Q3 2021 MD&A

BRI-CHEM

Right product. Right place. Right time.

North America's Oilfield Chemical Distribution & Blending Company

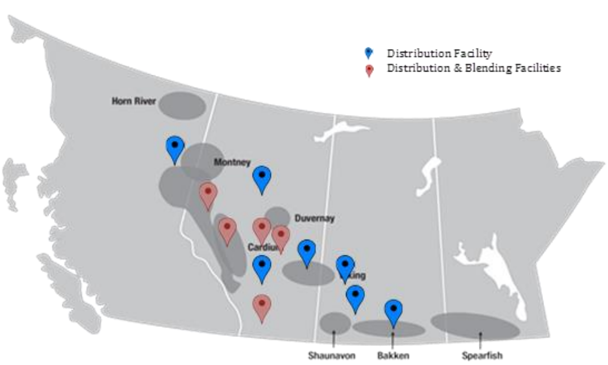
Q3 MANAGEMENT DISCUSSION & ANALYSIS – September 30, 2021

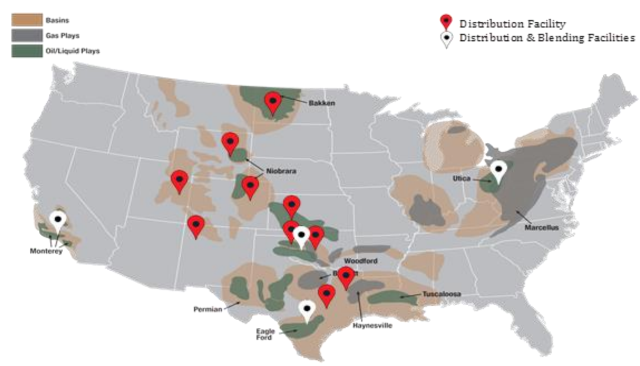
This Management's Discussion and Analysis ("MD&A") of Bri-Chem Corp. ("Bri-Chem" or the "Company" or "We") was prepared as at November 15, 2021 for the three months ended September 30, 2021 and should be read in conjunction with the Company's September 30, 2021 interim condensed consolidated financial statements (the "financial statements") and December 31, 2020 audited annual consolidated financial statements and notes thereto. 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" on page 13 and page 16 respectively.**

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 25 strategically located warehouses throughout Canada and the United States. Bri-Chem has been operating in Canada since 1985 and we expanded into the United States in 2011 where we have successfully established 13 warehouse locations that are strategically located in major drilling regions throughout the USA. 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 25 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

	Three months ended September 30		Change		Nine months ended September 30		Change	
(in '000s except per share amounts)	2021	2020	$	%	2021	2020	$	%
Financial performance								
Sales	**$ 16,461**	$ 7,449	$ 9,012	121%	**$ 41,861**	$ 35,683	$ 6,178	17%
Adjusted EBITDA(1)	**980**	(765)	1,745	228%	**2,534**	(806)	3,340	414%
As a % of revenue	**6%**	-10%			**6%**	-2%		
Adjusted operating earnings/(loss)	**772**	(1,072)	1,844	172%	**1,719**	(1,567)	3,286	210%
Adjusted net earnings / (loss) (1)	**347**	(1,838)	2,185	119%	**546**	(3,481)	4,027	116%
Net earnings / (loss)	**$ 348**	$ (1,861)	$ 2,209	119%	**$ 533**	$ (3,607)	$ 4,140	115%
Diluted per share								
Adjusted EBITDA	**$ 0.04**	$ (0.03)	$ 0.07	216%	**$ 0.10**	$ (0.03)	$ 0.13	419%
Adjusted net earnings/(loss)	**$ 0.03**	$ (0.04)	$ 0.07	165%	**$ 0.02**	$ (0.15)	$ 0.17	114%
Net earnings / (loss)	**$ 0.01**	$ (0.08)	$ 0.09	117%	**$ 0.02**	$ (0.15)	$ 0.17	113%
Financial position								
Total assets					**$ 36,537**	$ 30,928	$ 5,609	18%
Working capital					**10,386**	12,009	(1,623)	(14%)
Long-term debt					**6,899**	7,287	(388)	(5%)
Shareholders equity					**$ 10,997**	$ 12,754	$ (1,757)	(14%)

(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/(Loss), and Adjusted Net Earnings/(Loss)).

