BRI-CHEM CORP.
ANNUAL INFORMATION FORM

For the Year Ended December 31, 2013

March 31, 2014

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GLOSSARY OF TERMS

The following is a glossary of terms and abbreviations used frequently throughout this Annual Information Form.

"ABCA" means the Business Corporations Act (Alberta);

"ABL Facility" means Asset Based Lending Facility;

"AIF" means this Annual Information Form including the schedules hereto;

"Acquisition" means the acquisition of purchase of common shares of an entity, including the acquiring of all assets and the assumption of all liabilities;

"BCL" means Bri-Chem Logistics, LLC, formally General Supply Company

"BCU" means Bri-Corp USA, Inc.;

"BMI" means Bri-Steel Manufacturing Inc.;

"BSC" means Bri-Steel Corporation;

"BSL" means Bri-Chem Supply Ltd.;

"BSU" means Bri-Chem Supply Corp, LLC;

"Bri-Chem" or the **"Company"** means Bri-Chem Corp. together with its wholly owned subsidiary companies, Bri-Chem Supply Ltd., Sodium Solutions Inc., and Bri-Steel Corporation, and its 70% owned subsidiary company Bri-Steel Manufacturing Inc., Bri-Corp USA, Inc., Bri-Chem Supply Corp, LLC, and Stryker Transportation Ltd. except as otherwise noted;

"CAODC" means the Canadian Association of Oilwell Drilling Contractors;

"CIBC" means the CIBC Asset Based Lending Inc.;

"Common Shares" means common shares in the capital of Bri-Chem;

"Fulcrum" means Fulcrum Capital Partners Inc.;

"General" means General Supply Company;

"Gwelan" means Gwelan Supply Ltd., former parent company of Bri-Chem Supply Ltd. and Sodium Solutions Inc., prior to the amalgamation with mBase Commerce Inc. on January 1, 2007;

"HSBC" means HSBC Bank Canada;

"Management" means the senior officers and executive members of Bri-Chem;

"MD&A" means, in relation to financial statements of the Company, management's discussion and analysis thereof which is available on SEDAR online at www.sedar.com;

"MSDS" means Material Safety Data Sheet, a document that contains information on the potential hazards and how to work safely with the chemical product;

“OCTG” means Oil Country Tubular Goods;

“OSCM” means the acquisition of all the membership interest of Oilfield Supply Chain Management and its subsidiary companies, Stryker Ltd. and Stryker Transportation Ltd.;

“Preferred Shares” means preferred shares in the capital of Bri-Chem;

“Prime Rate” means CIBC’s prime rate of interest on loans denominated in Canadian dollars;

“PSAC” means Petroleum Services Association of Canada;

“Shareholders” means the holders of Common Shares of Bri-Chem;

“Sodium” means Sodium Solutions Inc.;

“SEDAR” means the System for Electronic Document Analysis and Retrieval located online at www.sedar.com;

“Stryker” means Stryker Transportation Ltd.;

“SCM” means Sun Coast Materials, LLC;

“Reverse Takeover” means the amalgamation transaction between Gwelan and mBase Commerce Inc. on January 1, 2007;

“TSX” means the Toronto Stock Exchange;

“US” means the United States of America;

“WCSB” means the Western Canadian Sedimentary Basin;

“Wuxi” means the 30% minority interest partner, Wuxi Huayou Special Steel Co. Ltd.

All currency amounts referenced in this AIF are expressed in Canadian dollars, unless otherwise indicated.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this AIF constitute forward-looking statements within the meaning of applicable securities law. These statements relate to future events or Bri-Chem's future plans and performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Bri-Chem believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon.

In particular, this AIF contains forward-looking statements pertaining to the following:

- adequacy of capital resources required to finance the Company's inventories and other operations;
- the business objectives of the Company;
- results of operations and the performance of the Company;
- the ability of the Company to extend its credit facilities;
- the ability of the Company to develop its relationships with clients and potential new clients; and
- the ability of the Company to expand and broaden its areas of operation.

With respect to the forward-looking information contained in the AIF, Bri-Chem has made assumptions regarding, among other things:

- the Company's relationships with its key suppliers and customers;
- economic conditions that influence the demand of the Company's customers for supplies and services;
- the Company's cash flow from sales; and
- the availability of existing credit facilities.

Although the forward-looking information contained in this AIF is based upon what Management believes are reasonable assumptions, Bri-Chem cannot assure readers that actual results will be consistent with this forward-looking information. Although the Company believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Some of the risks and other factors, some of which are beyond the Company's control, which could cause results to differ materially from those expressed in the forward-looking information contained in this AIF include, but are not limited to:

- supply and demand for oilfield services, drilling fluids and steel pipe products;
- competition for, among other things, capital and skilled personnel;
- incorrect assessments of the value of acquisitions;
- fluctuations in the market for steel pipe, oil and natural gas and related products and services;
- liabilities and risks, including environmental liabilities and risks inherent in steel pipe, chemical storage and handling and oil and natural gas service operations;
- fluctuations in foreign exchange or interest rates;
- political and economic conditions;
- failure of counter-parties to perform on contracts;

- regional competition;
- the Company's ability to attract and retain customers;
- amounts retained by the Company for capital expenditures;
- volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oil and gas services generally;
- stock market volatility and market valuations;
- volatility in prices for raw materials and steel and the effect of this volatility on the demand for steel pipe products generally and on the value of inventory;
- unplanned equipment outages and other unforeseen disruptions that may affect operations;
- the presence of heavy competition in the industry in which the Company currently operates;
- general economic conditions in Canada and the United States and globally;
- the availability of capital on acceptable terms; and
- the other factors disclosed under "Risk Factors" in this AIF.

Readers are cautioned that these factors and risks are difficult to predict. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the list of factors above and the risk factors set forth under the heading "Risk Factors" are not exhaustive. Before placing any reliance on any forward-looking statements to make decisions with respect to an investment in securities of Bri-Chem, prospective investors and others should carefully consider the factors identified above and other risks, uncertainties and potential changes that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. In addition, the forward-looking statements contained in this AIF are made as of the date of this AIF. Bri-Chem does not undertake any obligation to publicly update or to revise any forward-looking statements except as expressly required by applicable securities laws. The forward-looking statements contained in this AIF are expressly qualified by the cautionary statements contained herein.

COMPANY STRUCTURE

Bri-Chem was incorporated under the ABCA as 590079 Alberta Ltd. on December 31, 1993 and amended its articles of incorporation to change its name to Virtual Dynamics Corp. on February 2, 1994. On September 5, 1997, Bri-Chem changed its name to Las Western Entertainment Inc., on October 26, 1999, Bri-Chem changed its name to mBase.com Inc., on July 5, 2002, Bri-Chem changed its name to mBase Commerce Inc. and concurrently with the January 1, 2007 Reverse Takeover of Gwelan, the name of the Company was changed to Bri-Chem Corp.

Bri-Chem is a reporting issuer in the Province of Alberta, British Columbia and Ontario and its Common Shares are listed and posted for trading on the TSX under the symbol "BRY". The Company's head office is located at 2125 - 64 Avenue, Edmonton, Alberta T6P 1Z4. The registered office of Bri-Chem is #2900 Manulife Place, 10180 - 101 Street, Edmonton, Alberta, T5J 3V5. Bri-Chem's website is www.brichem.com.

INTERCORPORATE RELATIONSHIPS

The Company owns three Canadian wholly-owned subsidiaries, BSL, Sodium and BSC and one 70% owned Canadian subsidiary, BMI, all of which are incorporated pursuant to the ABCA. In the USA, the Company owns one wholly owned subsidiary, BCU, incorporated pursuant to the State of Delaware, which is the sole shareholder of BSU, a Colorado limited liability company, SCM, a California limited liability company and BCL, an Oklahoma limited liability company.

Name and Address of Subsidiary	Nature of its Principal Business	Percentage of Securities of any Class Beneficially Owned, Directly or Indirectly
BSL #15, 53016 Highway 60, Acheson Alberta, T7X 5A7	BSL is a Canadian wholesale supplier of drilling fluid products and additives for the oil and gas industry.	BSL is 100% owned by Bri-Chem
Sodium #15, 53016 Highway 60, Acheson Alberta, T7X 5A7	Sodium is an Alberta-based chemical supplier, blender and packager of drilling fluids, servicing the oil and gas, industrial, agriculture, construction and resource industries.	Sodium is 100% owned by Bri-Chem
BSC 2125 64th Avenue, Edmonton, Alberta, T6P 1Z4	BSC is a master wholesale distributor and trader of steel pipe products to the oil and gas, oilsands, construction, mechanical and industrial sectors in Canada and the USA.	BSC is 100% owned by Bri-Chem
BMI 2125 64th Avenue, Edmonton, Alberta, T6P 1Z4	BMI is a niche manufacturer of large-diameter seamless steel pipe for distribution to the oil and gas, oilsands, construction and industrial sectors in Canada and the USA.	BMI is 70% owned by Bri-Chem and 30% by Wuxi
BCU 9351 Grant Street, Suite 380 Thornton, CO 80229	BCU is a holding company that holds the 100% membership interest of BSU, SCM and BCL.	BCU is 100% owned by Bri-Chem
BSU 9351 Grant Street, Suite 380 Thornton, CO 80229	BSU is a United States wholesale supplier of drilling fluid products and additives for the oil and gas industry.	BSU is 100% owned by BCU
SCM 34716 7th Standard Road Bakersfield, CA 93314	SCM is a California based blender of cementing additives for the oil and gas industry servicing the State of California.	SCM is 100% owned by BCU
BCL 4704 N Rockwell Avenue Bethany, OK 73008	BCL is a holding company that holds truck and trailer assets operated by BSU and SCM.	BCL is 100% owned by BCU

DEVELOPMENT OF THE BUSINESS

General Overview

Bri-Chem is a leading North American distributor, blender, and manufacturer of drilling fluids and steel pipe for the oil and gas industry in North America. Operating since 1985, Bri-Chem has established two primary segments of business through a combination of internal growth and acquisitions: Bri-Chem's drilling fluid division is North America's largest independent wholesale supplier of drilling fluids for the oil and gas industry. The Company provides drilling fluid products, cementing, acidizing and stimulation additives from multiple strategically located warehouses throughout Canada and the United States; Bri-Chem's steel pipe division is a wholesale distributor of carbon seamless and welded steel pipe and a manufacturer of large diameter seamless steel pipe for the energy industry. The Company has operations in Canada and the United States.

The Company has managed to develop its business over the past three years through obtaining access to new markets through strategic acquisitions, building and maintaining strong customer relations, the ability to warehouse sufficient inventory levels, addition of new products, its strategically located distribution facilities, and offering value added services such as manufacturing and technical services.

2011

Bri-Chem completed a key strategic USA platform acquisition which positioned the Company to enter the US wholesale drilling fluids market and establish itself as a leading independent national wholesale supplier in the US. The US drilling fluids market is larger than the Canadian market and it does not experience the seasonal slowdown compared to Canada which allows demand for fluids to be consistent throughout all quarters of the year. The US drilling market recovery that began in 2010, following the significant drop in 2009, continued through 2011.

The Company's steel pipe distribution division turned its sales focus and efforts to seamless steel pipe sales in 2011 and concentrated on reducing its tubing and casing inventory as these product lines require more working capital and gross margins are lower as the market is highly competitive. The Company also made a strategic decision to focus on the Canadian market and service its USA customers with mill direct orders.

The steel pipe manufacturing division began its installation phase in January 2011 and its commissioning phase in late July 2011. The first shipment of manufactured large diameter steel pipe, consisting of double random lengths of 18"OD standard wall A106B seamless pipes, was transported September 15, 2011. Fine-tuning and final testing of the equipment was ongoing during the fourth quarter of 2011.

ABL Facility

Effective August 12, 2011, the Company entered into a new secured ABL Facility with CIBC and HSBC. The ABL Facility was put in place to assist the Company with its future growth plan, by providing a more flexible borrowing base without the restricted covenants of a traditional operating line of credit.

The initial term of the ABL Facility is for three years and the initial advance repaid the outstanding amounts in full to its former credit facility lender. The ABL Facility is secured by a general security agreement covering all present and after acquired property and postponements of claims from related parties. The ABL Facility bears interest at the Company's discretion at prime plus 0.25% or LIBOR plus 1.75% or bankers' acceptance rate plus 1.75%, and a standby fee of 0.25% on unused amounts of the ABL Facility. The ABL Facility is subject to a borrowing base that is calculated as a percentage of specified value of eligible inventory and accounts receivable to a maximum of $80,000,000.

