



Press Release 2013 - 13
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BRI-CHEM ANNOUNCES 2013 SECOND QUARTER RESULTS

Edmonton, Canada, August 14, 2013 – 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 second quarter ended June 30, 2013.

During the second quarter of 2013, Bri-Chem continued to make significant progress in growing year over year sales in its USA fluids distribution division, realizing a 72% increase, and its steel pipe manufacturing division, realizing a 74% increase. In addition, overall consolidated gross profit increased 16.7% due to management’s ongoing geographic and product diversification strategy, targeting increased profitability.

Bri-Chem generated consolidated revenues of \$28,243,483 for the quarter compared to \$30,931,414 from the prior quarter despite excessive wet weather and flooding in Western Canada resulting in delays to Q2 summer drilling programs. Consolidated revenues for the six months ended June 30, 2013 were \$77,939,019 compared to \$83,637,551 for the first half of 2012, a decrease of 6.8%. Adjusted earnings before interest, taxes, amortization and share-based payments expense (“Adjusted EBITDAC”) were \$482,916 or \$0.03 per share and \$4,872,880 or \$0.28 per share respectively for the three and six month periods ended June 30, 2013, compared to \$181,640 and \$5,482,085 respectively for the same periods in 2012. The Company incurred a net loss of \$1,043,813 or \$0.05 loss per share for the quarter and net earnings of \$790,891 or \$0.06 earnings per share for the six months ended June 30, 2013 as compared to a net loss of \$769,807 and net earnings of \$2,123,796 respectively for the same periods in 2012. The year to date decrease in earnings and Adjusted EBITDAC is mainly due to two significant non-cash related items being foreign exchange, as the US dollar rose in comparison to the Canadian dollar, resulting in a \$365,484 foreign exchange difference from the prior six month period, as well as a \$484,271 increase in stock-based compensation.

The Company’s combined North American oil and gas drilling fluids divisions recorded sales of \$18,199,593 and \$55,383,537 respectively for the three and six month periods ended June 30, 2013, an increase of 9.1% for the second quarter of 2013 compared to the same period in 2012. On April 30, 2013, the Company announced a letter of intent to acquire the assets and ongoing operations of a California, USA based specialty cement chemical blending and packaging company (“Cementco”). Under the terms of the letter of intent, Bri-Chem has agreed to purchase certain assets of Cementco. The closing of the transaction is expected to be completed in the third quarter of 2013, subject to certain closing conditions and outstanding due diligence matters being resolved.

In Canada, drilling rig utilization averaged 18.4% for the second quarter, a decrease of 3.6% from the same quarter in 2012 when utilization rates average 22.0%. The Canadian fluids distribution division generated sales of \$7,875,784 and \$37,317,128 for the three and six months ended June 30, 2013, compared to sales of \$10,675,213 and \$48,672,049 for the comparable periods in 2012. The 26% decrease in Q2 Canadian fluid sales is mainly due to lower overall rig utilization during Q2 and the excessive amount of wet weather and flooding in Western Canada during the spring which has delayed the start of the summer drilling programs. Sales for the fluids blending and packaging division were \$2,091,831 and \$6,433,446 compared to prior year sales of \$1,290,580 and \$3,921,551 representing a

62% and 64% increase respectively for the three and six months ended June 30, 2013. The division has realized increased sales as a result of providing cementing products into new geographic regions throughout North America.

The USA fluids distribution division continues its market outreach with customers in various geographic regions in the USA, resulting in revenues of \$10,323,809 and \$18,066,409 for the three and six month periods ended June 30, 2013, an increase of 72% and 105% respectively over the same periods in 2012. This increase is the result of the strategic warehouse and infrastructure investment that occurred throughout 2012. With fourteen warehouses operating in all the major resource plays in the USA, the division will focus on continuing to grow its market share.

The steel pipe distribution division recorded sales of \$3,461,319 and \$7,279,611 respectively for the three and six month periods ended June 30, 2013, compared to revenues of \$10,110,382 and \$17,226,183 for the same periods in 2012. Since the fourth quarter of 2012, the Canadian market has excess steel pipe inventory as many distributors were anticipating a stronger demand for steel pipe product during the 2013 winter drilling season. In addition, sales in the second quarter of 2012 included a substantial one-time mill direct order of approximately \$5.1 million. The steel pipe distribution division will concentrate on reducing inventory and increasing turns while maintaining superior customer service, with the appropriate quantities and sizes of steel pipe to meet the demand of its customers.

The steel pipe manufacturing division continued to increase its production output during the first half of 2013 and recorded sales of \$4,490,740 and \$8,824,425 respectively for the three and six month periods ended June 30, 2013, an increase of 74% and 91% over the prior comparable periods. Despite the decreased demand for large diameter seamless pipe during the first half of the year, the division is cautiously optimistic that the second half of 2013 will see increased demand which will drive increased sales and earnings growth.

Outlook Summary

The Petroleum Services Association of Canada (PSAC) has forecasted 6,578 wells to be drilled in Western Canada for the second half of 2013, a forecasted increase of 15.3% over 2012. During the first half of 2013, the Western Canadian Sedimentary Basin (“WCSB”) experienced a decline of 5.2% in wells drilled compared to the same period in 2012, however, it is anticipated to improve in the second half of 2013. Spring break up was longer than anticipated due to the unusually wet spring which delayed many summer drilling programs in late Q2 2013. As a result, the Company anticipates drilling activity will be strong in the third quarter as summer drilling programs ramp up, which will drive the demand for Canadian fluid sales. Bri-Chem will continue to invest into its USA drilling fluid market expansion plan with the goal of obtaining significant market share. As we continue to gain market share, more product and acquisition opportunities become available. We will also continue to closely monitor North American steel pipe demand and seek to increase production capacity at the Thermal Pipe Expansion manufacturing facility when demand returns to more normal levels. In addition, we are reducing inventory levels in seamless steel pipe to match current sales demand in an effort to increase inventory turns.

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 drilling fluid products, cementing, acidizing and stimulation additives from 30 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 or at Bri-Chem's website at 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. 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.

For further information, please contact:

Jason Theiss
Bri-Chem Corp.
CFO
T: (780) 577-0595
E: jtheiss@brichem.com

Juliet Heading
CHF Investor Relations
Account Manager
T: (416) 868-1079 x239
E: juliet@chfir.com

Cathy Hume
CHF Investor Relations
CEO
T: (416) 868-1079 x231
E: cathy@chfir.com

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