Key Q3 2021 highlights include:

- Consolidated sales for the three months ended September 30, 2021 were $16.5 million, an increase of 121% compared to the Q3 2020 due to stronger performance in the fluids distribution divisions in Canada and the United States as the demand for oil increased following the continued North American easements of health and travel restrictions related to the COVID-19 pandemic.

- Adjusted EBITDA for the third quarter was $980 thousand versus a loss of $765 thousand over Q3 2020, representing a 228% increase year over year. The increase is primarily related to increased sales over the prior year realized in tandem with management's cost saving initiatives and obtaining available government assistance programs.

- Adjusted operating earnings was $772 thousand for the three months ended September 30, 2021 compared to a loss of $1.1 million in the prior year comparable quarter, representing a 172% increase.

- Net earnings per diluted share for the three months ended September 30, 2021 was $0.01 per share compared to net loss of ($0.08) per diluted share for same period last year;

- Working capital, as at September 30, 2021, was $10.4 million compared to $12.0 million at September 30, 2020, a decrease of 14%. The decrease predominantly relates to large increases in accounts receivable balances bolstered by stronger than anticipated sales alongside increased utilization to the ABL facility for inventory stockpiling initiatives in strategic locations.

- During Q3 2021, Bri-Chem entered into an agreement with the Canadian Imperial Bank of Commerce ("CIBC") to renew its senior credit facilities with a borrowing base of $25 million, The ABL Facility is now committed until October 31, 2024, or six months prior to sub debt loan maturity if its not refinanced.

Summary for the three and nine months ended September 30, 2021:

Consolidated sales for the three and nine months ended September 30, 2021 were $16.5 million and $41.9 million respectively compared to $7.4 million and $35.7 million for the same periods in 2020, representing a $9 million and $6.2 million increase over the comparable periods. The increase is mainly due to a surge of new energy demand resulting from North American easements of health and travel restrictions related to the COVID-19 pandemic which increased rig count and well production across all operating regions within Canada and the United States.

Bri-Chem's Canadian drilling fluids distribution division generated sales of $3.5 million and $7.6 million for the three and nine months ended September 30, 2021 compared to $1.0 million and $5.0 million in the comparable prior periods. The increase in sales predominantly relates to the higher drilling activity levels in 2021 than 2020. The number of wells drilled in Western Canada for the third quarter of 2021 was 1417 compared to 361 in the same period last year which represents a increase of 293% (Source: Petroleum Services Association of Canada "PSAC"), the number of active operating rigs in Q3 2021 averaged 150, a increase of 220% over the Q3 2020 (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of $9.5 million and $22.6 million for the three and nine months ended September 30, 2021 compared to sales of $3.5 million and $19.9 million for the comparable periods in 2020, representing a quarterly increase of 174% and a year to date increase of 13%. Both of these events relate to the corresponding increase in rig activity in Q3 2021. The number of active operating rigs in Q3 2021 averaged 484, an increase of 102% over the Q3 2020 (Source: Baker Hughes)

Bri-Chem's Canadian Blending and Packaging division generated sales of $1.8 million and $4.9 million for the three and nine months ended September 30, 2021 compared to Q3 2020 sales of $1.2 million and 2020 nine months sales of $5.4 million. The quarterly increase in sales relates to increased cementing and stimulation activities in response to increased drilling. The decrease to annual sales relates to lost revenues associated with hand sanitizer packaging contracts awarded during the initial response to the COVID-19 pandemic. US Blending and Packaging sales for the three and nine months ended September 30, 2021 were $1.7 million and $6.8 million compared to $1.7 million and $5.3 million for the comparable period in 2020. The annual increase in sales predominantly relates to increased operating activity in 2021 for certain established customers.

Adjusted operating earnings for the three months ended September 30, 2021 was $772 thousand compared to $30 thousand operating loss during the same period last year. Adjusted EBITDA was $980 thousand for Q3 2021 compared to a loss of $765 thousand for Q3 2020. Adjusted EBITDA as a percentage of sales was 6% for the quarter. The increase is primarily related to increased rig count and well production across all operating regions within Canada and the United States in tandem with management's cost saving strategies adopted early on during the pandemic.

