales is limited to the carrying value of accounts receivable. The Company's revenues are normally invoiced with payment terms of 30 days. Despite the established payment terms, customers in the oil and gas industry, typically pay amounts within 105 days of invoice date.

Interest rate risk

Demand loans, obligations under capital lease and bank indebtedness are subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. It is management's opinion that interest rate risk is not significant.

The effective interest rate on the bank indebtedness balance at September 30, 2008 was Canadian bank prime interest rate plus 30 basis points (5.05%). The demand loan bears interest at bank prime plus 85 basis points. As at September 30, 2008, with other variables unchanged, an increase or decrease of 25 basis points in the prime interest rate would have a minimal impact on net income. There would be no effect on other comprehensive income.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collections of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows and the availability of borrowing facilities.

Foreign exchange risk

The Company is subject to foreign currency risk due to its cash, accounts receivable and accounts payable and accrued liabilities denominated in foreign currencies. Therefore, there is risk of earnings fluctuations arising from changes in and the degree of volatility of foreign exchange rates arising on foreign monetary assets and liabilities. Although the majority of the Company's operations are in Canada, the Company continues to expand its operations outside Canada, which increases its exposure to foreign currency risk. Accounts receivable in foreign currency was $9,500,665 as at September 30, 2008 (December 31, 2007 - $63,034) and accounts payable in foreign currency outstanding as at September 30, 2008 is $7,035,798 (December 31, 2007 - $2,241,237). The Company does not currently use derivative instruments to reduce its foreign currency risk. For the three months ended September 30, 2008, the Company realized a foreign exchange loss of $106,664 (September 30, 2007 gain of $26,012) and for the nine months ended September 30, 2008 realized a foreign exchange loss of $331,917 (September 30, 2007 - $103,382). Based on the monetary assets and liabilities held in the United States ("US") at September 30, 2008, a five percent increase or decrease in exchange rates would impact the Company's net income by approximately $108,000.

SHARE DATA

As at November 28, 2008, the Company had 14,514,186 common shares issued and outstanding. The board of directors may grant options to purchase up to 1,400,000 common shares. As of September 30, 2008, options to purchase 1,363,000 common shares were outstanding at an average price of $1.99 per common share. Warrants totaling 350,000 with an average exercise price of $2.03 may be exercised into common shares prior to July 17, 2010. During the third quarter of 2008, the Company issued 30,000 options to independent directors of the Company at an exercise price of $2.30 per common share.

MEASURES NOT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The following measures included in this report do not have a standardized meaning under Canadian generally accepted accounting principles and, therefore, are unlikely to be comparable to similar measures presented by other companies:

EBITDA (Earnings before interest, taxes, depreciation and amortization) is not a concept recognized by generally accepted accounting principles, however is recognized in industry as an indirect measure for operating cash flow, a significant indicator of the success of any business. We believe that EBITDA is useful measure of earnings, in addition to net earnings as it provides an indication of the financial results and earnings generated by our primary business activities prior to financing and tax considerations and before non-cash amortization expense. The following is a reconciliation of EBITDA to net earnings for each of the periods presented in this MD&A:

EBITDA	**(Unaudited) For the three months ended September 30**			
		2008		2007
Net earnings	**$**	**1,883,421**	$	1,174,774
Add:				
Interest		**422,556**		400,781
Income taxes		**878,954**		113,175
Depreciation and amortization		**336,317**		149,564
EBITDA	**$**	**3,521,248**	$	1,838,294

EBITDA	**(Unaudited) For the nine months ended September 30**			
		2008		2007
Net earnings	**$**	**3,251,902**	$	1,973,488
Add:				
Interest		**1,273,565**		1,074,729
Income taxes		**1,532,578**		113,175
Depreciation and amortization		**741,780**		326,617
EBITDA	**$**	**6,799,825**	$	3,488,009

Operating expenses is not a concept recognized by generally accepted accounting principles as it does not include interest and amortization expense related to operations. The following is a reconciliation of operating expenses as presented in this MD&A to total expenses as presented in the September 30, 2008 consolidated financial statements:

Operating expenses	(Unaudited) For the three months ended September 30 **2008**	2007
Operating expenses	**$ 1,864,702**	$ 1,469,009
Add:		
Interest	**422,556**	400,781
Depreciation and amortization	**336,317**	149,564
Total expenses	**$ 2,623,575**	$ 2,019,354

Operating expenses	(Unaudited) For the nine months ended September 30 **2008**	2007
Operating expenses	**$ 4,667,560**	$ 3,361,621
Add:		
Interest	**1,273,565**	1,074,730
Depreciation and amortization	**741,780**	326,617
Total expenses	**$ 6,682,905**	$ 4,762,968

Corporate Information

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Edmonton, Alberta

Alan Campbell
CEO and Director
Edmonton, Alberta

Brian Campbell
COO and Director
Edmonton, Alberta

Albert Sharp
Director
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Eric Sauze, CA
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