
Bri-Chem Announces Fourth Quarter 2015 And Year End Results

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Acheson, Canada, March 29, 2016 – Bri-Chem Corp. ("Bri-Chem" or "Company") (TSX: BRY), a leading North American wholesale distributor and manufacturer of oil and gas drilling fluids announced its fourth quarter and yearend financial results. In the face of ongoing low global energy prices and the continued decline in drilling activity in North America, Bri-Chem has successfully continued to implement rolling changes to keep pace with the relentless lower industry activity levels. Commencing in early 2015 the Company initiated a number of restructuring initiatives to adjust its overhead expenditures in an effort to "Right-Size" its business operations to correspond with the reduced industry activity levels. Throughout 2015, the Company reduced annual fixed costs and commenced a significant debt and inventory reduction program that culminated in a \$29 million reduction in our senior operating debt, down from \$52 million to \$23 million, while maintaining a strong working capital position and sufficient inventory levels for current market demands. .

In the fourth quarter and for fiscal 2015, we achieved the following corporate right-sizing milestones:

- Reduced inventory in Q4 by \$6.4 million / \$24 million for the year;
- Reduced senior operating debt in Q4 by \$9.4 million / \$29 million for the year;
- Reduced operating expenses in Q4 by \$1.2 million / \$4.1 million for the year;
- Consolidated two North American warehouse location (6 year to date) and three office locations;
- Identified additional workforce savings resulting in a 40% reduction of our workforce in 2015; and
- Implemented another round of right-sizing initiatives in December 2015 that will provide Bri-Chem with approximately \$0.8 million of additional annual savings heading into fiscal 2016.

Another key milestone achieved in Q4 2015 was the restructuring agreement that was completed with our syndicate of lenders to make certain amendments to our credit facilities. The amended senior credit facility provides for a borrowing base of up to \$40 million, down from \$90 million, which will result in lowering the Company's unused credit facility fee costs and it also eliminated the fixed charge coverage ratio covenant and replaced it with a minimum tangible net worth covenant. In addition, the Company and its subordinated debt lender also agreed to certain amendments and additional terms to the current subordinated debt credit facility, including a deferral on 12 months of principal payments and financial covenant adjustments.

The results for the three months and year ended December 31, 2015 reflect the increasingly challenging North American energy industry conditions due to continued low oil and natural gas prices which resulted in substantially lower industry activity levels. During the fourth quarter of 2015, Bri-Chem's consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses decreased 57.2% to \$21,507,712 compared to \$50,291,385 from the prior period in 2014. For the year ended December 31, 2015, Bri-Chem's consolidated revenues were \$96,822,080 compared to \$184,707,721 for the comparable year of 2014, a decrease of 47.6%. Earnings before

interest, taxes, amortization and depreciation, share-based payments expense, and impairment charges (“EBITDA”) were (\$2,761,020) for the year ended December 31, 2015, compared to \$16,832,102 for the same period in 2014. Adjusted net loss, net of a one-time impairment charge of plant and equipment, goodwill and other intangible assets, for the year ended December 31, 2015 were (\$6,908,111) or (\$0.29) diluted loss per share as compared to net earnings of \$6,392,330 for the same period in 2014.

During the year, the decline in oil and natural gas prices resulted in significant decreases in drilling activity, adversely impacting current and expected future business and estimated recoverable amounts and as a result, there were indicators of impairment for certain assets of the Company. Based on the impairment tests performed, Bri-Chem recorded a write-down of plant and equipment, goodwill and other intangible assets in the amount of \$5,163,603 for the twelve months ended December 31, 2015.

North American Drilling Fluids Distribution Divisions

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$6,873,849 and \$29,606,659 for the three and twelve months ended December 31, 2015, compared to sales of \$20,641,847 and \$81,798,365 over the comparable periods in 2014. The number of wells drilled in Western Canada for the three and twelve month periods ended December 31, 2015 were 1,270 and 4,957, representing a decrease of 54.9% quarter over quarter and 53.7% year over year.

Bri-Chem's United States drilling fluids distribution division generated sales of \$8,995,967 and \$45,986,292 for the three and twelve month periods ended December 31, 2015, compared to revenues of \$22,003,867 and \$73,845,061 in the comparable periods of 2014, representing a decrease of \$13,007,900 or 59.1% quarter over quarter, and a 37.7% decrease year over year. The average number of active rigs running in the USA during the fourth quarter was 755, a decrease of 60.5% quarter over quarter. Year to date rig activity has fallen 47.5%, averaging 977 operating during 2015.

North American Drilling Fluids Blending & Packing Divisions

Bri-Chem's Canadian drilling fluids blending and packaging division generated sales of \$4,119,208 and \$15,323,772 for the three and twelve months ended December 31, 2015 compared to the prior year period sales of \$6,008,881 and \$20,762,919 representing a 31.4% decrease quarter over quarter and a 26.2% decrease year over year.

Bri-Chem's USA fluids blending and packaging division, generated sales of \$1,518,688 and \$5,905,357 for the three and twelve month periods ended December 31, 2015 compared to \$1,816,790 and \$8,301,376, representing decreases of 16.4% and 28.9% respectively.

Outlook Summary

North American oil and gas drilling activity levels, during the fourth quarter of 2015, were substantially lower than activity levels during the fourth quarter of 2014 and current indications are that 2016 capital expenditures will be substantially lower than 2015 levels. Commodity prices remain low compared to historical levels and as such, the Company expects that industry conditions will remain very challenging for the foreseeable future. Steps have been taken to right-size the Company's operations in all business segments in response to reduced customer demand.

In Canada, the typical seasonal downturn in activity due to spring breakup is anticipated to start earlier than normal. However, management also expects a prolonged spring break-up with little visibility on

how many rigs will return to work when the breakup ends. The oilfield activity has continued to deteriorate in the USA as the active rig count, to March 12, 2016, has fallen to 480 active rigs, a decrease of 645 from the prior year. Bri-Chem has been proactive in response to this reduction in business activity and has successfully implemented rolling changes to “Right-Size” its business and control costs. These initiatives together with new “Right-Sizing” strategies will continue to be evaluated based on current and projected business activity levels.

Overall, Bri-Chem’s management team has experienced several business cycles and understands what is needed to effectively manage the business through an industry downturn. We understand the importance of cost management and reducing our debt during these challenging times. With minimum capex requirements, the Company will continue to provide superior customer performance while maintaining its corporate “Right-Sizing” and “Debt-Reduction” initiatives.

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 27 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.

For further information, please contact:

Jason Theiss

Bri-Chem Corp.

CFO

T: (780) 962-9490 x237

E: jtheiss@brichem.com

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