Stryker Acquisition

On April 8, 2011, the Company incorporated Bri-Corp USA, Inc. ("Bri-Corp") in the state of Delaware, USA for the purpose of holding the Company's US operations. Effective June 1, 2011, BCU acquired all of the outstanding ownership interests in each of Stryker Ltd., a Colorado limited liability drilling fluid wholesale distribution business, and Stryker Transportation Ltd., a Colorado limited liability transportation and long-haul business. The purchase price of $1,906,735 consisted of 171,429 Common Shares at a fair market value of $488,251. The Common Shares have resale restrictions attached to them that expire evenly over three years. Cash payment terms were $968,600 on completion, and a promissory note payable with a fair value of $339,010 bearing interest at 6% per annum, repayable in June 2012. On June 1, 2011, Stryker Ltd. was renamed Bri-Chem Supply Corp, LLC. The Denver based acquisition provided a platform for the Company's strategic growth plan to create an independent wholesale drilling fluid distribution network to service the USA unconventional resource plays in Texas, Western USA, and the North-East USA. In addition, this acquisition will allow the Company to continue to service certain Canadian customers who are or intend to pursue strategic growth plans in the USA.

Equity Financing

On February 23, 2011 the Company completed an equity financing for 2,000,000 common shares of the Company at a price of $3.00 per share for gross proceeds of $6,000,000. The Offering was conducted pursuant to the terms of an agency agreement between Bri-Chem and Macquarie Private Wealth Inc. (the "Agent") dated effective January 6, 2011. In consideration for its services in connection with the financing, the Agent and its designated sub-agents were paid an aggregate commission of $360,000.

2012

Bri-Chem continued to develop its USA market presence by expanding its distribution network from six to fourteen strategically located warehouses within the major resource plays in the U.S. With the additional warehouses and staff, Bri-Chem began establishing itself as one of the leading independent national wholesale supplier of drilling fluids in the US market. The US drilling fluids market is larger than the Canadian market and it does not experience the seasonal slowdown compared to Canada which allows demand for fluids to be consistent throughout all quarters of the year.

Throughout 2012, the steel pipe manufacturing division built a number of efficiencies and redundancies to its manufacturing process, which resulted in increased production output. In Q4, the division completed a key capital project which equipped a conveyor system that provided less handling of the material in and out of the production facility. Also during the fourth quarter, the steel pipe manufacturing division progressed to a second production shift and is now producing 24 hours a day, 4 days a week. The Company also received its American Petroleum Institute (API) mill certification in 2012 which allows the division to offer the production capacity to a number of companies throughout North America.

Fulcrum Subordinated Debt Financing

On November 30, 2012, the Company secured a $10,000,000 subordinated debt facility with Fulcrum. The subordinated debt facility was put in place to assist the Company with its future growth plans, by providing additional capital to be used to fund future acquisitions and for general working capital purposes.

The term of the subordinated debt facility is for five years with interest only payments required for the first fifteen months, followed by quarterly principal installments of $300,000 plus interest. The subordinated debt facility bears interest at 11.5% and is secured by a general security agreement from BSL, and Sodium and from all other material entities within the group determined by Fulcrum and is subordinated only to a prior charge from the ABL Facility; second demand collateral land mortgage and assignment of rents from Bri-Chem Corp. creating a second fixed and specific mortgage charge over all lands and premises located at #15, 53016 Highway 60, Acheson, Alberta and 4420 – 37th Street, Camrose, Alberta, assignments by Bri-Chem Corp. to Fulcrum of all risk insurance in amounts and from an insurer acceptable to Fulcrum, on all Bri-Chem Corp. real and personal property, without limitation, lands, buildings, equipment and inventory owned by Bri-Chem Corp., showing Fulcrum as second loss payee, including business interruption and public liability insurance. The subordinated debt facility is subject to financial covenants that are calculated on a quarterly basis included a minimum debt service coverage ratio and those covered under the ABL Facility.

Kemik Acquisition

On November 30, 2012, the Company acquired assets and business operations of Kemik Inc., an Alberta packager of proprietary cementing additives for the oil and gas industry. The purchase price of CAD$1,800,000 consisted of all cash in exchange for accounts receivable, inventory, fixed assets and accounts payable. The Kemik asset acquisition was an important acquisition for our strategic business plan to pursue growth opportunities in the cementing, stimulation and fracturing speciality fluid additives market in North America.

General Acquisition

On December 31, 2012, the Company acquired all of the outstanding common shares of General; an Oklahoma based drilling fluids wholesale distribution business. The purchase price of $2,541,459 ($2,500,000 USD) consisted of 95,451 Common Shares at a fair market value of $147,792. The Common Shares have resale restrictions attached to them that expire evenly over three years. Cash payment terms were $2,039,545 ($2,050,000 USD) on completion, and a promissory note payable with a fair value of $248,731 ($250,000 USD) bearing interest at 4% per annum, repayable in December 2013. The acquisition of General and their three key Oklahoma warehouse locations is a very complementary addition to our strategy of pursuing becoming the leading independent national supplier of drilling fluids in the United States. General's business currently has no geographic overlap with Bri-Chem and they have built a strong market position with many long term customers.

2013

Bri-Chem continued to develop its USA market presence by expanding its distribution network from fourteen to sixteen strategically located warehouses throughout the major resource plays in the U.S. In addition, the Company extended its blending and packaging business into the USA by acquiring the business assets and operations of SCM in September 2013. With the additional warehouses and staff, Bri-Chem has continued to develop its market presence as a leading full service independent national wholesaler of drilling fluids to service the USA unconventional resource plays. The USA fluids division increased its revenue in 2013 by entering into new geographical areas, introducing new product lines, and establishing a new revenue stream from the blending and sale of liquid oil based drilling fluids. The Company experienced a relatively consistent fluids market in Canada compared to the prior year, and was concentrated on lowering inventory levels while maintaining superior customer service.

The steel pipe distribution division concentrated their efforts on an inventory management program that was designed to replace slow moving inventory, throughout the year, with quicker moving items. This program has resulted in a significant decline of inventory on hand as of December 31, 2013. The steel pipe manufacturing division continued to improve efficiencies in the manufacturing process, which resulted in increased production output and the extension of its distribution channel. BMI continued to work with a number of master distributors to have our large diameter pipe mill enlisted on major energy companies approved manufacturer's lists for 2014 and beyond.

Sun Coast Acquisition

On September 6, 2013, the Company acquired assets and business operations of Sun Coast Materials Co., a California based packager and specialty cement blender to oil well contractors operating in southern and central California. The purchase price of $6,722,296 ($6,470,816USD) consisted of all cash payments with terms of $6,493,506 ($6,250,000USD) on closing, and a promissory note payable with a fair value of $229,420 ($220,816USD) bearing interest at 4% per annum, repayable in September 2014. Subsequent to the acquisition, the business operates under SCM. The acquisition of SCM and their transportation fleet further expands Bri-Chem's product offerings into the USA market and provides a solid growth platform to offer cementing products and blending services throughout the USA. SCM's business currently has no geographic overlap with Bri-Chem and they have built a strong market position with many long term customers.

ABL Facility Amendments

On November 14, 2013 the Company amended the terms of the ABL Facility to increase the borrowing base up to maximum of $90,000,000 (2012 - $80,000,000), reducing interest rates and extending the maturity of the facility to August 12, 2016. Under the revised terms, the ABL Facility bears interest either at prime rate (2012 – prime rate plus 0.25%) or bankers' acceptance rate plus 1.50% (2012 - bankers' acceptance rate plus 1.75%) or LIBOR plus 1.50% (2012 – LIBOR plus 1.75%), a collateral management fee of $1,500 per month (2012 - $3,000 per month) and stand by fee of 0.25% (2012 – 0.25%) on unused amounts of the ABL Facility. The Company also changed financial covenants by replacing the minimum adjusted tangible net worth covenant with a minimum fixed charge coverage ratio covenant.

Equity Financing

On December 20, 2013, the Company completed an equity financing for 6,667,000 common shares at a price of $1.50 for gross proceeds of $10,000,500 under an equity financing arrangement. The financing was conducted pursuant to the terms of an agency agreement between Bri-Chem and Cormark Securities Inc., Beacon Securities Limited, and Paradigm Capital Inc. (the "Underwriters") dated effective December 4, 2013. In consideration for services related to the offering, the Company paid the Underwriters a fee equal to 5% of the gross proceeds of the offering, totaling an aggregate commission of $500,025.

Strategic Review

In November 2013, the Company initiated a strategic review of its steel pipe division given the potential growth opportunities that currently exists in the North American drilling fluids market. During Q1/14, management will be conducting a strategic review of its steel pipe divisions to determine viable strategic options that exists going forward.

INDUSTRY OVERVIEW

Drilling Fluids Market

The Company supplies drilling fluid products and services to drilling fluid engineering, cementing, completion and stimulation companies that operate within the WCSB in the provinces of Alberta, British Columbia, Saskatchewan and Manitoba and throughout the USA unconventional resource plays in all major drilling regions, including North Dakota, Wyoming, Colorado, Kansas, Utah, New Mexico, Texas, Pennsylvania, Oklahoma and California. The Company experienced lower industry activity in Canada in early 2013 that was mainly due to extremely wet weather conditions in Q2 2013, which delayed the start of the summer drilling programs. However, starting July 2013, drilling activity has been increasing and demand for Bri-Chem's drilling fluid products and services was stronger in Q3 2013 and Q4 2013 than the same quarters in 2012. In Canada, drilling rig utilization averaged 43.5% for the last six months of 2013, an increase of 1.2% over the same comparable period in 2012. The number of wells drilled during the last six months of 2013 was 5.5%

higher compared to the same period in 2012. PSAC has forecasted 10,930 wells to be drilled in Western Canada for 2014, a forecasted decrease of 5% over 2013 and World Oil forecasts indicates that USA drilling activity will grow 3.7% to 45,834 wells in 2014. Looking beyond, it is difficult to determine if oilfield activity and demand for drilling fluids will increase as there remains instability of commodity prices.

Current North American Rig Count:

Area	Last Count	Rig Count	Change from Prior Count	Date of Prior Count	Change from Last Year	Date of Last Year's Count
U.S.	March 7	1,792	-4	Feb 28	+40	Mar 7/13
Canada	March 7	587	-39	Feb 28	+7	Mar 7/13

Source: Baker Hughes

The success of Bri-Chem's drilling fluid divisions is tied to the strength of the oil and natural gas industry and is exposed to industry conditions and the related capital expenditure budgets of oil and gas exploration and production companies. Drilling rig activity levels as well as depth of wells are leading indicators of anticipated demand for drilling fluids. Natural gas prices are sensitive to regional supply and demand, weather conditions and access to alternative cheaper sources of energy, and as a result drilling activities in certain regions, particularly in the WCSB may be affected by some of these factors. Increases in oil and natural prices tend to positively impact short-term drilling activity levels; however, any downturn in prices may have an impact on the medium to long-term drilling activity. See "Risk Factors – Dependence on Canada's Oil and Gas Industry".

Over the past few years, drilling activities have become much more complex. The number of deeper horizontal wells drilled over the past few years has been increasing. Deeper wells can encounter issues such as wellbore stability, pressure, lost circulation, stuck pipe, torque and drag which generally require an increased volume of drilling fluids. In addition there has been an increase in the number of horizontal wells being drilled which also requires more drilling fluids. As horizontal drilling and multi-staged fracing applications are now the norm, Bri-Chem is well positioned to service the demand for drilling fluids through its diverse drilling fluid product offerings.

The blending and packaging division of drilling fluids continues to grow and there is potential to continue to increase capacity with strong revenue and earnings as demand from stimulation and completion chemical blending is on the rise due to multi-stage fracing applications. The Company offers customers the ability to custom blend proprietary products to meet the ever changing needs of customers. As non-conventional horizontal drilling continues, customers are constantly re-engineering formulas to meet the application needs of these complex drilling systems. Many companies have shifted their focus to oil resource plays in the WCSB and have re-entered many abandoned and existing wells to re-stimulate these wells or drill new horizontal laterals off of the existing wellbore and will complete the wells through the use of multi-stage fracing.

The Company offers blending of cementing, acidizing and fracturing chemical additives used in multi-stage fracing applications and well completions. The horizontal drilling and multi-stage fracing technique is continuing to grow in Canada and the US which is leading many of our customers to increase their drilling fluid volumes used in this type of drilling application. With the recent acquisition of SCM, Bri-Chem has the ability to offer these blending and packaging services for cementing products in the USA market place. The Company is also able to meet large volume demands of customers by sourcing and bagging large bulk commodity products. As the demand for these complex fluid systems increase and customers look for a competitive advantage through proprietary product offerings, the Company is able to offer innovative and confidential blending solutions to this growing segment of the fluids division.