OUTLOOK

Management is optimistic that drilling activity in both the Canadian and US markets will continue to increase from 2021 comparative periods throughout 2022, reinforced by stable commodity prices and low domestic levels of crude and fuel reserves. The Company continues to stockpile critical inventory items in anticipation of this market increase, while also being mindful surrounding the risks and complexities associated with the offshore supply chains. While capital and operating budgets of oil producers have not been returned to levels realized pre-pandemic, management is comfortable that oil and natural gas prices will continue on a relatively healthy course for the short to intermediate term, which will continue to drive increased levels of activity. Continued market acceleration and realized profitability will enable management to consider larger deployments of capital towards strategic initiatives with the aim of capturing additional market share, further reducing operational overheads and diversifying revenue streams.

DISCUSSION OF Q3 OPERATING RESULTS

Divisional sales

(in 000's)	Three months ended September 30 2021	2020	Change $	%	Nine months ended September 30 2021	2020	Change $	%
Fluids Distribution								
US	**$ 9,541**	$ 3,487	$ 6,054	174%	**$ 22,559**	$ 19,943	$ 2,616	13%
Canada	**3,493**	1,047	2,446	234%	**7,603**	5,003	2,600	52%
	13,034	4,534	8,500	187%	**30,162**	24,946	5,216	21%
Fluids Blending & Packaging								
US	**1,653**	1,728	(75)	(4%)	**6,814**	5,313	1,501	28%
Canada	**1,774**	1,187	587	49%	**4,885**	5,424	(539)	(10%)
	3,427	2,915	512	18%	**11,699**	10,737	962	9%
Consolidated sales	**$ 16,461**	$ 7,449	$ 9,012	121%	**$ 41,861**	$ 35,683	$ 6,178	17%
Geographic region								
US	**$ 11,194**	$ 5,215	5,979	115%	**$ 29,373**	$ 25,256	4,117	16%
Canada	**$ 5,267**	$ 2,234	3,033	136%	**$ 12,488**	$ 10,427	2,061	20%
Consolidated sales	**$ 16,461**	$ 7,449	9,012	121%	**$ 41,861**	$ 35,683	6,178	17%

Consolidated sales for the three months ended September 30, 2021 were $16.4 million compared to $7.4 million for the same period in 2020, representing a $9.0 million increase. The increase is mainly due to the following:

- A surge of new energy demand resulting from North American easements of health and travel restrictions related to the COVID-19 pandemic which increased rig count and well production across all operating regions within Canada and the United States.
- Given the upturn in the oil & gas industry, the Company is in a better position to reverse previous price concessions incurred during the dramatic decline in activity levels due to the COIVID-19 pandemic.

Fluids Distribution Divisions

The US Fluids Distribution division, for three and nine months ended September 30, 2021, generated sales of $9.5 million and $22.6 million respectively which was an increase of $6.0 million and $2.6 million from the same periods in 2020. The increase reflects the gaining momentum in drilling activity, particularly in the states of Oklahoma and Texas which has experienced the most significant increase in rig activity. The average number of rigs operating for Q3 2021 was 484 compared from 240 for Q3 2020, representing a 102% increase (Source: Baker Hughes).

For the three and nine months ended September 30, 2021 the Canadian fluids distribution division generated sales of $3.5 million and $7.6 million compared to sales of $1.0 million and $5.0 million for the same periods in 2020, representing an increase of 234% and 52% respectively. The increase was due to the continued climb in the average number of rigs operating in the third quarter of 2021. The number of wells drilled in the third quarter of 2021 was 1417 compared to 361 in the third quarter of 2020, representing a 293% increase (Source: Petroleum Services Association of Canada "PSAC").

Fluids Blending & Packaging Division

US Fluids Blending and Packaging sales for the three and nine months ended September 30, 2021 were $1.7 million and $6.8 million compared to $1.7 million and $5.3 million for the same comparable periods in 2020 representing increases of $nil and $1.5 million respectively. The annual increase in sales predominantly relates to increased operating activity in 2021 for certain established customers.

The Canadian Fluids Blending and Packaging division for the three and nine months ended September 30, 2021 recorded sales of $1.8 million and $4.9 million compared to sales of $1.2 million and $5.3 million for the comparable periods in 2020.

Year to date sales figures have diminished as the hand sanitizer packaging contacts realized in 2020 were not extended in 2021.

