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## Bri-Chem Announces Second Quarter 2016 Financial Results

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**Acheson, Canada, August 11, 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 second quarter of 2016. The results for the three and six months ended June 30, 2016 reflect the challenging North American energy industry conditions as the significant reduction in commodity prices has led to a corresponding decrease in demand for oilfield products and services in both Canada and the United States. Second quarter drilling rig counts in both Canada and the United States were at or near 30 year lows in 2016. In addition, activity levels in Canada, during the second quarter of 2016, were significantly impacted by an extended spring break-up which resulted in oil and gas producers unwilling to incur additional costs due to weather related issues and overall poor industry conditions. The Company’s “Right-Sizing” efforts that commenced in 2015 continued into the first half of 2016 and we have now reduced our senior operating debt down to \$10.0 million, reduced inventory by \$5.5 million, and reduced operating expenses year over year by \$1.2 million while maintaining a strong working capital position and sufficient inventory levels for current market demands.

During the second quarter of 2016, Bri-Chem’s consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses decreased 62.2% to \$8,173,634 compared to \$21,610,027 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 and prolonged spring break up in Western Canada. The Company generated \$22,994,293 in revenues for the six months ended June 30, 2016 compared to sales of \$47,819,753, representing a decrease of 51.9% year over year. Earnings before interest, taxes, amortization and depreciation, share-based payments expense, and impairment charges (“EBITDA”) were (\$943,536) and (\$2,337,283) for the three and six months ended June 30, 2016, compared to \$(1,125,343) and \$595,760 for the same periods in 2015. Net loss for the three month period was \$1,436,768 compared to net earnings of \$372,895 for the same period of 2015, while net loss for the six month period was \$3,534,405 compared to a net loss of \$1,335,808 for the same period of 2015.

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

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$1,467,106 and \$6,817,513 for the three and six months ended June 30, 2016, compared to sales of \$4,854,116 and \$13,821,685 over the comparable periods in 2015. Sales were affected negatively by the early and prolonged seasonal spring breakup period which began in mid-February and experienced no significant increase in rig activity until July. Furthermore, with continued weak oil prices, many companies remain cautious and are not commencing drilling projects until commodity prices become more favorable. The number of wells drilled in Western Canada for the three month period ended June 30, 2016 were 328, representing a decrease of 56.0% quarter over quarter.

Bri-Chem's United States drilling fluids distribution division generated sales of \$4,002,417 and \$8,915,717 for the three and six month periods ended June 30, 2016, compared to revenues of \$12,789,213 and \$24,076,483 in the comparable periods of 2015, representing decreases of 68.7% and 63.0%. The average number of active rigs running in the USA during the second quarter of 2016 was 421, a decrease of 53.6% quarter over quarter.

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

Bri-Chem's Canadian drilling fluids blending and packaging division generated sales of \$1,592,083 and \$4,666,423 for the three and six months ended June 30, 2016 compared to the prior year period sales of \$2,537,294 and \$7,032,714 representing a 37.3% decrease quarter over quarter and 33.6% decrease year over year.

Bri-Chem's USA fluids blending and packaging division, generated sales of \$1,112,028 for the three month period ended June 30, 2016, while reporting sales of \$2,594,630 for the first half of 2016 compared to \$1,429,405 and \$2,888,871 for the same comparable periods in 2015.

### **Outlook Summary**

North American oil and gas drilling activity levels, during the first half of 2016, continued to decline year over year, however, a modest increase in activity levels is being experienced into the third quarter as commodity prices have rebounded off from their lows in Q2. We expect an overall North American increase in activity levels for the second half of the year, although the remainder of 2016 remains difficult to predict in light of the continued volatility of commodity prices. Steps will continue to be implemented to right-size the Company's operations in all business segments in response to customer demand.

In Canada, the typical Q2 seasonal downturn in activity due to spring breakup commenced much earlier than normal and was more prolonged compared to traditional break up periods, however, drilling rig counts appear to have bottomed out and the Company is expecting improved activity levels in the second half of 2016. It is the Company's view that further development of increased crude oil transportation capacity, through proposed pipeline expansion to tidewater, is required in order for Canada to have any profound increase to its future oilfield activity levels. The oilfield activity levels in the USA has also seen a recent rebound from their historic lows and we expect a modest increase in the active rig count for the second half of 2016. Bri-Chem has been proactive in response to the 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](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)

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