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## **Bri-Chem Announces Second Quarter 2015 Results**

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**Acheson, AB, Canada, August 11, 2015 – Bri-Chem Corp. ("Bri-Chem" or "Company") (TSX: BRY)**, a leading North American wholesale distributor and manufacturer of oil and gas drilling fluids today announced its 2015 second quarter financial results. During the second quarter, Bri-Chem continued to focus on establishing further efficiencies through cost savings initiatives implemented during the first quarter of 2015. The volatile oil and gas prices and prolonged traditional spring break up period in Western Canada has continued to have a significant impact on oilfield service activity in fiscal 2015. However, Bri-Chem's "Right-Size" plan, that commenced in Q1 2015 and continued into Q2, coupled with its "Debt Reduction" initiative has resulted in the Company successfully reducing its year to date operating expenses by \$2.1 million, its senior operating debt by \$17.8 million net of transaction costs, while reducing inventory by \$12.3 million. These initiatives, as well as various new product pricing programs and logistic cost cutting measures, will be continued throughout the remainder of 2015. The Company employed 86 (35 Canada and 51 USA) employees at June 30, 2015 compared to 123 (51 Canada and 73 USA) at December 31, 2014.

Bri-Chem's consolidated revenues from continuing operations for the second quarter of 2015 was \$21,610,027 compared to \$35,185,988 from the prior period in 2014, a decrease of 38.6%. This quarter-over-quarter revenue decrease is a direct result of the decline in overall drilling activity throughout North America which was further impacted by the extended Q2 seasonal slowdown in the Western Canadian Sedimentary Basin ("WCSB"). Consolidated revenues from continuing operations for the six months ended June 30, 2015 were \$47,819,753 compared to \$81,133,207 for the comparable period in 2014, a decrease of 41.1%. Earnings before interest, taxes, amortization and depreciation, and share-based payments expense ("EBITDA") was (\$1,125,343) or \$0.05 loss per share and \$595,760 or \$0.03 per share respectively for the three and six month periods ended June 30, 2015, compared to \$932,288 and \$4,886,307 respectively for the same periods in 2014. EBITDA, excluding a foreign exchange loss of \$1,016,155, was (\$109,188) for the three months ended June 30, 2015, which is a decrease of \$1,638,370, net of foreign exchange losses, for the same period in 2014. Net loss for the three month period was \$1,708,703 or \$0.07 diluted loss per share and net loss of \$1,335,808 or \$0.06 diluted loss per share for the six months ended June 30, 2015 as compared to a net loss of \$596,515 and net earnings of \$1,124,686 respectively for the same periods in 2014.

### ***North American Drilling Fluids Distribution Divisions***

Bri-Chem's Canadian drilling fluids distribution division sales were \$4,854,116 and \$13,821,685 for the three and six months ended June 30, 2015, compared to sales of \$11,919,343 and \$38,214,124 over the comparable periods in 2014. In the WCSB, active drilling rigs in the second quarter of 2015 were down approximately 52% over the prior year quarter, averaging 95 compared to 198 for the same period in 2014. For the first half of 2015 WCSB active rigs had 167 less rigs operating on average compared to the first half of 2014, a decrease of approximately 46%. In the second quarter of 2015, industry drilling utilization rates averaged 12.5%, representing a 12.2% decrease from the same period last year when

drilling rig activity averaged 24.7%. The number of wells drilled in Q2 2015 in Western Canada was 745, compared to the 1,460 wells drilled in Q2 2014, representing a decrease of 49% quarter over quarter.

Bri-Chem's United States drilling fluids distribution division generated sales of \$12,789,212 and \$24,076,483 for the three and six month periods ended June 30, 2015, compared to revenues of \$18,185,066 and \$30,686,122 in the comparable periods of 2014, representing decreases of \$5,395,854 or 29.7% quarter over quarter, while decreasing 21.5% year over year. The decline in revenue is due to a 37% reduction in the USA rig count during the first half of the year as the average number of active rigs running during the first half of 2015 was 1,144 compared to 1,816 for the first half of 2014.

### ***North American Drilling Fluids Blending & Packaging Divisions***

Bri-Chem's Canadian fluids blending and packaging division experienced a \$246,563 or 8.9% revenue decline as the division generated sales of \$2,537,294 for the three months ended June 30, 2015 compared to the same prior year period sales of \$2,783,857. As discussed above, this decrease is due to considerable decline in drilling activity in the first half of 2015 resulting from the significant decrease in crude oil and natural gas prices.

Bri-Chem's USA fluids blending and packaging division, generated sales of \$1,429,405 and \$2,888,871 for the three and six month periods ended June 30, 2015 compared to \$2,297,722 and \$3,939,466 representing decreases of 37.8% and 26.7% respectively.

### **Outlook Summary**

The industry downturn experienced in the first quarter of 2015 continued into the second quarter with no clear timeline on when commodity prices may stabilize to more reasonable levels. The extent and duration of the industry downturn is highly uncertain. Although many capital projects have been delayed or cancelled as a result of the industry downturn, which in turn has impacted the demand for drilling fluid products, Bri-Chem remains focused on maintaining strong customer relationships, managing inventory levels and controlling costs and debt. Management implemented a number of cost saving initiatives in the first quarter of 2015 with an annualized fixed cost savings of approximately \$3.2 million. In addition, since the beginning of the year, management has decreased inventories by \$12.3 million and has reduced debt by \$17.8 million over the first half of 2015. Over the medium to longer term, the Company is positioned to manage through this industry downturn given its solid customer relationships, diverse geographic product offering, and low operating overheads.

Oil and gas drilling activity has continued to decrease during the first half of 2015 compared to 2014 and we are expecting the lower activity levels to continue through the remainder of 2015. The Petroleum Services Association of Canada (PSAC) has forecasted a total of 2,721 wells to be drilled in Canada for the second half of 2015, a decrease of 55.7% over the prior year second half. With little visibility into 2016, management is expecting activity levels to remain similar to current levels until such global economic factors change the demand for oil and natural gas.

Management's strategy in the current environment is to preserve working capital, pay down debt amidst an aggressive inventory reduction program and maintain flexibility to be able to respond to opportunities that are presented when the market does recover. With minimum capex requirements, the Company will continue to provide superior customer performance while maintaining its Right-Size and Debt-Reduction initiatives.

Overall, Bri-Chem's exceptional industry infrastructure located throughout Canada and the U.S., its diversified product mix and blending services, blue chip customer base, and low cost and highly scalable business model, collectively, will serve to be a valuable contributor to many customers throughout North America during this difficult period and will benefit significantly when the market returns to more reasonable levels.

For all interested investors and the news media, the conference call will be available via webcast within the Investors section of [www.brichem.com](http://www.brichem.com).

## **About Bri-Chem**

Bri-Chem has established itself, through a combination of strategic acquisitions and organic growth, as the North American industry leader for the 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, cementing, acidizing and stimulation additives from 29 strategically located warehouses throughout Canada and the United States. We have been operating in Canada since 1985 and expanded into the United States in 2011 and as a result of the increasing market demand for oilfield chemicals we have experienced significant market penetration within the North American oil and gas 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).

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

For further information, please contact:

**Jason Theiss**  
**Bri-Chem Corp.**  
CFO  
T: (780) 962-9490 x237  
E: [jtheiss@brichem.com](mailto:jtheiss@brichem.com)

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

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