Divisional Gross Margin

	Three months ended						Nine months ended					
	September 30				Change		September 30				Change	
(in 000's)	2021	%(1)	2020	%(1)	$	%	2021	%(1)	2020	%(1)	$	%
Fluids distribution												
US	$ 1,916	20.1%	$ 425	12.2%	$ 1,491	351%	$ 4,405	19.5%	$ 2,691	13.5%	$ 1,714	64%
Canada	636	18.2%	25	2.4%	611	2444%	1,028	13.5%	552	11.0%	476	86%
	2,552	19.6%	450	9.9%	2,102	467%	5,433	18.0%	3,243	13.0%	2,190	68%
Fluids blending & packaging												
US	355	21.5%	425	24.6%	(70)	(16%)	1,607	23.6%	1,381	26.0%	226	16%
Canada	495	27.9%	305	25.7%	190	62%	1,394	28.5%	1,352	24.9%	42	3%
	850	24.8%	730	25.0%	120	16%	3,001	25.7%	2,733	25.5%	268	10%
Consolidated gross margin	$ 3,402	20.7%	$ 1,180	15.8%	$ 2,222	188%	$ 8,434	20.1%	$ 5,976	16.7%	$ 2,458	41%
Geographic region												
US	2,271	20.3%	850	16.3%	1,421	167%	6,012	48.1%	4,072	16.1%	1,940	48%
Canada	1,131	21.5%	330	14.8%	801	243%	2,422	8.2%	1,904	18.3%	518	27%
Consolidated gross margin	$ 3,402	20.7%	$ 1,180	15.8%	$ 2,222	188%	$ 8,434	20.1%	$ 5,976	16.7%	$ 2,458	41%

(1) Expressed as a percentage of divisional sales

Consolidated gross margin for the three months and nine ended September 30, 2021 was $3.4 million and $8.4 million, $2.2 million and $2.5 million higher when compared to the gross margin dollars for the same periods last year. The increase in gross margin dollars is related to increased rig count and well production across the predominant operating regions within Canada and the United States.

Fluids Distribution Division

US Fluids Distribution gross margin for the three months ended September 30, 2021 was 20%, which was higher than the 12% margins in Q3 2020. Margins have remained fairly consistent between products in multiple warehouses with improvement on quarterly margins realized due to the elimination of pricing concessions implemented in early 2020. There are certain regions such as the Rockies that traditionally have higher margins than the Texas region however this was not realized in Q3 2021 due to logistical challenges with the supply of specific commodity items.

Canadian Fluids Distribution gross margin averaged 18% for the quarter ended September 30, 2021 compared to 2% for the same period last year. The increase in margin is related to the continued depletion of old stock, which was acquired at higher commodity prices. The Company has shifted to a more dynamic pricing model to maintain targeted performance margins in light of increasing commodity and freight prices.

Fluids Blending & Packaging Division

The US Fluids Blending & Packaging division generated gross margins of 22% for the three months ended September 30, 2021 compared to 24% for same comparable period in 2020. The decrease in gross margins is the result of the continued pace of regional well abandonment and sealing activities which consumes lower margin 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.

The Canadian Fluids Blending and Packaging division realized a gross margin of $495 thousand (44%) for the three months ended September 30, 2021 compared to a gross margin of $306 thousand (35%) for the comparable quarter in 2020. Quarterly margins have increased primarily due to increased operating activity and a specific bagging contract with a longstanding customer.

Salaries and Benefits

	Three months ended September 30		Change		Nine months ended September 30		Change	
(in 000's)	2021	2020	$	%	2021	2020	$	%
Salaries and benefits	**$ 1,399**	$ 802	$ 597	74%	**$ 2,872**	$ 3,369	$ (497)	(15%)

Salaries and benefits increased for the three months ended September 30, 2021 compared to the prior year quarter as the headcount was increased related to servicing specific territories with increased activity profiles and the resumption of normal salaries at the conclusion of the reduced wage program during the previous quarter. Year to date salary and benefit expense was $497 thousand lower than 2020 due to the continuance of wage rollback programs first introduced in 2020 in tandem with maintaining lower headcount levels. Salary and benefits expenses are also reduced by Government wage subsidies received in the quarter totalling $67 thousand. The Company employed 58 (27 Canada and 31 US) employees at September 30, 2021 compared to 50 (25 Canada and 25 US) at December 31, 2020.

