



Press Release 2012 - 15  
For Immediate Release  
TSX Symbol "BRY"

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## BRI-CHEM ANNOUNCES THIRD QUARTER RESULTS

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**Edmonton, Canada, November 14, 2012 – Bri-Chem Corp. ("Bri-Chem" or "Company") (TSX: 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 third quarter ended September 30, 2012.

Although the Canadian drilling industry had strong demand for rigs in the first quarter of 2012, activity in the second and third quarter was significantly hampered by wet weather and uncertain economic conditions. As a result, Canada experienced a 25% decline in drilling activity in the third quarter of 2012 with the average number of operating rigs decreasing to 339 rigs compared to an average of 454 rigs for the comparable period in 2011. Bri-Chem generated consolidated revenues of \$36,915,533, a decrease of 39.6% for the third quarter, compared to \$61,135,841 from the prior year, however, USA fluids sales rose 68.2% to \$5,709,059 and steel pipe manufacturing sales increase 2131% to \$4,065,418. Consolidated revenues for the nine months ended September 30, 2012 were \$120,413,395 compared to \$137,553,645, a decrease of 12.5%. Earnings before interest, taxes, amortization and share-based payments expense ("EBITDAC") were \$2,963,885 or \$0.17 per share and \$8,445,974 or \$0.49 per share respectively for the three and nine month periods ended September 30, 2012, compared to \$6,346,580 and \$12,235,676 respectively for the same periods in 2011. The Company had net earnings of \$1,438,579 or \$0.10 diluted earnings per share for the quarter and \$3,562,379 or \$0.24 diluted earnings per share for the nine months ended September 30, 2012 as compared to net earnings of \$3,961,767 and \$7,030,977 respectively for 2011.

The North American drilling fluids division recorded sales of \$27,914,492 and \$89,316,333 respectively for the three and nine month periods ended September 30, 2012, as compared to \$53,532,344 and \$115,108,414 for the same periods last year. In Canada, drilling rig utilization averaged 41.3% for the third quarter which was a decrease of 15.5% compared with the same period last year when utilization rates averaged 56.8%. Year to date rig utilizations have decreased 5.9% over the prior year and the number of wells drilled during the third quarter of 2012 is down 19.8% compared to the same period in 2011. Canadian drilling activity has seen a sharp decline in Q3 2012 which has had a direct impact on liquid invert sales and two of the Company's largest customers have recently established their own blending and storage facilities to service their liquid invert needs within the north central regions of Alberta. The Petroleum Services Association of Canada (PSAC) has forecasted 3,860 wells to be drilled in Canada for the fourth quarter of 2012, which is a slight decline over 2011.

The Company's USA drilling fluids and transportation subsidiaries, acquired on June 1, 2011, generated sales of \$5,999,456 and \$15,338,068 respectively for the three and nine months ended September 30, 2012 with gross margins increasing to 23.7% for the three months ended September 30, 2012 compared to 22.5% for the same period last year. The division continued its geographic expansion with the addition of one new warehouse in the third quarter of 2012 bringing the total warehouse count up to eleven. 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.

Throughout the third quarter of 2012, the steel pipe manufacturing division continued to optimize

efficiencies and redundancies to the manufacturing process in order to ramp-up production output. The division was near completion of its final throughput component which is a conveyor system that provides less handling of the material in and out of the production facility. Also during the quarter, a second production shift was fully trained and as a result of moving to a 24 hour shift, production increased 20-30% due to less heating and cooling change overs. The division achieved record sales of \$4,065,418 and \$8,682,335 respectively for the three and nine months ended September 30, 2012 and gross margins were 26.2% for the three months ended September 30, 2012.

The steel pipe distribution division recorded sales of \$4,645,226 and \$21,731,720 respectively for the three and nine month periods ended September 30, 2012, decreases of 34.7% and 0.4% respectively compared to the same periods in 2011. The decline in sales in the quarter was mainly due to lower overall oil and gas drilling activity. Despite the lower demand for seamless steel pipe in the quarter, the division yielded margins of 24.2% for the quarter. The division continues to concentrate on providing superior customer service, with the appropriate quantities and sizes of steel pipe to meet the demand of its customers.

## **Outlook Summary**

Canadian drilling activity has recently become more volatile with the uncertainty of future crude oil and natural gas pricing, coupled with an unclear economic environment. This uncertainty is expected to result in lower Canadian drilling activity in the fourth quarter of 2012 as compared to the same period of the prior year. Currently, the largest challenges facing the drilling industry are reduced spending, pricing differentials on Canadian crude oil, low natural gas prices, a strengthening Canadian dollar and the challenge to attract and retain skilled labour. As such, the Company expects lower Canadian fluid product demand for the remainder of 2012 and into 2013. Notwithstanding the softening of Canadian drilling activity, Bri-Chem continues to invest into its USA drilling fluid market expansion plan where significant market share is rapidly obtainable. In addition, with the recent completion of the Thermal Pipe Expansion manufacturing facility, our steel manufacturing division will seek to grow its production output to record levels in the fourth quarter and into 2013 to service the demand for large diameter seamless pipe in North America. Bri-Chem also continues to aggressively 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 100 critical drilling fluid products, cementing, acidizing and stimulation additives from 27 strategically located warehouses throughout Canada and the United States; Bri-Chem's Steel Pipe Division is the first company to introduce and construct a Thermal Pipe Expansion (TPE) facility in North America for manufacturing, testing and supply of large diameter seamless steel pipe for the energy industry. 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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