Steel Pipe Market

The Company distributes various sizes of carbon steel pipe to the energy industry in Canada and the United States. Steel pipe of all types and sizes is critical in building, construction, chemical, energy, and other industrial applications. The primary market for the steel division is the energy industry where line pipe is used in the transmission of oil and gas and fluids. Demand for seamless pipe products can depend on several factors including major industry projects, the economy, the price of iron ore, and inventory levels in the market, inventories maintained by manufacturers, distributors, and end users and by the level of new capacity and imports in the markets we serve. Specific demand for energy related tubular products depends on several factors, most notably the number of oil and natural gas wells being drilled, completed and re-worked, the depth and drilling conditions of these wells and the drilling techniques utilized. The level of these activities depends primarily on the demand for natural gas and oil and expectations about future prices for these commodities.

In 2013, industry activity levels and consolidation of our customer base hampered demand for seamless pipe as the market continued to work through excess inventory. The Company continued its inventory management program and has been diligent about right sizing inventory by removing slow moving stock and increasing quantities on fast moving items. Volatile crude oil prices, increasing crude oil price differentials and distribution and pipeline constraints are all factors contributing to exploration and production companies deferring or curtailing 2013 and 2014 capital spending programs which may reduce or defer small and large diameter steel pipe sales activity for 2014.

Supply chain management is a critical success factor within the industry as customers require distributors to be flexible to meet changing product requirements. In the past, the Company had purchased a vast amount of its steel products from steel manufacturers in China. Bri-Chem's long-standing vendor relationships have allowed the Company to source high quality products while being competitive in pricing to its customers. Recently, the Company has commenced the procurement of new higher grade approved manufactured seamless pipe that further expands the Company's customer base.

The global steel industry is cyclical and can be highly competitive. The steel pipe industry competes on price, quality, and ability to provide customers with value-added services such as a diversified product base, timely delivery, and product customization to meet their requirements. In 2013 metal commodity prices softened marginally compared to 2012, which has led to a decrease in demand for pipe products. According to the World Bank Commodity Markets Outlook report, oil and iron ore price indices are expected have a nominal decline in 2014.

The Company's steel manufacturing division commenced preliminary start-up operations in late 2011. The division manufactures large diameter seamless steel pipe primarily used in the energy, industrial and mining markets. The Edmonton based manufacturing operations achieved its American Petroleum Institute (API) certification in 2012. Throughout 2013, the Company continued to improve efficiencies in the manufacturing process, which allowed the Company to increase production over 2012. The company is striving to sell forward production capacity of its mill and develop a strong backlog of orders. Distribution of the large diameter steel products will continue to be completed through the existing distribution chains in place and new relationships are being developed with major distribution companies in Canada and the USA.

Seasonal and Cyclical Nature of the Business

The Company's main customers are exposed to the oil and gas sector. 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 WCSB: Winter drilling season from November to mid March is the period when the majority of drilling activity takes place as much of the ground is frozen allowing equipment to move into hard to reach regions during colder periods. Spring break up traditionally occurs between mid March to mid May 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. With the addition of SCM in 2013 and BSU in 2011, these divisions should reduce the seasonality of the business as they are less dependent on drilling activity in Canada as both divisions sell into the USA market which is not affected by seasonal changes.

BUSINESS OF THE COMPANY

Company Overview

Bri-Chem is a leading North American wholesale distributor, blender, packager and manufacturer of drilling fluids and steel pipe to the oil and gas, industrial, mechanical and construction industries in North America. The Company was founded in 1985, and is headquartered in Edmonton, Alberta. The Company owns 100% interest in Bri-Chem Supply Ltd., 100% interest in Sodium Solutions Inc., 100% interest in Bri-Steel Corporation, 100% interest in Bri-Corp USA, Inc., which has three 100% owned subsidiaries, Bri-Chem Supply Corp, LLC, Sun Coast Materials, LLC and Bri-Chem Logistics, LLC and the Company owns 70% interest in Bri-Steel Manufacturing Inc. Bri-Chem continues to concentrate on expanding its market presence with the focus being on the following two divisions:

OIL AND GAS DRILLING FLUIDS DIVISION

Bri-Chem's main business activity is in the wholesale distribution of drilling fluid products to the oil and gas industry in North America. Bri-Chem supplies, blends and packages drilling fluid 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 and gas companies. Much of Bri-Chem's success is attributed to its comprehensive network of 31 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 of their widely dispersed drilling rig locations. The WCSB drilling fluid supply business experiences some seasonality with the spring (April and May) 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 (October and November) and winter (January and February) when customers are not constrained by weather conditions to perform their activities. The US drilling fluids market is larger than the Canadian market and it does not experience the seasonal slowdown compared to Canada which allows demand for fluids to be more consistent throughout all quarters of the year.

Product Category	Main Industries Served	% of Aggregate Revenue
North American Drilling Fluids	Oil and Gas	Fiscal 2013: 71.9% Fiscal 2012: 67.4% Fiscal 2011: 79.0%
North American Cementing, Acidizing and Stimulating Fluids	Oil and Gas	Fiscal 2013: 10.9% Fiscal 2012: 6.4% Fiscal 2011: 5.3%

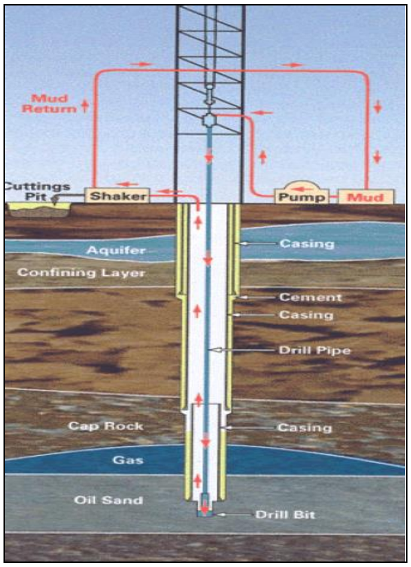
Fluids Distribution

Principal Products or Services

The principal business activity of Bri-Chem is the wholesale distribution of drilling fluid products for the oil and gas industry. Drilling fluid, also called drilling mud, is a circulating fluid used while drilling oil and natural gas wells and in exploration drilling rigs. The drilling fluid is pumped from the surface through the hollow drill string, exits through nozzles in the drill bit, and returns to the surface through the annular space between the drill string and the walls of the hole.

As the drill bit grinds rocks into drill cuttings, these cuttings become entrained in the mud flow and are carried to the surface. In order to return the mud to the recirculating mud system and to make the solids easier to handle, the solids must be separated from the mud. The first step in separating the cuttings from the mud involves circulating the mixture of mud and cuttings over vibrating screens called shale shakers. The liquid mud passes through the screens and is recirculated back to the mud tanks from which mud is withdrawn for pumping downhole. The drill cuttings remain on top of the shale shaker screens.

The three primary purposes of drilling mud or drilling fluids is illustrated as follows:



1. Remove cuttings from the formation produced by the bit at the bottom of the hole and carry them to the surface. This is achieved by adjusting the rheology of the mud system.

2. Lubricate and cool the drill bit during operation as friction causes high temperatures downhole that can limit tool life and performance.

3. Maintain hydrostatic equilibrium so that fluids and gas from the formation do not enter the well bore causing the well to flow, kick or blow out. This is achieved by adjusting the mud weight (density). High-density additives (barite, hematite) are used for preparation of kill-weight fluids, which create hydrostatic pressure that prevents water entering the well or hold the oil/gas inside, preventing a blowout and to physically stabilize the formation.

Market

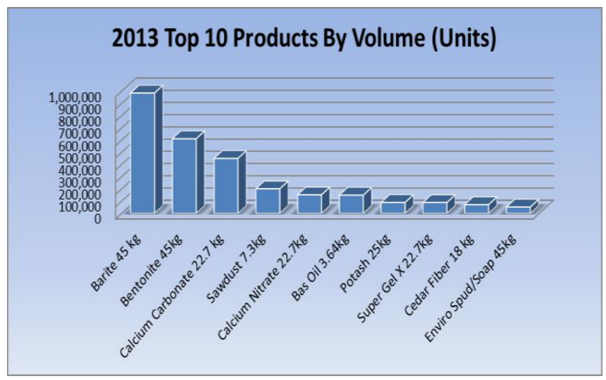
Bri-Chem services the drilling sector of the oil and gas industry through its subsidiaries BSL in Canada and BSU and BCL in the USA. The business has evolved and prospered by supplying the required drilling fluid products, offering technical solutions, building and fostering relationships along with exceeding customer expectations and growing with the industry. Much of the drilling fluids division success is attributed to their comprehensive network of strategically placed and fully stocked warehouses located throughout western Canada and the USA. As the drilling activity continues to increase, mud companies desire to use a wholesaler that has adequate inventory in the appropriate regions to fulfill all their project needs. BSU is concentrating on geographic expansion in key drilling regions in the USA to gain market share by offering quality service and products in a timely manner.

Drilling activity in major resource plays includes wells drilled vertically, directionally, and with increasing frequency, horizontally in conjunction with multi-stage fracturing technology. Horizontal and deeper wells are faced with a range of drilling, stability, pressure and other issues which generally require a greater volume of drilling fluids. Horizontal drilling is a technique often utilized in formations like tight gas, tight oil, in heavy oil, and in the oil sands. These wells require a significant amount of development and infrastructure costs and have a medium to high drilling complexity requiring more technically advanced fluids to maximize successful drilling. The increase in this activity has meant the fluids division has had to expand its product offering to meet demand for this type of drilling application.

Product Lines

BSL and BSU have access to over 100 different products in a wide variety of weights and clays, lost circulation materials, chemicals and oil mud products. Due to the nature and quality of the materials used, the division does not separately track their product lines. In order to ensure that the product inventory is being fully utilized, the division's management periodically reviews inventory for turnover. The fluids division management believes that each location should be fully stocked to deal with every situation.

BSL has demonstrated their ability to adapt to the demands of their customers by stocking required products or creating custom products. In recent years there has been an increase in demand for oil-based drilling fluids, known as invert, due mainly to the increase in horizontal drilling activities. A large constituent of Bri-Chem's customer base has shifted to a liquid based drilling fluid which has become a critical and interrelated part of the drilling operations. The majority of the oil companies are now adapting to using a central liquid mud facility, where the storage, handling and mixing are done. BSL maintains invert blending and storage facilities in Edson, AB and Fort St. John, BC, with additional storage facilities in Grande Prairie, AB. This network of liquid blending and storage tanks allows BSL to offer its blended liquid mud products to satisfy customer demand and further solidify customer relationships.



In late 2012 the Company opened its first liquid invert blending and storage facility in Leetsdale, Pennsylvania, USA. Similar to that in the WSCB, many regions in the USA are using oil based drilling fluid systems to drill as horizontal drilling becomes more dominant in the USA. BSU will continue to evaluate other liquid mud blending and storage facilities in regions in the USA where demand for such products is continuing to increase.

Distribution Method

BSL has 15 stock points or warehouses in strategic locations across Alberta, Saskatchewan and British Columbia. BSL has entered into agreements with various trucking companies whereby BSL will store inventory on the trucking company premises for a nominal or a small handling charge in exchange for delivery services as they occur. These favorable arrangements reduce storage costs, guarantees delivery service and reduce logistical and timing issues.

BSU has 16 stock points strategically located in major drilling regions in the USA. BSU looks for similar trucking arrangement to those in Canada, however in some cases, BSU is required to lease and manage the warehouse in certain regions.

BSU previously operated its own USA interstate flatbed carrier business that provided flatbed trucking services since 2005. As a result of BSU expanding from 3 warehouses to 16 current national warehouses, management has been able to secure superior independent highway transportation rates which are less than the cost of running our own fleet. During 2012, the Company sold off its highway transportation fleet. As part of the acquisition of SCM in 2013, the Company purchased a fleet of trucks and bulk pneumatic trailers to transport bulk cement and cement chemical additives out to rig sites. In 2012, as part of the General acquisition, the Company acquired a fleet of specialized rig hauling trucks that are used to secure delivery of drilling fluids to customers located at well sites throughout Oklahoma.

Fluids Blending and Packaging

The fluids market also includes completion, cementing, acidizing, stimulation 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 in Canada is operated through Bri-Chem's blending and packaging facilities located in Acheson and Camrose, Alberta. The distribution of chemical supplies and packaging in the USA is operated through SCM located in Bakersfield, California. Their principal activity is to offer an extensive product line in both packaged and truckload quantities. Bri-Chem continues to target different industries including agriculture, mining and forestry for product and industry diversification.