Selling, General, and Administration

	Three months ended September 30		Change		Nine months ended September 30		Change	
(in 000's)	2021	2020	$	%	2021	2020	$	%
General and administrative	**$ 473**	$ 472	$ 1	0%	**$1,533**	$1,390	$ 143	10%
Rent, utilities, and occupancy costs	**358**	338	20	6%	**1,074**	1,203	(129)	(11%)
Professional and consulting	**107**	313	(206)	(66%)	**352**	568	(216)	(38%)
Selling	**59**	48	11	23%	**192**	185	7	4%
Total selling, general and administration	**$ 997**	$1,171	$ (174)	(15%)	**$3,151**	$3,346	$ (195)	(6%)

General and administration expenses for the three months ended September 30, 2021 remained consistent to the same period last year. Additional cost savings measures during the period totalling $24 thousand were offset by write-offs of receivables relating to uncollectable amounts totalling $24 thousand.

Rent, utilities, and occupancy costs increased by $19 thousand for the three months ended September 30, 2021 compared to the same period last year as a result of the Company increasing activity at its operating facilities in response to increased rig count and drilling activity, which in turn has amounted to increased utility costs realized in the period. During the year the Company received an additional $80 thousand in Government rent subsidies that further reduced these costs.

Professional and consulting fees decreased by $206 thousand for Q3 2021 compared to Q3 2020 as the Company has adjusted accruals for anticipated disbursements in the upcoming fiscal period, primarily a reduction in its annual audit fee in tandem with less realized professional fees relating to collections of overdue accounts.

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 September 30, 2021 have increased when compared to the same period of 2020 as there is increased travel and less Covid restrictions in place in the sales territories.

Depreciation on Property and Equipment

(in 000's)	Three months ended September 30 2021	2020	Change $	%	Nine months ended September 30 2021	2020	Change $	%
Depreciation on property and equipment	**$ 130**	$ 122	$ 8	6%	**$ 354**	$ 390	$ (36)	(9%)
Depreciation on right of use	**106**	171	(65)	(38%)	**352**	$ 506	(154)	(30%)
Total depreciation	**$ 236**	$ 293	$ (57)	(19%)	**$ 706**	$ 896	$ (190)	(21%)

Depreciation on property and equipment has been relatively consistent between periods due to management's discipline on capital spending initiatives. Depreciation on right of use assets for the three and nine months ended September 30, 2021 decreased $65 thousand and $154 thousand respectively compared to the same periods in 2020. The decrease was the result of a small number of assets becoming fully depreciated between comparative periods.

Financing Costs

(in 000's)	Three months ended September 30 2021	2020	Change $	%	Nine months ended September 30 2021	2020	Change $	%
Interest on long-term debt	**$ 236**	$ 189	$ 47	25%	**$ 712**	$ 733	$ (21)	(3%)
Interest on short-term operating debt	**143**	109	34	31%	**379**	436	(57)	(13%)
Interest on lease liabilities	**9**	23	(14)	100%	**36**	79	(43)	(54%)
Cash interest paid	**388**	321	67	21%	**1,127**	1,248	(121)	(10%)
Add non-cash interest expense:								
Amortization of deferred financing costs	**41**	295	(254)	(86%)	**119**	399	(280)	(70%)
Fair value of warrants issued	**-**	153	(153)	(100%)	**-**	153	(153)	(100%)
Total interest expense	**$ 429**	$ 769	(340)	(44%)	**$ 1,246**	$ 1,800	(554)	(31%)

Interest on long-term debt has increased modestly due to payment in kind interest realized on the term loan. Interest on short-term operating debt for three and nine months ended September 30, 2021 increased by $34 thousand and decreased by $57 thousand respectively compared to the same period last year as the Company maintained a lower average bank indebtedness balance.

Foreign Exchange (Gain) / Loss

(in 000's)	Three months ended September 30 2021	2020	Change $	%	Nine months ended September 30 2021	2020	Change $	%
Foreign exchange (gain) / loss	**$ 29**	$ (4)	$ 33	(819%)	**$ (109)**	$ 192	$ (301)	(157%)

The Canadian dollar weakened compared to the US dollar for the third quarter of 2021 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 Recovery/(Expense)

(in 000's)	Three months ended September 30 2021	2020	Change $	%	Nine months ended September 30 2021	2020	Change $	%
Current	**$ (33)**	$ 11	$ (44)	(404%)	**$ 35**	$ 58	$ (23)	(39%)
Deferred	**-**	-	-		**-**	-	-	
Total income tax recovery (expense)	**$ (33)**	$ 11	$ (44)	(404%)	**$ 35**	$ 47	$ (23)	(49%)

The provision for income taxes for the three months ended September 30, 2021 is a net gain of $33 thousand as the Company was profitable in its US operations, however this expense was offset by the Canadian consolidated tax position and applicable carry forward losses. Bri-Chem's effective income tax rate was 27% 2021 (2020 - 25%).

