

Bri-Chem Announces 2022 Third Quarter Financial Results

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Edmonton, Canada, November 14, 2022 – Bri-Chem Corp. (“Bri-Chem” or “Company”) (TSX: BRY), a leading North American oilfield chemical distribution and blending company, is pleased to announce its 2022 third quarter financial results.

(in '000s except per share amounts)	Three months ended				Nine months ended			
	September 30		Change		September 30		Change	
	2022	2021	\$	%	2022	2021	\$	%
Financial performance								
Sales	\$ 28,986	\$ 16,461	\$ 12,525	76%	\$ 77,991	\$ 41,861	\$ 36,130	86%
Adjusted EBITDA ⁽¹⁾	1,716	980	736	75%	5,941	2,534	3,407	134%
As a % of revenue	6%	6%			8%	6%		
Adjusted operating earnings ⁽¹⁾	2,049	772	1,277	165%	6,784	1,719	5,065	295%
Adjusted net earnings ⁽¹⁾	812	348	463	133%	3,369	546	2,823	517%
Net earnings	\$ 500	\$ 348	\$ 152	44%	\$ 8,613	\$ 533	\$ 8,080	1516%
Diluted per share								
Adjusted EBITDA ⁽¹⁾	\$ 0.06	\$ 0.04	\$ 0.02	49%	\$ 0.22	\$ 0.10	\$ 0.12	125%
Adjusted net earnings ⁽¹⁾	\$ 0.03	\$ 0.01	\$ 0.02	137%	\$ 0.13	\$ 0.02	\$ 0.11	550%
Net earnings	\$ 0.02	\$ 0.01	\$ 0.01	69%	\$ 0.33	\$ 0.02	\$ 0.31	1550%
Financial position								
Total assets					\$ 71,785	\$ 36,537	\$ 35,248	96%
Working capital					15,430	10,386	5,045	49%
Long-term debt					5,100	6,899	(1,799)	(26%)
Shareholders equity					\$ 22,669	\$ 10,997	\$ 11,672	106%

⁽¹⁾ Non-GAAP financial measure. Refer to “Non-GAAP Financial Measures” in this press release.

Key Q3 2022 highlights include:

- Consolidated sales for the three months ended September 30, 2022 were \$29 million, an increase of 76% compared to the same period last year due to stronger performance in the fluids distribution divisions in Canada and the United States as the industry is facing a significant resurgence following the easing of global economic restrictions that were in place due to the coronavirus (“COVID-19”) health pandemic.
- Adjusted EBITDA for the third quarter 2022 was \$1.7 million versus \$980 thousand in Q3 2021, representing a 75% increase year over year. The increase is primarily related to improved sales against modest overhead increases from the prior year.
- Adjusted operating earnings was \$2 million for the three months ended September 30, 2022 compared to adjusted operating earnings of \$772 thousand in the prior year comparable quarter, representing a 165% increase.
- Adjusted net earnings per diluted share for the three months ended September 30, 2022 was \$0.03 per share compared to \$0.01 per diluted share for same period last year.
- Working capital, as at September 30, 2022, was \$15.4 million compared to \$10.4 million at September 30, 2021, an increase of 49%. The increase relates to notable increases in accounts receivable and inventory balances in response to increasing market momentum, partially offset by increases to bank indebtedness and accounts payable balances.

Summary for the three months ended September 30, 2022:

Consolidated sales for the three months ended September 30, 2022 were \$29 million compared to \$16.5 million for the same period in 2021, representing an \$12.5 million increase over the comparable period. The increase is due to increased drilling activity across most operating regions within Canada and the United States.

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$3.8 million for the three months ended September 30, 2022 compared to \$3.5 million in the comparable prior period. The increase in sales predominantly relates to the higher drilling activity levels in 2022 than 2021. The number of active operating land rigs in Q3 2022 averaged 198, compared to 150 in the same period last year amounting to an increase of 32% over Q3 2021 (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of \$18.4 million for the three months ended September 30, 2022 compared to sales of \$9.5 million for the comparable period in 2021, representing a quarterly increase of 93%. This increase relates to the corresponding increase in rig activity in Q3 2022. The number of active operating land rigs in Q3 2022 averaged 741, compared to a 2021 Q3 average of 484, representing an increase of 53%. (Source: Baker Hughes).

Bri-Chem's Canadian Blending and Packaging division generated sales of \$3.6 million for the three months ended September 30, 2022 compared to Q3 2021 sales of \$1.8 million, representing a quarterly increase of \$1.8 million. The increase in sales relates to increased cementing and stimulation activities in response to increased drilling. US Blending and Packaging sales for the three months ended September 30, 2022 were \$3.2 million compared to \$1.7 million in the prior year. The surge relates to increased cementing activities in specific operating regions.

Adjusted operating earnings for the three months ended September 30, 2022 was \$2 million compared to \$772 thousand during the same period last year. Adjusted EBITDA was \$1.7 million for Q3 2022 compared to \$980 thousand for Q3 2021. The increase is primarily related to increased drilling activity in most operating regions within Canada and the United States. Adjusted EBITDA as a percentage of sales was 6% for the quarter.