Principal Products or Services

Cementing activity is performed when the cement slurry is deployed into the well via pumps, displacing the drilling fluids still located within the well, and replacing them with cement. Chemicals are used downhole to cement the steel casing by pumping a sequence of fluids down the inside of the casing, the purpose of which is to exclude fluids such as water or gas in one zone from oil in another zone. Acidizing and stimulating are similar processes whereby fluids are pumped downhole to clean up damaged areas around the well bore and try and restore the permeability which may have been damaged from the initial drilling process. The fracturing process injects fluids and sand at high pressure which creates small fractures in the rock that extend out from the well. Bri-Chem is pursuing to diversify into the liquid fracturing and stimulation blending market for further customer penetration and industry diversification.

Market

The distribution of bulk chemical supplies and packaging is operated through Sodium which has storage and distribution facilities located in strategic locations in Western Canada, and through SCM which has a storage and distribution facility in California. Sodium sells products to BSL and other third party customers who then warehouse their products at their locations. Sodium's market niche is to sell blended and packaged truckloads of products directly to mud companies who have warehousing facilities. Therefore, it is not unusual for BSL and Sodium to have some similar customers. These customers will buy and warehouse Sodium's products and will use BSL for emergency situations or when timing becomes an issue. SCM sells products only to third party customers who use them on site. SCM's market niche is packaging and cement blending to oil well contractors operating in southern and central California. SMC's business currently has no geographic overlap with Bri-Chem and they have built a strong market position with many long term customers.

Product Lines

Fluids blending and packaging divisions offers an extensive product line in both bulk and packaged form and continually adds new offerings to meet specific customer requirements. The Company's blending facilities in Acheson, and Camrose, Alberta, and in Bakersfield, California, have allowed fluids blending and packaging divisions to grow and adapt to the changing environment and changing needs of their clients. Blending operations includes customer specific blends of dry powder goods, whereby customers dictate the product formulation and our divisions will source the product, blend, package, and warehouse and distribute the finished blended product. Targeting different industries provides Bri-Chem with product and industry diversification.

Commonly Sold Products
Sodium Chloride| Silica Fume| Processed Lime| Hydrated Lime| Copper Chloride| Gilsonite| Kelzan

Distribution Method

Sodium has 13 strategic warehouses in Western Canada and has entered into agreements with various trucking companies whereby Sodium will store inventory on the trucking company's premises for a nominal or a small handling charge in exchange for all delivery services as they occur. These favourable arrangements reduce storage costs, guarantee delivery service and reduce logistical and timing issues.

BSL and Sodium have 12 mutual warehouses throughout Alberta, British Columbia and Saskatchewan. As a result, synergistic benefits are created by dealing with only a few operators providing efficiency in communication and distribution.

SCM has one leased warehouse, located in Bakersfield, California, as all its customers are located within the same geographical area at this time. In December 2013, the company acquired its own blending facility in Bakersfield, California that is expected to be ready for operation in August 2014.

Fluids Testing and Training

The Company has a laboratory in Calgary, Alberta, which serves its customers throughout the North American drilling fluids industry with testing equipment, quality assurance, training, and research and analysis of critical fluids.

The Company offers additional services that are essential to maintaining strong customer relationships. Bri-Chem's analytical lab offers testing of drilling fluids for customers for various analyses such as viscosity, fluid loss, and lubricity among others. The laboratory can also perform customer specific analysis. Bri-Chem sells drilling fluid field testing chemicals and equipment, which are used by drilling fluid engineers out in the field. Bri-Chem periodically hosts mud schools that provide technical materials and training to sales personnel, mud engineers and others associated with the drilling fluid industry. Students leave the three week long school with the education and knowledge to test and mix drilling fluids along with the understanding of various products and their applications.

STEEL PIPE DIVISION

The Company distributes steel pipe, through its subsidiary BSC, primarily to the oil and gas industry in Canada. BSC mainly sells various diameters of carbon steel seamless and carries a lesser amount of welded steel pipe inventory. BSC's strong international vendor relationships and flexibility to meet changing customer product requirements have enabled the Company to offer a diverse product base on a timely basis.

The steel pipe divisions are organized around sales, which includes technical product knowledge and inside sales functions whereby customers can phone, fax or email orders. Lead times to fill orders can vary between a few hours to several weeks or even months. The steel pipe division prides itself on superior customer service. Sales personnel are based out of Edmonton, Alberta to service Western Canada, led by senior sales representatives with over 40 years sales experience in the steel products market. In addition, the Company has contracted independent sales agents in the US to service key regions which provides access to new clients through long standing relationships and are commission based so no additional fixed overhead is required.

Steel Pipe Distribution

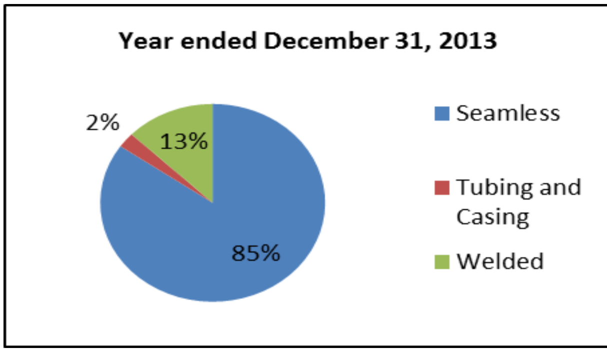
Market

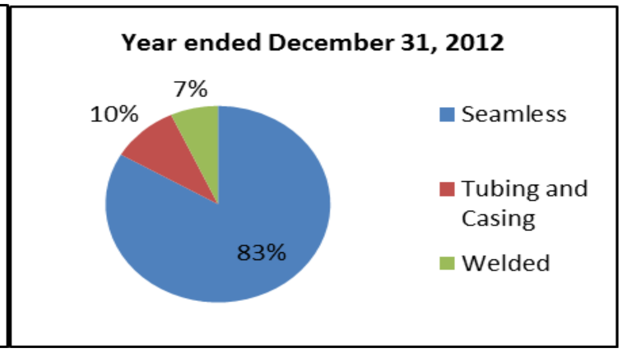
BSC sells steel products to master distributors who in turn sell the products to end users in the resource, industry in North America. The steel pipe supply market is highly competitive and fragmented and steel commodity prices typically drive profit margins. The steel industry is selling price competitive due to competition among the many wholesale companies. The market also values product selection, timely delivery, quality and availability of product as key service drivers. As a result, BSC closely monitors and continually adjusts prices to remain competitive in the market place while ensuring it has sufficient inventories in the right geographic regions to meet market demands.

The steel pipe distribution division is carried out through BSC which operates out of one main distribution warehouse, located in Edmonton, Alberta, that stocks $5 - $7 million of steel pipe inventory. BSC has assisted in the growth of many of its customers through its strong vendor relationships that have provided customers a diverse group of product offerings.

Product Lines

BSC carries a wide variety of steel tubular products ranging in various diameters and lengths. The Company has sales from product lines as follows:





Carbon steel pipe is primarily used for the transmission of fluids and gases. Carbon seamless pipe is required more often in high pressure critical service applications and where turbulence becomes an issue in fluid transportation. The diameter of seamless pipe ranges from 1/8" to 36", with wall thicknesses as high as 2". Carbon welded pipe is used more often in lower pressure commercial, mechanical, and mining applications. Welded pipe can have much larger diameters and lengths and can require a significant cash outlay to inventory a complete line. For this reason, the Company does not maintain as large of an inventory of welded pipe as they do with seamless.

Distribution Method

BSC distributes is steel pipe from its stock facility in Edmonton, AB. This stock facility carries numerous lengths, diameters and thicknesses of carbon pipe and is used to service customers operating in Western Canada. The Company has implemented a strategic inventory management program, whereby it will concentrate on high demand pipe products, and ensuring superior customer service by focusing on the needs of its existing and potential new customers. Customers have the option to arrange transportation of product to their final destination of choice or can request to have BSC arrange the logistical movement of product.

In addition, BSC also has procurement and logistical services for customers that require specific sizes of pipe that cannot be filled with current inventory. BSC will arrange shipments of product from manufacturing mills direct to customers on large volume orders. The Company's premium vendor relationships and expert procurement services allow BSC to meet the specific needs of their customers in a timely fashion.

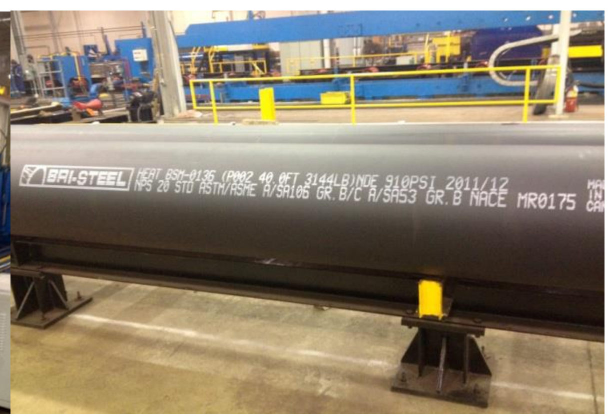
Steel Pipe Manufacturing

BMI is a producer of large diameter seamless pipe for the Northern American marketplace. BMI is 70% owned by Bri-Chem and 30% owned by Wuxi. The manufactured pipe produced by BMI will range in outside diameter from 14" to 36". These pipes are manufactured from carbon steel mother tubes using a Thermal Pipe Expansion (TPE) process that heats the steel tubes while being pushed by a horizontal hydraulic press over a mandrel, thereby expanding the mother tube into a pipe. The TPE process has been utilized for producing large diameter steel pipe for several years in China and BMI is the first company to successfully introduce TPE production in North America.

The TPE operation is a much leaner operation than that of traditional pipe manufacturing plants in North America, thus allowing for relatively quick set up and installation time, while being able to expand with further TPE lines as demand increases. All BMI finished products has quality control tests and procedures performed in Canada with accredited engineers and technicians, thus ensuring that highest standards are met prior to distribution. Increased efficiencies occur when production is run in multiple shifts, and quick tooling changes allows for the division to meet specific size requirements for small orders in a timely manner. Although the TPE process has been used historically to create large diameter carbon steel seamless pipe, other expansion possibilities for higher API grades, alloy steels and stainless steels are possible. These other grades of pipe provide for higher margins and a competitive advantage as alternative products lines to customers seeking unique high end products.

Manufacturing Process

The raw materials (pre-finished steel tubes) are put through a seven step process to create the expanded diameter pipe finished product. First the pre-finished steel tubes are inspected for flaws and then primed with a lubricant to aid the smoothness of the expansion process. The pre-finished tubes are loaded into a hydraulic press that pushes them through energized induction coils (which heat the pre-finished tubes) and over a conical mandrel to expand the tube to its finished manufactured size. Expanded pipes are then straightened, ends are cropped square, outside diameter is cleaned, each pipe is ran through three tests (Eddy-current, Ultrasonic and Hydro testing), bevelled, painted and stenciled. Samples of each heat run are taken from crops cut early in the process and are put through destructive and non-destructive testing in our in house lab facility.



Markets

BMI sells its steel products to a similar customer base and markets as the steel distribution division, namely master distributors who in turn inventory large amounts to supply smaller wholesalers or distributors in the steel pipe market. This distribution method allows BMI to have their steel pipe products in the yards of most North American steel pipe distributors. There are only a few competitors in the North American market place for manufactured large diameter steel pipe and as a result selling prices typically yield higher prices than traditional commodity sized pipe. BMI monitors costs and selling prices and continually adjusts prices to remain competitive in the market place.

Product Lines

Finished manufactured pipe ranges in diameter from 14" to 36" outside diameter. Finished pipe will be sold in lengths up to 40.2 feet. The Company will produce all normal pipe schedules in this range and custom non-schedule sizing on special orders for customers.

Distribution Method

BMI aims to distribute the large diameter seamless pipe through direct orders placed with the manufacturing plant. The Company will maintain an ongoing sufficient amount of raw material and will concentrate on superior customer service by focusing on the needs of its existing and potential customers in the Canada and the US. In addition, the Company will also distribute its product through its steel distribution division, BSC.

Strategic Review

In November 2013, management initiated a strategic review of its steel pipe divisions to determine viable strategic options that exists going forward. While conducting the strategic review of the steel pipe divisions, management will monitor the North American steel pipe market, seek to reduce production costs, and will be working with a number of master distributors to have our large diameter pipe mill enlisted on major energy companies approved manufacturer's lists.