Adjusted EBITDA and Net Earnings/ (Loss)

(in 000's)	Three months ended September 30 2021	2020	Nine months ended September 30 2021	2020
Net earnings/(loss)	**$ 348**	$ (1,861)	**$ 533**	$ (3,607)
Add:				
Restructuring costs (1)	**-**	23	**13**	126
Adjusted net earnings / (loss)	**348**	(1,838)	**546**	(3,481)
Add:				
Interest	**429**	769	**1,247**	1,721
Income tax (recovery)/expense	**(33)**	11	**35**	58
Depreciation and amortization	**236**	293	**706**	896
Adjusted EBITDA	**$ 980**	$ (765)	**$ 2,534**	$ (806)

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

Adjusted EBITDA was $980 thousand for the three months ended September 30, 2021 compared to a loss totaling $765 thousand in the same period last year. Third quarter adjusted EBITDA as a percentage of sales was 6% compared to negative 10% for the same period last year. The increase is primarily related to the increased rig count and well production across all operating regions within Canada and the United States in tandem with the continued realization of government assistance programs. Adjusted net earnings were $348 thousand for the three months ended September 30, 2021 compared to adjusted net loss of $1,838 thousand for the same period in the prior year.

SUMMARY OF QUARTERLY DATA

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

(in 000's)	2021 Q3	2021 Q2	2021 Q1	2020 Q4 (2)	2020 Q3	2020 Q2	2020 Q1	2019 Q4
Sales	**$ 16,461**	$ 13,910	$ 11,490	$ 9,473	$ 7,449	$ 6,819	$ 21,415	$ 21,307
Gross margin ($)	**3,402**	2,835	2,197	1,358	1,180	1,130	3,664	3,849
Gross margin (%)	**20.7%**	20.4%	19.1%	14.3%	15.8%	16.6%	21.4%	18.1%
Adjusted EBITDA (1)	**980**	703	851	(461)	(765)	(423)	383	(38)
Net earnings/(loss)	**$ 348**	$ 44	$ 141	$ (1,541)	$ (1,861)	$ (1,276)	$ (470)	$ (3,104)
Basic and diluted earnings/(loss) per share	**$ 0.01**	$ 0.00	$ 0.01	$ (0.06)	$ (0.08)	$ (0.05)	$ (0.02)	$ (0.13)

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

(2) *During Q4 2020, Bri-Chem incurred impairment charges of $2.2 million on property, plant and equipment in relation to one of its CGUs related as market conditions declined resulting from the novel coronavirus and turmoil in global oil and gas markets.*

Quarterly results generally reflect the seasonality factors discussed above. Q3 2021 gross margin % remained stronger than the previous trailing quarters and comparable to margins realized in Q3 2020. The Company has been able to lift 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. Given the recent increase in commodity prices and the easing of COVID-19 pandemic restrictions, offshore supply chains and the availability to source appropriate levels of inventory may become more difficult which could impact the Company's liquidity and ability to discharge its financial liabilities. With the steady incline of rig count in Canada and the USA, as well as an increase in demand for oil and gas, management intends to built-up its inventory levels which in the short-term will utilize more of its working capital. Depending on the oil and gas market growth, management has stress tested the Company's liquidity position to meet all commitments as well as create various levels of mitigation actions to respond to sudden reductions in revenues. Should events weaken the price or demand of oil and gas the liquidity of the Company could materially diminish and could cause uncertainties and negatively impact the Company's ability to continue to operate as a going concern.

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

Working capital position (000's)		September 30 2021		December 31 2020
Current assets	**$**	**29,712**	$	18,708
Current liabilities		**19,326**		8,843
Working capital	**$**	**10,386**	$	9,865

As at September 30, 2021, the Company had positive working capital of $10.4 million compared to $9.9 million at December 31, 2020. The Company's current ratio (defined as current assets divided by current liabilities) was 1.54 to 1 compared to 2.12 to 1 as at December 31, 2020.

