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## BRI-CHEM ANNOUNCES SECOND QUARTER RESULTS

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**Edmonton, Canada, August 14, 2012 – Bri-Chem Corp. ("Bri-Chem" or "Company") (TSX Exchange: BRY)** a leading North American wholesale distributor and manufacturer of oil and gas drilling fluids and steel pipe is pleased to announce its financial results for the second quarter ended June 30, 2012.

During the second quarter of 2012, Bri-Chem generated consolidated revenues of \$30,931,414, an increase of 20.0% for the quarter, compared to \$25,770,316 from the prior year. Sales growth in Q2 was driven by USA fluids and transportation sales, which hit a record \$6.4 million, and by the steel pipe distribution and manufacturing divisions which generated combined sales of \$10.1 million as compared to \$7.4 million in 2011. Consolidated revenues for the six months ended June 30, 2012 were \$83,497,862 compared to \$76,417,804 for the first half of 2011, an increase of 9.3%. Earnings before interest, taxes, amortization and share-based payments expense ("EBITDAC") were \$181,640 or \$0.01 per share and \$5,482,085 or \$0.31 per share respectively for the three and six month periods ended June 30, 2012, compared to \$1,434,502 and \$5,839,572 respectively for the same periods in 2011. The Company incurred a net loss of \$769,807 or \$0.03 loss per share for the quarter and \$2,123,796 or \$0.15 earnings per share for the six months ended June 30, 2012 as compared to net earnings of \$436,757 and \$3,069,213 respectively for 2011.

The North American oil and gas drilling fluids division recorded sales of \$17,975,932 and \$61,401,842 respectively for the three and six month periods ended June 30, 2012, consistent to the same periods in 2011. In Canada, drilling rig utilization averaged 22.0% for the second quarter which was a decrease of 2.0% compared with the same period last year when utilization rates averaged 24.0%. The number of wells drilled during the first half of 2012 is down 8.1% compared to 2011. The decrease in the number of wells drilled is a result of weaker natural gas and oil prices along with the discount of Canadian oil against the WTI price. This has resulted in less demand for the Company's drilling fluids and a decrease in revenues of 14% year over year. The Petroleum Services Association of Canada (PSAC) has forecasted 3,672 wells to be drilled in Canada for the third quarter of 2012, which is a slight decline over 2011. The Company is cautiously optimistic that activity levels will remain consistent with those of the second half of 2011.

The Company's USA drilling fluids and transportation subsidiaries, acquired on June 1, 2011, generated sales of \$6,410,330 and \$9,338,612 respectively for the three and six months ended June 30, 2012. The division continued its geographic expansion with the addition of two new warehouses in the first half of 2012 bringing the total warehouse count up to ten. The USA division has quickly established a national geographic network to service customers in all major resource plays in the USA. The infrastructure growth in late 2011 and early 2012 has resulted in increased sales growth and broader territorial coverage.

The steel pipe distribution division recorded sales of \$10,110,382 and \$17,086,494 respectively for the three and six month periods ended June 30, 2012, increases of 35% and 15% respectively compared to the same periods in 2011. Sales growth in the quarter was mainly due to a significant steel pipe order received late in Q2. The division continues to concentrate on seamless pipe sales which yielded margins at 16.3% for the quarter ended June 30, 2012.

Late in the third quarter of 2011, the Company commenced operations of its large diameter seamless pipe manufacturing facility. The division has made significant improvements to the manufacturing process

and is continuing to increase production. The division commenced the hiring and training of a second shift late in the second quarter; however, the CP rail strike in May significantly delayed delivery of raw material shipments which slowed production ramp up and added significant cost to maintain staffing. Notwithstanding, the steel pipe manufacturing division recorded sales of \$2,582,669 and \$4,616,916 respectively for the three and six month periods ended June 30, 2012 (June 30, 2011 - \$Nil).

## **Outlook Summary**

Canadian drilling activity, for the second half of 2012, is forecasted to remain consistent with that of the second half of 2011, however, management anticipates further declines in drilling activity due to extremely wet weather conditions early into Q3 which could have an adverse impact in our core business. In addition, the third quarter drilling activity in Canada will not experience the dramatic ramp up of activity as was experienced in the third quarter of 2011, therefore Canadian fluid revenue is anticipated to be lower than 2011. The forecast for total wells drilled in 2012 is still anticipated to be slightly higher than that of 2011 which should lead to a stronger Q4 for 2012. The Company will concentrate on maintaining its dominant position through strong customer service in Canada while looking to expand its sales and profitability in its USA drilling fluids and steel pipe manufacturing divisions. With the addition of new warehouse locations and an expanded product line, the Company is gaining market presence in the USA drilling fluids market. The USA division's liquid invert drilling fluid facility is expected to be operational in the third quarter, which will provide increased sales in the USA. The Company's large diameter steel pipe manufacturing mill is currently training for a full second shift to increase production capacity for the balance of fiscal 2012 and beyond. With the division receiving its American Petroleum Institute (API) certification during Q2, management remains optimistic that the division will obtain a backlog of sales production for the remainder of 2012 and most of 2013. The Company's steel pipe distribution division will manage its inventories and continue to provide a vast array of seamless and welded steel pipe to service customer demands. Bri-Chem also continues to evaluate North American integrated acquisition opportunities that will enhance profitability and provide geographic diversity.

## **About Bri-Chem**

Since our formation in 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. We provide over 350 critical drilling fluid products, cementing, acidizing and stimulation additives from 25 strategically located warehouses throughout Canada and the United States; Bri-Chem's Steel Pipe Division is one of only two companies in North America that can manufacture and supply large diameter seamless steel pipe for the energy industry. Bri-Chem is the first company to introduce Thermal Pipe Expansion (TPE) and testing in North America. Additional information about Bri-Chem is available at [www.sedar.com](http://www.sedar.com) or at Bri-Chem's website at [www.brichem.com](http://www.brichem.com).

## **Forward Looking Statements**

Certain information set forth in this news release contains forward-looking statements or information ("**forward-looking statements**"), including statements which may contain words such as "could", "should", "expect", "anticipate", "believe", "will", and similar expressions and statements relating to matters that are not historical facts are forward looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, environmental risks, 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 from other industry participants, the lack of availability of qualified personnel or

management, stock market volatility and the ability to access sufficient capital from internal and external sources. Although the Company believes that the expectations in our forward-looking statements are reasonable, our forward-looking statements have been based on factors and assumptions concerning future events which may prove to be inaccurate. Those factors and assumptions are based upon currently available information. Such statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied in the forward looking information. As such, readers are cautioned not to place undue reliance on the forward looking information, as no assurance can be provided as to future results, levels of activity or achievements. The risks, uncertainties, material assumptions and other factors that could affect actual results are discussed in our Annual Information Form and other documents available at [www.sedar.com](http://www.sedar.com). Furthermore, the forward-looking statements contained in this document are made as of the date of this document and, except as required by applicable law, the Company does not undertake any obligation to publicly update or to revise any of the included 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.

To receive Bri-Chem news updates send your email to [ir@brichem.com](mailto:ir@brichem.com).

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