OUTLOOK

The outlook for oilfield services continues to be positive with steady demand for our products and services particularly in the Company's United States operating segments. Rig counts in both Canada and the USA continue to climb relative to previous periods despite the volatility in WTI commodity pricing. Management continues to build and stockpile critical inventories in most warehouses in order to support the expected surge in activity for 2023 as crude oil forecasts for domestic production are to exceed 2022 levels and the record high realized in 2019 (Source: U.S. Energy Information Administration). Fourth quarter activity to date has been steady, however, as is typical with holiday seasonality factors impacting the fourth quarter, activity is expected to slow as the quarter progresses. Canadian divisional activity, currently representing 26 percent of total Company revenue year to date, improved in the third quarter due to strong industry conditions. We expect activity to continue to remain steady over the fourth quarter and improve into the first quarter of 2023 as operations enter the winter drilling season. United States divisional activity, currently representing 74 percent of total Company revenue year to date, significantly improved during the third quarter of 2022, due to robust industry conditions, and is expected to remain steady in the fourth quarter and improve into the first quarter of 2023.

About Bri-Chem

Bri-Chem has established itself, through a combination of strategic acquisitions and organic growth, as the North American industry leader for wholesale distribution and blending of oilfield drilling, completion, stimulation and production chemical fluids. We sell, blend, package and distribute a full range of drilling fluid products from 26 strategically located warehouses throughout Canada and the United States. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

To receive Bri-Chem news updates send your email to ir@brichem.com.

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Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking information or forward-looking statements (collectively, "forward-looking statements"). These statements relate to future events or future performance. The use of any of the words "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking statements and are based on the Company's current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially.

Although the Company believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. By their nature, such forward-looking statements are subject to various risks and uncertainties, which could cause actual results to differ materially from the anticipated results or expectations expressed herein. These risks and uncertainties, include, but are not limited to general economic conditions, prevailing and anticipated industry conditions, access to debt and equity financing on acceptable terms, levels and volatility of commodity prices, maintained demand for drilling fluids, market forces, ability to achieve geographic expansion through new warehouse locations, anticipated impact of new warehouse locations, ability to obtain equipment from suppliers, ability to maintain negotiating power with suppliers and customers, ability to obtain and retain skilled personnel, competition from other industry participants and regulatory conditions. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this press release or otherwise. Except as required by applicable law, the Company does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Non-GAAP Financial Measures

Bri-Chem uses certain measures in this press release which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures, which are derived from information reported in the Company's financial statements, may not be comparable to similar measures presented by other reporting issuers. Investors are cautioned that these measures should not be

construed as an alternative to net earnings and operating earnings determined in accordance with IFRS, and these measures should not be considered to be more meaningful than IFRS measures in evaluating the Company's performance. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company. These Non-IFRS measures are identified and defined as follows:

Adjusted Net Earnings/(Loss), Adjusted Net Earnings/(Loss) per share, Adjusted EBITDA, and Adjusted EBITDA per share

Adjusted Net Earnings/Loss are defined as net earnings/(loss) before non-recurring events, net of corporate income taxes ("**Adjusted Net Earnings/(Loss)**"). Adjusted Net Earnings/Loss per share is defined as Adjusted Net Earnings/Loss divided by diluted weighted average common shares. Management believes that in addition to net earnings/(loss), Adjusted Net Earnings/(Loss) and Adjusted Net Earnings/(Loss) per share are useful supplemental measures that represent normalized net earnings/(loss) from the business so that financial statement users can make insightful comparisons between current periods and historical results.

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment charges, share-based payments, and non-recurring events ("**Adjusted EBITDA**"). Adjusted EBITDA per share is defined as Adjusted EBITDA divided by diluted weighted average common shares. Management believes that in addition to net earnings, Adjusted EBITDA and Adjusted EBITDA per share are useful supplemental measures of operating performance that normalize financing, depreciation, income tax, and other non-recurring charges which are not controlled at the operating level. The following table provides a reconciliation of Net Earnings/(Loss) under IFRS, as disclosed in the interim financial statements, to Adjusted Net Earnings/(Loss) and Adjusted EBITDA:

(in 000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Net earnings	\$ 500	\$ 348	\$ 8,613	\$ 533
Add:				
Restructuring costs ⁽¹⁾	-	-	-	13
Less:				
Deferred tax (credit) / expense	312	-	(4,351)	-
Property and equipment impairment reversal	-	-	(893)	-
Adjusted net earnings	812	348	3,369	546
Add:				
Financing costs	642	429	1,762	1,247
Income tax expense	-	(33)	31	35
Depreciation and amortization	263	237	779	706
Adjusted EBITDA	\$ 1,716	\$ 980	\$ 5,941	\$ 2,534

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

Adjusted Operating Earnings

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

(in 000's)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Operating earnings	\$ 2,049	\$ 772	\$ 6,784	\$ 1,706
Add:				
Restructuring costs ⁽¹⁾	-	-	-	13
Adjusted operating earnings	2,049	772	6,784	1,719

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