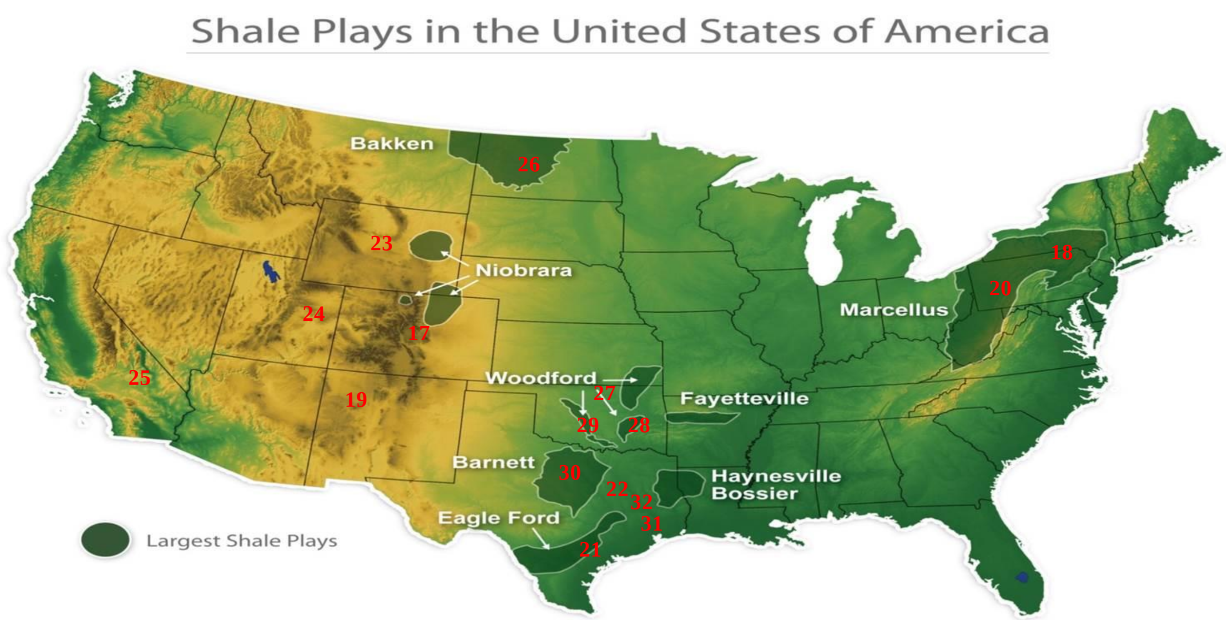
Fluids and Steel Pipe Warehouses and Manufacturing Facilities

Bri-Chem has 32 strategically located warehouses throughout British Columbia, Alberta, Saskatchewan and the United States. In Canada, Bri-Chem operates from 16 warehouses of which 12 are third party owned and operated warehouse facilities. Camrose, Acheson and Estevan and are locations that are owned and operated by the Company and Edmonton is a leased facility that has the steel pipe manufacturing facility located in it. Camrose operates a 10,500 square foot bulk repackaging and blending facility with storage quonsets, Acheson operates a 5,000 square foot blending operation with storage quonsets on site to warehouse blended and raw material product and Estevan is a warehouse and yard location for the distribution of drilling fluids. In addition, Bri-Chem has invert fluid tank farm and storage facilities in Edson, Grande Prairie, Alberta, and Fort St. John, BC as well as Leetsdale, PA in the US.

In the United States, Bri-Chem operates from 16 warehouses of which 8 are third party owned and operated, 6 are leased and operated by BSU and 2 are owned and operated by Bri-Chem. The Company currently leases and operates from a 30,000 square foot blending and packaging operation in Bakersfield, California to warehouse blended and raw bulk cement material product, however, in late 2013, the Company purchased a new warehouse facility in Bakersfield, California and will move its existing operations for blending and packaging from its leased warehouse on or about August 2014. Clinton and Chickasha are owned and operated by the Company are utilized as warehouse and yard locations for the distribution of drilling fluids.

In November 2010 the Company leased a 119,000 square foot warehouse and office in Edmonton, Alberta for its TPE manufacturing facility. The steel distribution staff was relocated to this location, while the former Leduc warehouse and 12 acres of land has been subleased in 2011. The steel distribution yard was relocated to an 18 acre parcel of land in south Edmonton, nearby to the steel manufacturing facility. The Company has moved its head office into the Edmonton office space in mid 2012. The following maps indicate the geographic locations of the storage and stock point facilities:

1. Fort Nelson, BC	Third party operated	**9. Camrose, AB**	Bri-Chem operated
2. Fort St. John, BC	Third party operated	**10. Blackfalds, AB**	Third party operated
3. High Level, AB	Third party operated	**11. Consort, AB**	Third party operated
4. Grand Prairie, AB	Third party operated	**12. Rosetown, SK**	Third party operated
5. Slave Lake, AB	Third party operated	**13. Brooks, AB**	Third party operated
6. Edson, AB	Third party operated	**14. Lloydminster, AB**	Third party operated
7. Acheson, AB	Bri-Chem operated	**15. Swift Current, SK**	Third party operated
8. Edmonton, AB	Bri-Chem operated	**16. Estevan, SK**	Bri-Chem operated



17. Denver, CO	Bri-Chem operated	**25. Bakersfield, CA**	Bri-Chem operated
18. Sayer,PA	Third party operated	**26. Belfield, ND**	Third party operated
19. Farmington, NM	Third party operated	**27. Enid, OK**	Bri-Chem operated
20. Leetsdale, PA	Bri-Chem operated	**28. Chickashae, OK**	Bri-Chem operated
21. Tyler, TX	Bri-Chem operated	**29. Clinton, OK**	Bri-Chem operated
22. Alice, TX	Bi-Chem operated	**30. Big Springs, TX**	Third party operated
23. Casper, WO	Third party operated	**31. Houston, TX**	Third party operated
24. Myton, UT	Third party operated	**32. Huntsville, TX**	Third party operated

Customers

Bri-Chem's drilling fluids are sold to drilling fluid engineering companies that design sophisticated drilling fluid systems to help eliminate inefficiencies in the drilling process and provide drilling fluid expertise and technical support. Bri-Chem distributes products to over 100 customers in Canada and the United States. As at December 31, 2013 the Company had two major customers that made up approximately 17% (2012 – 25%) of total fluid sales. Bulk and truckload quantities of product are also delivered to our facilities where we blend, repackage and coordinate distribution of product to the customer. The repackaging and blending products are typically sold to drilling fluid engineering customers and well stimulation and completion companies.

Bri-Chem's steel products are sold to master distributors, who sell products to end users in the resource, industrial and construction industries. The Company also sells to master and major distributors through mill direct orders whereby orders for products are placed with the mills and shipped directly to its customers. Mill direct shipments allow us greater flexibility to meet the specific needs of our customers.

Bri-Chem's thermal expansion mill produces large diameter seamless pipe that is sold to customers that service the energy industry in Western Canada and the US. Customers are existing steel pipe distribution customers who require large diameter pipe 14" and larger. In addition, the division will be able to provide product to new customers within Canada and the US who require the large sizes as part of their steel pipe programs. The quick tooling change over time allows for production flexibility enabling the Company to accommodate smaller rush orders.

Specialized Skill and Knowledge

Bri-Chem employs sixteen customer sales representatives who provide technical expertise to the Company's fluids and steel pipe client base. Six of these personnel are located in Calgary, Alberta, where the majority of the oil and gas fluids business transactions are conducted for the fluids divisions in Canada and the US fluids division have six strategically placed sales personal to service the different geographic regions of the US fluids market. Sales personnel are responsible for customer service and order requests. In addition, sales personnel focus on supporting customers with technical questions and requests for product information. Each sales personnel are allotted a group of customers to service and manage, thus providing care and attention to changing customer needs. The steel pipe division has four sales representatives in Canada and two sales consultants located in the US that work on obtaining steel product sales throughout the East and Mid Western United States.

Personnel

Bri-Chem strives to be an extraordinary place to be employed. The Company values its employees and expects all employees to maintain the highest standards of conduct. Bri-Chem's Code of Conduct is designed to commit the Company and all employees, contractors, directors, and officers to performing business activities and operations with integrity and due regard to the public interest and interest of Bri-Chem shareholders. As at December 31, 2013 Bri-Chem, together with its subsidiaries, employed 174 employees (2012 - 132 employees). In addition, Bri-Chem has 10 contract staff at December 31, 2013 (2012 - 6 contractors). The following is a breakdown of the employees:

Company - Canada	Employees/Contractors	Company - USA	Employees/Contractors
Bri-Chem Corp.	2/Nil	Bri-Chem Supply Corp	36/4
Bri-Chem Supply	25/1	Bri-Chem Logistics	Nil
Sodium Solutions	19/1	Sun Coast	18/Nil
Bri-Steel Corporation	17/4		
Bri-Steel Manufacturing	57/Nil		

Suppliers

Bri-Chem has developed relationships with a number of drilling fluid suppliers including manufacturers and international chemical supply companies. These vendors are selected through superior products, pricing, availability and technical support. Bri-Chem's supply chain being secure and having its vendor's part of the team is an important factor in being a full service wholesale distribution company. Bri-Chem's vendor network is mainly based in North America but also includes numerous points around the globe such as India, China, South America and Europe. The Company's global procurement and logistics team are experienced within its specific industry and all markets around the world. Fluid purchases from the US make up approximately 48% (2012 – 19%) of total fluid purchases.

Bri-Chem purchases the majority of its steel pipe products and raw material mainly from Chinese steel manufacturers, and has established solid relationships with a number of vendors in China. The steel division has expanded its vendor network to include vendors from Vietnam, India, and the United States. Bri-Chem is not bound by any long-term commitments to purchase raw materials and is therefore able to purchase directly from manufacturers in quantities to meet our customer's ongoing demands.

Competition and Competitive Advantages

The Company operates in a competitive marketplace in Western Canada and the United States. The main competitors range from midsized privately owned companies to international public traded companies. Bri-Chem is able to compete effectively by providing competitive prices, providing reliable service to its customers and by maintaining a well stocked and broad distribution network. The low capital intensive distribution structure the Company employs, with third party independently owned warehouses, provides Bri-Chem a very scalable, low operating cost, distribution network.

Customer relationships are key to maintaining revenue and profitability. Customers rely on the technical expertise of the Company's sales personnel to meet their specific application needs and the Company's strong reliable vendor relationships both from within Canada and internationally. The reliability to deliver product on time to warehouses is critical in solidifying customer sales. See "Risk Factors – Competition and Industry Conditions".

Vendor relationships assist in controlling costs of products. Bri-Chem purchases products from various vendors throughout North America and Internationally. With a diverse selection of vendors it is able to monitor steel and fluid supply availability and pricing trends. Timely access to market information and economic outlook allows the Company to proactively manage inventory levels and prices.

The Company believes that due to its strategically located well stocked warehouses, it is able to provide customers with a diverse product selection and timely delivery. It also provides custom blending and mill direct shipments to meet special customer requests.

The Company has been successful in attracting and retaining committed and talented professionals. Our sales staff has on average of over 20 years' experience. Our members of senior management share the vision and direction of the Company and are committed to using their expertise to enable the Company to continue to grow and develop new markets and expand product offerings.

We attempt to manage our inventory to avoid unnecessary commitments of working capital while maintaining a sufficient level of inventory to respond to customer needs. Each warehouse is stocked to sufficient levels based on market activity within each region. We believe that our decentralized inventory management, and continued superior vendor relationships will allow us to monitor our costs of inventory and optimize our working capital.

The Company has completed several successful acquisitions in the past and will continue to seek out additional acquisition opportunities as a part of our growth strategy going forward. We believe our acquisitions are highly successful based on our ability to integrate these companies into the existing structure of Bri-Chem, while recognizing that some acquisitions will operate more efficiently and effectively if they are allowed to keep their own culture and operations.

We have entered into diverse business segments to provide for alternate revenue streams and to decrease its dependence on one market or industry. We attempt to identify and take advantage of opportunities for synergies between these diverse segments to continue our scalable and low-cost operating cost strategy.

Environment, Health & Safety

The Company is subject to a various federal, provincial, state and local environment laws and regulations governing the handling, storage, treatment and disposal of waste materials. The Company has safety coordinators to ensure compliance with all necessary safety and environmental regulations. Bri-Chem's management recognizes that an effective Health and Safety program has a positive impact on long-term business results. Accordingly, management supports the training, equipment and procedures needed to ensure the health and safety of all employees of Bri-Chem. Management has implemented a comprehensive set of environmental and safety policies including, but not limited to:

- A safety awareness program for all employees implemented, monitored and reported on by the corporate safety manager to the Executive;
- Safety policy and procedures manual along with an emergency response plan;
- Criteria, documentation and remediation of hazard assessments; and
- Capital investment and expenditures to correct deficiencies as they are identified.

