
Bri-Chem Announces First Quarter 2016 Financial Results

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Acheson, Canada, May 12, 2016 – Bri-Chem Corp. (“Bri-Chem” or “Company”) (TSX: BRY), a leading North American wholesale distributor and manufacturer of oil and gas drilling fluids today announces its financial results for the first quarter of 2016. The results for the three months ended March 31, 2016 reflect the challenging North American energy industry conditions as low oil and natural gas prices continued into 2016, which resulted in substantially lower North American industry activity levels over the same period in Q1 2015. The Company’s “Right-Sizing” efforts that commenced in 2015 continued into the first quarter of 2016 and we have now successfully reduced our senior operating debt down to \$17.5 million, while maintaining a strong working capital position and sufficient inventory levels for current market demands.

In the first quarter of 2016, we achieved the following corporate right-sizing milestones:

- Reduced inventory in Q1 by \$4.1 million;
- Reduced senior operating debt in Q1 by \$5.6 million;
- Reduced operating expenses quarter over quarter by \$0.8 million, and
- Identified additional right-sizing initiatives that will provide Bri-Chem a further \$0.3 million of overhead savings heading into Q2 2016.

During the first quarter of 2016, Bri-Chem’s consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses decreased 43.5% to \$14,820,659 compared to \$26,209,726 from the prior period in 2015. This quarter-over-quarter revenue decrease is the result of a significant decline in rig activity in the USA and the early start to the Western Canadian spring break up period that began this year in mid-February as compared to a traditional mid-March start-up. Earnings before interest, taxes, amortization and depreciation, share-based payments expense, and impairment charges (“EBITDA”) were (\$1,393,747) for the three months ended March 31, 2016, compared to \$1,721,103 for the same period in 2015. Net loss for the three month period was \$2,097,637 compared to net earnings of \$372,895 for the same period of 2015.

North American Drilling Fluids Distribution Divisions

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$5,350,407 for the three months ended March 31, 2016, compared to sales of \$8,967,569 over the comparable period in 2015. Sales were affected negatively by the early seasonal spring breakup period which began in mid-February as compared to the more traditional mid-March period due to mild temperatures and a further industry slowdown in Q1. The number of wells drilled in Western Canada for the three month period ended March 31, 2016 were 1,073, representing a decrease of 39.6% quarter over quarter.

Bri-Chem’s United States drilling fluids distribution division generated sales of \$4,913,300 for the three month period ended March 31, 2016, compared to revenues of \$11,287,270 in the comparable period

of 2015, representing a decrease of \$6,373,970 or 56.5% quarter over quarter. The average number of active rigs running in the USA during the first quarter of 2016 was 556, a decrease of 59.7% quarter over quarter.

North American Drilling Fluids Blending & Packing Divisions

Bri-Chem's Canadian drilling fluids blending and packaging division generated sales of \$3,074,350 for the three months ended March 31, 2016 compared to the prior year period sales of \$4,495,420 representing a 31.6% decrease quarter over quarter.

Bri-Chem's USA fluids blending and packaging division, generated sales of \$1,482,602 for the three month period ended March 31, 2016 compared to \$1,459,467, representing an increase of 1.6% quarter over quarter.

Outlook Summary

North American oil and gas drilling activity levels, during the first quarter of 2016, continued to decline and current industry forecasts are that the remainder of 2016 capital expenditures will remain depressed. Commodity prices are expected to remain low compared to historical levels and as such, the Company expects that industry conditions will remain very challenging for the foreseeable future. Steps continue to be implemented 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 commenced much earlier than normal and it is anticipated to be more prolonged compared to traditional break up periods with no significant increase in rig activity expected for the latter half of the second quarter. The oilfield activity levels has also continued to decline to historic lows in the USA as the active rig count, to May 6, 2016, has seen a further decline down to 415 active rigs, a decrease of 479 from the prior year. Bri-Chem has been proactive in response to this further reduction of North American business activity and has successfully implemented rolling changes to "Right-Size" its business and control costs. These initiatives together with our inventory and debt reduction 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.

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