Summary of cash flows (000's)		September 30 2021		September 30 2020
Operating activities	**$**	**(4,992)**	$	10,723
Financing activities		**4,938**		(7,736)
Investing activities		**54**		2
Change in cash position	**$**	**-**	$	2,989

For the nine month period ended September 30, 2021, $5.0 million of cash was used by operating activities compared to cash generated of $10.7 million for the same period in 2020. This decrease was mainly due to increased sales activity which has greatly bolstered trade receivable balances for the Company, as well as an increased investment in inventory. Cash generated in financing activities was $4.9 million for the three months ended September 30, 2021, compared to cash used of $7.7 million for the same comparable period. This increase was due to advances on the ABL Facility in response to increased inventory purchasing in the quarter. Cash generated in investing activities was $55k for the third quarter of 2021 compared to $2 thousand dollars for the same period in 2020. The increase in cash related to disposals of redundant assets which offset some minor acquisitions of computer hardware 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.

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

On July 16, 2020, the Company amended the terms of its ABL Facility that amended certain financial covenants and extended the term to October 31, 2021. In addition, the Company obtained a $6,250,000 loan under the Canadian governments Business Credit Availability Program ("BCAP"). 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. In addition, the Company amended certain terms of its term debt facility which included a 2.0% payment in kind interest until loan maturity, amendments to certain financial covenants and the issuance of 2.5 million share purchase warrants in the Company.

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.

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, 2020. 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 $2,212 thousand, representing 13.4% of consolidated sales, and 23.2% of USA Fluids Distribution segment sales, for the three months ended September 30, 2021. Bri-Chem's top 5 customers' account for approximately 38.8% of revenue for the three months ended September 30, 2021 (34.1% September 2020). The Company does not usually enter into long-term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customer, or any significant decrease in sales to a customer, or prices paid or any other changes to the terms of service with a customer, could have a material adverse impact on the financial results, cash flows, and overall financial condition of the Company. Significant 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 September 30, 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 greenhouse 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 September 30, 2021 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 September 30		Change		Nine months ended September 30		Change	
(in 000's)	2021	2020	$	%	2021	2020	$	%
Office sharing costs	**$ 9**	$ 9	$ -	0%	**$ 27**	$ 27	$ -	0%

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

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, 2020 and notes thereto.

OUTSTANDING SHARES

As at November 15, 2021, the Company had 23,932,981 common shares issued and outstanding and no potentially dilutive shares. The Company had 995,000 stock options outstanding as at September 30, 2021.

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.

For the year ended December 2020, 225,000 stock options were cancelled due to the resignation of an Officer of the Company.

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/ (Loss) and Adjusted EBITDA

Adjusted Net Earnings/Loss are defined as net earnings/(loss) before non-recurring events, net of corporate income taxes ("Adjusted Net Earnings/(Loss)"). Management believes that in addition to net earnings/(loss), Adjusted Net Earnings/(Loss) is a useful supplemental measure that represents normalized net earnings/(loss) 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/(loss) under IFRS, as disclosed in the annual consolidated financial statements, to Adjusted Net Earnings/(Loss) and Adjusted EBITDA:

(in 000's)	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Net earnings/(loss)	**$ 348**	$ (1,861)	**$ 533**	$ (3,607)
Add:				
Restructuring costs (1)	**-**	23	**13**	126
Adjusted net earnings / (loss)	**348**	(1,838)	**546**	(3,481)
Add:				
Interest	**429**	769	**1,247**	1,721
Income tax (recovery)/expense	**(33)**	11	**35**	58
Depreciation and amortization	**236**	293	**706**	896
Adjusted EBITDA	**$ 980**	$ (765)	**$ 2,534**	$ (806)

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

Adjusted Operating Earnings/Loss

Adjusted operating earnings/loss are defined as operating earnings/loss before non-recurring events ("Adjusted Operating Earnings/Loss"). Management believes that in addition to operating earnings, Adjusted Operating Earnings/Loss 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/Loss:

(in 000's)	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Operating earnings/(loss)	**$ 772**	$ (1,095)	**$ 1,706**	$ (1,693)
Add:				
Restructuring costs	**-**	23	**13**	126
Adjusted operating earnings/(loss)	**$ 772**	$ (1,072)	**$ 1,719**	$ (1,567)

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 September 30, 2021 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 2021 that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting. It should be noted that while the CEO and CFO believe that Bri-Chem Corp.'s disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, except as noted above, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

Corporate Information

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Albert Sharp[1] [2]
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Eric Sauze, CPA, CA, CFA[1] [2]
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