RISK FACTORS

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 AIF and Bri-Chem's other public disclosure documents, including the managements' discussion and analysis for the Company for the year ended December 31, 2013. 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.

Risks Relating to Bri-Chem and its Business

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 and steel products 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.

Inventory Risk

The Company distributes to markets that are highly sensitive to price, quality of product and timeliness of the delivery and adequate supply levels. In addition, product sales are dependent on demand and demand fluctuates with the seasonality of the drilling industry in Western Canada. The Company purchases products to stock warehouses to sufficient levels to meet the demands of customers. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and optimal customer service. Since the Company maintains significant quantities of inventory, the value is subject to the risk of changing prices.

Ability to Maintain Obligations Under Asset-Based Lending Facility and Other Debt

Bri-Chem has borrowed a considerable amount of cash under its ABL and subordinate debt facilities. Bri-Chem is required to satisfy certain financial covenants in order to maintain its good standing under the ABL and subordinate debt facilities. Bri-Chem may from time to time enter into other arrangements to borrow money in order to fund its operations and expansion plans, and such arrangements may include covenants that have similar obligations or that restrict its business in some way. Events may occur in the future, including events out of Bri-Chem's control that would cause Bri-Chem to fail to satisfy its obligations under the credit facilities or other debt instruments. In such circumstances, the amounts drawn under Bri-Chem's debt agreements may become due and payable before the agreed maturity date and Bri-Chem may not have the financial resources to repay such amounts when due. The credit facilities are secured by all of Bri-Chem's property. If Bri-Chem were to default on its obligations under the credit facility or other secured debt instruments in the future, the lender(s) under such debt instruments could enforce their security and seize all or significant portions of Bri-Chem's assets.

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company actively monitors its financing obligations, as well as its cash and cash equivalents to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost. The Company mitigates risk by maintaining adequate credit and lending facilities and through the management of its operational cash flows.

Market Price Volatility of Common Shares

The market price of the Company's common shares may be volatile. The volatility may affect the ability of shareholders to sell the common shares at an advantageous price. Market price fluctuations in the common shares may be due to the Company's operating results failing to meet the expectations of investors and stock market analysts in any quarter, downward revision in securities analysts' estimates, governmental regulatory actions, adverse change in market conditions or economic trends, acquisitions, business or asset dispositions and material announcements by the Company or its competitors, along with a variety of additional factors, including, but not limited to, those set forth in *"Cautionary Statement Regarding Forward-Looking Information"* herein. In addition, the stock markets, including TSX, may experience significant price and trading fluctuations. These fluctuations may result in volatility in the stock market prices that often has been unrelated or disproportionate to changes in operating performance. These market fluctuations may adversely affect the market prices of the Company's common shares.

Commodity Risk

The cost and availability of steel and selling prices fluctuate due to a number of factors beyond the Company's control, including global market conditions, foreign currency exchange rates, and demand for steel, trade sanctions, tariffs, competition and price surcharges. Fluctuations in availability and cost of steel and selling prices may materially affect our business, financial condition and cash flow. The Company has no material long-term, fixed price purchase contracts and we attempts to pass along all product costs were able to customers. To the extent the Company is not able to pass on the entire increase to its customers, its business, financial condition and cash flow may be materially affected.

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. The drilling industry is cyclical and the fluctuations in the level of oil and natural gas exploration and development activity have a direct impact on the Company's business. Any significant reduction in industry forecasted levels of drilling activity in the WCSB and the United States may severely reduce activity levels for the Company and the resulting cash flows. Future changes in oil and natural gas prices could result in substantial increases or decreases in total revenues of the Company. Prolonged financial instability could result in oil and natural gas projects being deferred or cancelled thereby limiting new revenue streams to the Company.

Supply Risk

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.

Government Trade Tariffs

The Company imports its steel products. Many of these imports may be subject to US or Canadian trade laws. Under these trade laws, duties can be imposed against dumped products, which are products sold at a price that is below domestic producer's sales price in its home market or at a price that is lower than its cost of production. Additional duties can be imposed against products that benefited from foreign government financial assistance. Both the US and Canada have filed antidumping cases against certain steel pipe from China. These antidumping cases may have dramatic impacts on the Company's access to product from its current suppliers. As a result of these charges, Bri-Chem has established relationships with manufacturers in countries such as Vietnam, India and the United States, however further charges could affect the Company's ability to source product in a timely manner.

Growth Risk

The Company intends to continue its growth through expansion into new geographic regions and diversification of products and services. There is no certainty that the Company will be successful in growing its operations or in managing its growth. The factors to be considered in the future growth will depend upon the Company's ability to expand into new geographic regions, establish new relationships with customers in the new markets penetrated and the ability to maintain those relationships, identify new business acquisitions that are suitable acquisition targets, maintain strong vendor relationships, successful management of expansion and obtaining required financing. If this growth and change is not managed effectively it could potentially affect the quality of the Company's products and services, margins and profitability.

Dependence on Oil and Gas Industry

The Company's revenue is primarily generated from customers servicing the oil and gas industry in Western Canada and the United States. As a result, the Company is susceptible to changes in the general economic conditions in this sector. A significant decline in general oil and gas production could affect Bri-Chem's business. Declines in this industry could be triggered by a number of events, including a decline in commodity prices for oil and gas, technology changes, regulatory changes, availability of alternative energy sources, and other changes in the industry.

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. In addition, many jurisdictions enforce road bans during such times that restrict the movement of heavy equipment. 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. There is greater drilling activity and therefore a greater demand for the Company's products in the winter season when the ground is frozen allowing the movement and operation of heavy equipment. This peak season typically runs from November to early March. However, if unseasonably warm temperatures in the winter occur it may prevent sufficient freezing, and drilling activity may be adversely affected, impacting the Company's operations and financial condition.

Concentration risk

The top seven customers of the Company account for approximately 39% of revenue for the year ended December 31, 2013, of which no single customer accounting for more than approximately 10%. The Company does not usually enter into long term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customers, any significant decrease in sales to a customer, or prices paid or any other changes to the terms of service with customers, could have a material adverse effect on the financial results, cash flows, and the overall financial condition of the Company.

Transportation and Distribution Network Risk

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

Credit Risk

The Company's revenues are predominantly from products sold to 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. During times of weak economic conditions, the risk of payment delays and failure to pay increases due to a reduction in customer's cash flow. Failure to collect accounts receivable from customers could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. The Company generally grants unsecured credit to its customers; however, it evaluates all new customers as appropriate and analyzes and reviews the financial health of its current customers on an ongoing basis.

The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company also closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customer's credit risk, historical trends and other economic information.

Insurance Risk

The Company maintains insurance coverage adequate to cover the risks associated with operations of the Company. Such insurance is subject to coverage limits and exclusions and may not cover the Company in all circumstances. There is no assurance that the Company's insurance coverage will be adequate to cover the Company's liabilities or will be generally available in the future. Future changes in insurance premiums could affect the Company's ability to purchase adequate insurance coverage and could impact the settlement of future claims. This could have a material adverse effect on the Company's ability to conduct normal business operations and on its financial conditions, results of operations and cashflow.

Fuel Prices

The Company incurs costs relating to fuel for its transportation company and as such higher fuel prices could have a material adverse effect on Bri-Chem's operations, results of operations and financial position. The Company mitigates this risk by implementing fuel economy, asset utilization, routine repairs and maintenance program and minimizing loss miles by utilizing back hauling.

Regulatory Compliance Risk

The operations of the Company are subject to laws and regulations relating to workplace safety and work health related regulations, the conduct of operations, and the transportation, storage and disposal of fluid products. The Company acts in the best interests to ensure it is compliant with such laws and regulations. As future laws and regulations change, this may give rise to additional expenditures or liabilities. Any change to laws or regulations could have an adverse effect on the operations of the Company and its financial condition, results of operations and cash flow.

Workplace Safety, Health and Wellness

The Company's employees may face workplace health and safety risks and hazards, which could potentially result in injury or lost time. The Company's Safety Program is in place to reduce risks to people, the environment and the Company's business, and is continually updated as new risks and hazards are identified. These risks and hazards could result in personal injury, loss of life, environmental damage, or other damage to the Company's property or the property of others. The Company cannot fully protect or insure against all these risks, and could become liable for damages arising from these events against which are not insured.

Regulations Affecting the Oil and Natural Gas Industry

The operations of the Company and its customers are subject to or impacted by a wide array of regulations in the jurisdictions in which they operate. As a result of changes in regulations and laws relating to the oil and natural gas industry, the Company's customers' operations could be disrupted or curtailed by governmental authorities. The high cost of compliance with applicable regulations could cause customers to discontinue or limit their operations and may discourage companies from continuing activities. As a result, demand for the Company's products and services could be substantially affected by regulations adversely impacting the oil and natural gas industry.

Product Liability Claims

Although Bri-Chem believes it offers superior products in the market place, the Company may at time to time have claims for damages resulting from misapplication of products or from product defects. The Company mitigates this risk by providing standard MSDS information for all fluids products and complete specifications for all steel products sold. However, the defense of claims could prove costly, therefore increasing the Company's expenses. If a claim would be successful or partially successful, it could result in monetary liabilities and future scrutiny from customers on products sold.

Income Tax Expense

The Company collects, accrues, and pays significant amounts of income taxes and has significant deferred tax liabilities and tax expense. The amounts reported are based on management's best estimates using currently enacted tax rules and accounting principles related to income tax reporting at the time of preparation. Tax interpretations, regulations, and legislation that pertain to the Company's activities are subject to continual change. There is a risk that the actual tax owing may differ from this amount, which could affect the Company's reported net income after tax and earnings per share reported. Management engages a third party specialist to review the calculation of deferred income taxes to help mitigate the risks in this area.

Interest Rate Risk

The Company is subject to interest rate risk from its financial leverage of its inventory and accounts receivable because they are based on floating rates of interest. The cash flow required to service the debt will fluctuate with changes in market rates. Increases in prime lending rates may reduce net profits after income tax. The Company has not entered into derivative arrangements to mitigate these risks.

Foreign Currency Risk

The Company is exposed to foreign currency fluctuations in relation to its sales and purchases in US dollars. Any change in the value of the Canadian dollar relative to the US dollar during a given financial reporting period would result in a foreign currency gain or loss on the translation of our US dollar denominated debt and assets into Canadian dollars. Therefore the Company is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not hedge inventories purchased specifically from US markets, instead the Company relies on its inventory turnover.

Integration of Acquisitions

The Company is expected to continue to grow through acquisitions. The Company may experience difficulties in integrating an acquired business into the existing operations, including but not limited to integrating administrative functions, financial reporting, operational and information systems, improvements in operational effectiveness, standardization of controls, policies and procedures and recognizing the synergistic opportunities of the combined entity. The success of the integration also depends on the ability to retain key employees of the acquired company.

Potential Liabilities from Acquisitions

In pursuing acquisitions, the Company conducts due diligence procedures on the business being acquired. It seeks to understand and identify all liabilities and representations of the business being acquired. Despite such efforts, there can be no assurance that the Company may not become subject to undisclosed liabilities as a result of acquisitions. Liabilities may exist which were not discovered during the due diligence process prior to completing the acquisition. This failure to discover potential liabilities may be due to various factors, such as our failure to accurately assess all of the pre-existing liabilities of the operations acquired or vendors failing to comply with laws. If this occurs, the Company may be responsible for such violations which could have a material adverse effect on the business.

Entering New Business Lines

The Company may enter into new business lines with new acquisitions or other opportunities for growth related to the current business of the Company. There is no guarantee that these new business lines will be successful in the marketplace to which they are directed. Management makes its best efforts to research and forecast future profitability of any new business ventures prior to commencing in any new endeavor, however there are underlying risks that are intangible at the time of entry. The success of any new venture is also dependent on the areas of sales and marketing, customer demand, market stability, existing barriers to entry, and other factors of product introduction.

Dependence on Key Personnel

The success of the Company will be dependent on the services of the members of its senior management. The experience and talents of these individuals will be a significant factor in the success and growth of the Company. The loss of one or more of these individuals could have a material adverse effect on the operations and business prospects of Bri-Chem, furthermore, as part of the Company's growth strategy, it must continue to hire highly qualified individuals, including financial, sales and operations personnel. There can be no assurance that the Company will be able to attract and retain qualified personnel in the future. The compensation program in place includes salary, benefits, and bonus structures, and is designed to provide fair compensation to all personnel and adequate performance incentives. Other non-monetary measures including training and development and recognition are used to ensure the culture stays focused on key personnel retention.

Ability to Achieve Profitability

There can be no assurance that the Company will be able to achieve profitability in future periods. The Company's future operating results will depend on a number of factors, including its ability to continue to successfully execute its corporate strategic plan. There can be no assurance that the Company will be successful in achieving the objectives of its corporate strategic plan or that its corporate strategic plan will enable it to maintain or sustain profitability. Failure to successfully execute any material part of the Company's strategic plan could have a material adverse effect on its business, financial condition, results or operations and cash flows.

Availability of Future Funding

The management of Bri-Chem expects the principal sources of funds will be cash generated from their operating activities and the borrowing capacity remaining under their credit facilities. In order to maintain its growth strategy, the Company may require additional equity or debt financing to meet its financing activities. There can be no assurance that additional financing will be available to Bri-Chem when needed or on terms acceptable to Bri-Chem. In addition, capital markets can be volatile and continued volatility could limit Bri-Chem's ability to obtain new financing, even if Bri-Chem has positive business results. Bri-Chem's inability to raise funding to support ongoing operations and to fund capital expenditures or acquisitions may limit Bri-Chem's growth or may have a material adverse effect upon Bri-Chem.

Environmental Liability

As a result of the Company's operations dealing with petroleum products and chemical additives used in connection with the transportation, storage and disposal of drilling fluid products, the Company is exposed to potential environmental liability in connection with its business. The Company maintains compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials, however, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. Although the Company enforces a program to identify and address contamination issues before acquiring or leasing properties, and attempts to utilize generally accepted operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under properties owned, leased, or operated by the Company prior to the Company owning, leasing or operating these properties. These properties and the wastes disposed thereon may be subject to environmental laws that could require the Company to remove the wastes or remediate sites where they have been released. Laws and regulations relating to the environment that apply to the business and operations of the Company is likely to change and become more stringent in the future. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Company cannot predict the nature of the restrictions that may be imposed. The Company may be required to increase operating expenses or capital expenditures in order to comply with any new environmental restrictions or regulations which could have a materially adverse effect on the operations of the Company and its financial condition, results of operations and cash flow.

Forward-Looking Information May Prove Inaccurate

By its nature, forward-looking information involves known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. In particular, this AIF includes information regarding Bri-Chem's ability to fund operational working capital and current and future strategic growth opportunities. These statements reflect the Company's current intention and its expectations regarding the success of its future strategic growth plans. The ability of Bri-Chem to successfully execute these plans, and its willingness to do so, are subject to risks and uncertainties. These include general economic conditions in Canada, the United States, and internationally; demand for oilfield services for drilling and completion of oil and natural gas wells; volatility in market prices for steel, oil, natural gas, and natural gas liquids and the effect of this volatility on the demand for oilfield services generally; competition; liabilities and risks, including environmental liabilities and risks inherent in oil and natural gas operations; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities and skilled management, technical and field personnel; ability to integrate technological advances and match advances of competitors; availability of capital; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; changes in legislation and the regulatory environment; changes to the royalty regimes applicable to entities operating in the WCSB; access to capital and the liquidity of debt markets; changes as a result of IFRS adoption; and fluctuations in foreign exchange and interest rates. Bri-Chem maintains substantial inventories of steel pipe to accommodate the just-in-time delivery requirements of its end users. Bri-Chem's commitments for steel pipe purchases are generally at prevailing market prices in effect at the time Bri-Chem places its orders. During periods of rising raw materials pricing, there can be no assurance Bri-Chem will be able to pass such increases on to end users. When raw material prices decline, end user demands for lower prices and competitors' responses to those demands could result in lower sale prices and consequently, lower margins as Bri-Chem uses existing inventory.

MARKET FOR SECURITIES, TRADING PRICE AND VOLUME

The Company's Common Shares are currently listed for trading on the TSX under the trading symbol "BRY". The following table set forth the reported high and low sales prices and trading volumes as reported by the TSX for the periods indicated.

Period	High	Low	Volume
December 2013	$ 1.53	$ 1.40	804,987
November 2013	1.75	1.50	571,913
October 2013	1.90	1.58	137,789
September 2013	1.85	1.52	357,958
August 2013	1.85	1.50	219,892
July 2013	1.90	1.53	278,787
June 2013	1.65	1.35	253,450
May 2013	1.70	1.20	1,302,004
April 2013	2.06	1.45	692,179
March 2013	2.16	1.76	476,887
February 2013	2.13	1.88	281,131
January 2013	2.25	2.00	145,792

DIVIDEND POLICY

No dividends have been declared or paid on any class of shares of the Company this past year. It has been determined that no dividends will be paid in the immediate future as management anticipates reinvesting profits for future growth. Any decision to pay dividends on the Company's Common Shares will be made by the Board of Directors on the basis of our earnings, financial requirements and other conditions existing at such future time. The Company may issue Preferred Shares that have preference over the Common Shares with respect to the payment of dividends, in which case such preference may prevent the Company from paying dividends on the Common Shares.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series with such rights and restrictions as are determined by the Board of Directors of the Company. As of the date hereof, there were 24,010,736 Common Shares issued and outstanding and no Preferred Shares issued and outstanding.

Common Shares

The Company is authorized to issue an unlimited number of shares, designated as Common Shares. The holders of the Common Shares have the right to vote at any meeting of shareholders of the Company (other than meetings of holders of other classes of shares), have the right to receive any dividend declared by the Board of Directors of the Company, and have the right to receive the remaining property of the Company on its dissolution, liquidation, winding up or other distribution of its assets or property among its shareholders for the purpose of winding up its affairs. The rights of the holders of Common Shares are subject to the rights attaching to any other class or series of shares currently outstanding or hereafter created and expressed to rank in priority to the Common Shares.

Preferred Shares

The Company is also authorized to issue an unlimited number of shares, designated as Preferred Shares. The Board of Directors may at any time issue any Preferred Shares in one or more series, each series to consist of such number of shares as may be determined by the Board of Directors. The Board of Directors may determine at the time of issuance the designation, rights privileges, restrictions and conditions attaching to the shares of each series. The Preferred Shares, and each series thereof, have priority and preference over the Common Shares in respect of rights to receive any dividends declared by the Company and in respect of rights to receive the remaining property of the Company on its dissolution, liquidation, winding up or other distribution of its assets or property among its shareholders for the purpose of winding up its affairs.

On January 15, 2011, the Company`s subsidiary, BMI, issued 2,100,000 series 1 preferred shares to Wuxi as per the April 26, 2010 agreement. BMI agreed that, upon delivery to the Corporation and installation by Wuxi of certain manufacturing equipment (which delivery and installation has been completed), Wuxi was to be issued as fully paid and non-assessable, preferred shares of BMI with a redemption amount equal to $2,096,467.

On August 1, 2013, Wuxi exchanged 2,100,000 Preferred, Series 1 non-puttable shares, and inventory and equipment investments for common shares of the subsidiary at cost, and cancelled an option granted to the Company to repurchase Wuxi's common shares of the subsidiary, to which no value had been attached. This exchange did not have any effect on the consolidated balance of non-controlling interest as of December 31, 2013.

Warrants

On November 30, 2012, the Company issued 300,000 warrants to Fulcrum as part of a subordinate debt financing. Each warrant entitles the holder to purchase one common share of the Company at a price of $1.77 per common share, with an expiration date of December 5, 2016. The Company has the option to call the option at 30% above the exercise price. As at December 31, 2013, no warrants had been exercised under this issue.

Options to Agents

As at December 31, 2013, there are no options to agents or underwriters.

Escrow and Restricted Shares

On May 31, 2011, the Company acquired all of the outstanding membership interest of BSU and Stryker, a Colorado limited liability drilling fluid wholesale distribution business, and transportation and long-haul business. The purchase price of $1,906,735 included the issuance of 171,429 Common Shares at a fair market value of $488,251. The Common Shares have a resale restriction attached to them that expire as to 57,143 Common Shares on May 31, 2012, 51,143 on May 31, 2013 and 51,143 on May 31, 2014.

On December 31, 2012, the Company acquired all of the outstanding shares of General, an Oklahoma based drilling fluid wholesale distribution business. The purchase price of $2,541,459 ($2,500,000 USD), included the issuance of 95,451 Common Shares at a fair market value of $148,546. The Common Shares have a resale restriction attached to them that expire as to 31,817 on December 31, 2014 and 31,817 on December 31, 2015.

Stock Options

The Company has developed a Stock Option Plan for granting stock options to directors, officers, consultants and employees of the Company and its affiliates. The expiry date and exercise price of the options granted are determined and fixed by the Board of Directors at the time of grant, subject to regulatory requirements. Options granted under the plan are vested as determined by the Board of Directors, subject to regulatory requirements. The Company has a total of 1,265,000 stock options outstanding at December 31, 2013.

Normal Course Issuer Bid

During 2013, the Company had a Normal Course Issuer Bid (“NCIB”) with the Toronto Stock Exchange. Under the NCIB, the Company was permitted to acquire up to 1,103,327 of its common shares during the period December 17, 2012 to December 17, 2013. All common shares purchased through the bid were cancelled. At

December 31, 2013, 118,176 shares had been repurchased for cancellation under the NCIB for cash consideration of $184,951.

Credit Facilities

Effective August 12, 2011, the Company entered into a new secured ABL Facility with CIBC and HSBC. The ABL Facility is subject to a borrowing base that is calculated as a percentage of specified value of eligible inventory and accounts receivable to a maximum of $80,000,000.

The initial term of the ABL Facility was for three years and the initial advance repaid the outstanding amounts in full to its former credit facility lender HSBC totaling $36,060,524 CDN and $1,718,883 USD. This included amounts of $1,200,986 CDN to settle the outstanding balance on the HSBCC subordinated debenture, $1,437,863 CDN to settle outstanding amounts on the HSBC committed non-revolving loan, and $33,421,675 CDN and $1,718,883 USD to settle the outstanding bank indebtedness balance. In addition, the Company also repaid $1,000,000 plus interest on the previously postponed promissory notes that were due on October 2010.

The ABL Facility was secured by a general security agreement covering all present and after acquired property and postponements of claims from related parties. The ABL Facility bared interest at the Company's discretion at prime plus 0.25% or LIBOR plus 1.75% or bankers' acceptance rate plus 1.75%, and a standby fee of 0.25% on unused amounts of the ABL Facility.

On November 14, 2013 the Company amended the terms of the ABL Facility to increase the borrowing base up to a maximum of $90,000,000 (December 31, 2012 - $80,000,000), reducing interest rates and extending the maturity of the facility to August 12, 2016. Under the revised terms, the ABL Facility bears interest either at prime rate or bankers' acceptance rate plus 1.50% or LIBOR plus 1.50%, a collateral management fee of $1,500 per month and a standby fee of 0.25% on unused amounts of the ABL Facility. The Company also changed financial covenants by replacing the minimum adjusted tangible net worth covenant with a minimum fixed charge coverage ratio covenant.

As at December 31, 2013, $53,495,254 (December 31, 2012 - $44,398,833), net of unamortized transaction costs of $429,444 (December 31, 2012 - $500,304) was drawn on the ABL Facility. The Company incurred a total of $174,183 of transaction costs directly related to the amendments of ABL Facility terms in 2013 (2012: nil), which will be amortized into profit or loss over the revised term of the loan.

Significant financial covenants under the revised terms of the ABL Facility include a minimum fixed charge coverage ratio and a maximum on annual capital expenditures. As at December 31, 2013, the Company was in compliance with its covenants.

Effective November 30, 2012, the Company secured a subordinated debt facility with Fulrcum. The initial term of the sub debt facility is for five years and is secured by a second charge general security agreement coving all present and after acquired property and postponement of claim from related parties. The sub debt facility bears interest at 11.50%, with repayments of interest only for the first fifteen months of the agreement. Total transaction costs relating to the subordinate debt facility amounted to $333,424.

The subordinated debt facility contains financial covenants that are consistent with the ABL Facility, in addition the Company must maintain a funded debt to EBITDA ratio of 1.50 to 1. As at December 31, 2013, the Company was in compliance with its covenants.

OFFICERS AND DIRECTORS

The following table sets out the Company's officers and directors. The table includes the individuals' name, municipality of residence, principal occupation and number of Common Shares beneficially owned or controlled.

DIRECTORS and OFFICERS	POSITION PRESENTLY HELD	PRINCIPAL OCCUPATION	NUMBER AND PERCENTAGE OF ISSUED COMMON SHARES HELD AS AT DECEMBER 31, 2013
Don Caron (2)(3) Edmonton, Alberta, Canada	Chairman, Chief Executive Officer & Director (director since July 1997)	CEO of Bri-Chem Corp.	847,400 (3.5%)
Brian Campbell (1) Edmonton, Alberta, Canada	Director (director since January 2007)	Former President of Bri-Chem Supply Ltd. & Sodium Solutions Inc.	2,138,750 (8.9%)
Eric Sauze (1)(2)(3) Edmonton, Alberta, Canada	Director (director since January 2007)	Partner and Chief Financial Officer of JAG Flocomponents LP, Former Chief Financial Officer of Commerical Solutions Inc.	27,300 (0.2%)
Albert Sharp (1)(2) Parkland County, Alberta, Canada	Director (director since January 2007)	Former Chief Operating Officer of All West Surveys Limited Partnership	220,000 (0.9%)
Jason Theiss Edmonton, Alberta, Canada	Chief Financial Officer	CFO of Bri-Chem Corp	nil
Trent Abraham Linden, Alberta, Canada	President of Fluids Division	Former General Manager of Bri-Chem Supply Ltd.	201,607 (0.8%)
Neil Rasmussen Sherwood Park, Alberta, Canada	President of Steel Division	President of Bri-Steel Corporation & Bri-Steel Manufacturing Inc.	604,851 (2.5%)

Notes:
(1) Member of audit committee
(2) Member of corporate governance and compensation committee
(3) Member of the corporate disclosure committee

As at December 31, 2013, the directors and officers of Bri-Chem beneficially owned, as a group, directly or indirectly, common shares of the Company, representing 16.7% of the issued and outstanding common shares of the Company as at that date.

The Board of Directors has three standing committees and at March 31, 2014 comprised as follows:

a) Audit Committee is comprised of Eric Sauze, Brian Campbell and Albert Sharp;
b) Corporate Governance and Compensation Committee is comprised of Don Caron, Eric Sauze, and Albert Sharp;
c) Corporate Disclosure Committee is comprised of Don Caron, Eric Sauze and the Company's general counsel.

Cease Trade Orders or Bankruptcies

Other than stated below, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially control of the Company:

(a) is, as at the date of this AIF or has been, within the 10 years before the date hereof, a director or executive officer of any company (in the Company), that while that person was acting in that capacity:

(i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, other than noted below;

(ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the past 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Don Caron was a director of Synergy Acquisitions Corp., which on May 7, 2007 became subject to a cease trade order for failure to file its audited financial statements and management's discussion and analysis for the year ended December 31, 2006 on a timely basis. The company subsequently filed the December 31, 2006 financial statements and management's discussion and analysis on September 5, 2007 and is now current with all financial statement and related MD&A filings. The cease trade order was subsequently revoked on December 1, 2010. Don Caron ceased to be a director on October 29, 2013.

Penalties or Sanctions

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

Conflicts of Interest

Certain directors and officers of the Company and its subsidiaries are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors of the Company have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Company will only be able to devote part of their time to the affairs of the Company. In particular, certain of the directors and officers are involved in managerial and/or director positions with other oil and gas related companies whose operations may, from time to time, provide financing to, or make equity investments in, competitors of the Company. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE

Audit Committee Mandate and Terms of Reference

The Mandate and Terms of Reference of the Audit Committee of the Board of Directors is attached hereto as Schedule "A".

Composition of the Audit Committee

The Audit Committee of the Company is currently comprised of Eric Sauze (Chair), Brian Campbell and Albert Sharp. All members of the audit committee are considered "independent" (as determined under National Instrument 52-110 Audit Committees ("NI 52-110")) and financially literate.

Relevant Education and Experience

Each member of the Audit Committee has served in senior positions within their respective organizations and/or served as directors of public and private companies, which has afforded them the opportunity to gain familiarity with financial matters relevant to Bri-Chem.

Eric Sauze, CA, CFA - Director

Mr. Sauze is a resident of Edmonton, Alberta, a member of the Institute of Chartered Accountants of Alberta, a Chartered Financial Analyst and currently a partner and Chief Financial Officer of JAG Flocomponents LLP. Mr. Sauze was the former Chief Operating Officer and Chief Financial Officer of Commercial Solutions Inc. and prior to these roles, Mr. Sauze was a senior auditor with an international accounting firm. His responsibilities included the audit of financial offering prospectuses for TSX listed companies in the forestry, utility and distribution industries. Mr. Sauze has a Bachelor of Management from the University of Lethbridge and a Bachelor of Arts (Economics) from the University of Alberta.

Brian Campbell - Director

Mr. Campbell is a resident of Edmonton, Alberta and is the former President of Bri-Chem Supply Ltd. and Sodium Solutions Inc. Mr. Campbell was the founder of Bri-Chem Supply Ltd. in 1985 and has extensive knowledge of warehousing product, costing and managing inventory levels. Prior to owning Bri-Chem, Mr. Campbell was involved in various capacities in the drilling fluid industry.

Albert Sharp - Director

Mr. Sharp is a resident of Parkland Country, Alberta and is the former Chief Operating Officer of All West Surveys LLP, a partnership residing under the Altus Group Income Fund (TSX:AIF.UN). Mr. Sharp was a director of Altus and is formerly a member of the Canadian Institute of Geomatics, The International Right of Way Association, and The Alberta Association of Surface Land Agents. Mr. Sharp has been involved in the oil and gas ventures in Alberta for the past several years and has given freely of his time having served as a member of the Survey Technician Advisory Committee for the Alberta Vocational College at Lesser Slave Lake, the Board of Directors of the Edmonton Petroleum Club and the Board of Directors of the Edmonton Petroleum Golf & Country Club.

Reliance on Certain Exemptions

The Company has not relied on the exemptions contained in NI 52-110.

Audit Committee Oversight

The Board of Directors has adopted all recommendations of the Audit Committee with respect to the nomination or compensation of an external auditor.

Pre-Approval Policies and Procedures

The Company has not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee reviews the engagement of non-audit services as required.

External Auditor Service Fees

The aggregate amounts incurred by the Company with respect to fees paid to Grant Thornton LLP, Bri-Chem's external auditors, for audit, audit-related, tax and other services during the fiscal years ended December 31, 2013 and 2012 were as follows:

Type of Work		**Fees**	**Percentage**
Fiscal 2013			
Audit fees (1)	$	275,737	64.50%
Audit -related fees (2)		102,957	24.08%
Tax related services (3)		48,785	11.41%
All other fees (4)		-	0.00%
Total	$	427,479	100%
Fiscal 2012			
Audit fees (1)	$	244,626	75.25%
Audit -related fees (2)		46,075	14.17%
Tax related services (3)		33,390	10.27%
All other fees (4)		1,000	0.31%
Total	$	325,091	100%

(1) Audit fees consist of fees for the audit of Bri-Chem's annual financial statement.
(2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of Bri-Chem's financial statement and are not reported as audit fees. These fees include quarterly review engagements, and review of the prospectus in connection with equity.
(3) Tax fees consist of fees for tax compliance services. These fees include the preparation of corporate income tax returns.
(4) Other fees relate towards assistance of Bri-Chem's IFRS implementation program and other financial reporting and assurance matters.

LEGAL PROCEEDINGS OR REGULATORY ACTIONS

Management of Bri-Chem is not aware of any existing or contemplated legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

Management of the Company is not aware of any penalties or sanctions imposed against Bri-Chem by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2013 or any other penalties or sanctions imposed by a court or regulatory body against Bri-Chem that would likely be considered important to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

Other than described elsewhere in this AIF, there are no material interests, direct or indirect, of directors, senior officers of the Company, any shareholder who beneficially owns, directly or indirectly, more than ten percent of the outstanding Common Shares or any known associate or affiliates of such persons, in any transaction within the last three years or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

TRANSFER AGENT

The registrar and transfer agent for the Company is the Computershare Company of Canada, Suite 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8.

MATERIAL CONTRACTS

Within the two years prior to the date hereof, neither the Company nor any subsidiary of the Company has entered into any contracts within the financial year ended December 31, 2013 or prior thereto, other than contracts in the ordinary course of business, except as follows:

Agency agreement dated effective November 28, 2013 between Bri-Chem and Cormark Securities Inc., Beacon Securities Limited, and Paradigm Capital Inc. for the purpose of a public offering financing in December 2013.

INTEREST OF EXPERTS

Mr. Gary Biasini and/or related parties of Mr. Biasini, a taxation lawyer with Denton's LLP, legal counsel representing Bri-Chem, owns less than 1% of the issued and outstanding Common Shares of the Company.

ADDITIONAL INFORMATION

Financial information related to the Company is provided in the Company's December 31, 2013 and 2012 audited financial statements and associated MD&A. Information, including directors' and officers' remuneration, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent annual meeting of security holders that involved the election of directors. Additional information relating to the Company is on SEDAR at www.sedar.com or alternatively, security holders may contact Jason Theiss, Chief Financial Officer, 2125 - 64 Avenue, Edmonton, Alberta T6P 1Z4 (Phone: 780.577.0595).

Appendix A

THE AUDIT COMMITTEE'S CHARTER

Purpose

The overall purpose of the Audit Committee (the "Committee") of Bri-Chem Corp. (the "Corporation") is to ensure that the Corporation's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements and related financial disclosure of the Corporation, and to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of financial information. It is the intention of the Board of Directors, through the involvement of the Committee that the external audit will be conducted independently of the Corporation's management to ensure that the independent auditors serve the interests of shareholders rather than the interests of management of the Corporation. The Committee will act as a liaison to provide better communication between the Board of Directors and the external auditors. The Committee will monitor the independence and performance of the Corporation's independent auditors.

Composition, Procedures and Organization

1. The Committee shall consist of a minimum of three members of the Board of Directors (the "Board").

2. A majority of the members of the Committee shall be independent and the Board, who in the opinion of the Board, would be free from a relationship which would interfere with the exercise of the Committee members' independent judgment. At least two (2) members of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices applicable to the Corporation. For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

3. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.

4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair and a secretary from among their number.

5. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

6. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

7. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

Roles and Responsibilities

8. The overall duties and responsibilities of the Committee shall be as follows:

   (a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements and related financial disclosure;

   (b) to establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;

   (c) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and

   (d) to report regularly to the Board on the fulfillment of its duties and responsibilities.

9. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:

   (a) to recommend to the Board a firm of external auditors to be engaged by the Corporation, and to verify the independence of such external auditors;

   (b) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;

   (c) review the audit plan of the external auditors prior to the commencement of the audit;

   (d) to review with the external auditors, upon completion of their audit:

      i. contents of their report;
      ii. scope and quality of the audit work performed;
      iii. adequacy of the Corporation's financial and auditing personnel;
      iv. co-operation received from the Corporation's personnel during the audit;
      v. internal resources used;
      vi. significant transactions outside of the normal business of the Corporation;
      vii. significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
      viii. the non-audit services provided by the external auditors;

   (e) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles; and

   (f) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.

10. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:

   (a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;

(b) review and approve the internal audit plan; and

(c) review significant internal audit findings and recommendations, and management's response thereto.

11. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

(a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;

(b) review compliance under the Corporation's business conduct and ethics policies and to periodically review these policies and recommend to the Board changes which the Committee may deem appropriate;

(c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and

(d) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

12. The Committee is also charged with the responsibility to:

(a) review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;

(b) review and approve the financial sections of:

i) the annual report to shareholders;
ii) the AIF, if required;
iii) annual and interim MD&A;
iv) prospectuses;
v) news releases discussing financial results of the Corporation; and
vi) other public reports of a financial nature requiring approval by the Board, and report to the Board with respect thereto;

(c) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;

(d) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;

(e) review and report on the integrity of the Corporation's consolidated financial statements;

(f) review the minutes of any audit committee meeting of subsidiary companies;

(g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;

(h) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information; and

(i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors following each annual general meeting of shareholders.

13. The Committee shall have the authority:

(a) to engage independent counsel and other advisors as it determines necessary to carry out its duties,

(b) to set and pay the compensation for any advisors employed by the Committee; and

(c) to communicate directly with the internal and external auditors.

Caveats

14. It is not the Committee's duty to plan or conduct audits to determine that the Corporation's financial statements are complete and accurate and are in accordance with international financial reporting standards or generally accepted accounting principles, as the case may be, and assure compliance with governing laws and regulations. This is the responsibility of management and the independent auditors.