

## Bri-Chem Announces Second Quarter 2017 Financial Results

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Edmonton, Canada, August 9, 2017 – 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 second quarter financial results.

### SELECTED FINANCIAL AND OPERATING INFORMATION

In \$'000s (except per share amounts)	For the three months ended June 30,				For the six months ended June 30			
	2017	2016	Change \$	%	2017	2016	Change \$	%
<b>Revenue</b>	\$ 23,761	\$ 8,174	\$ 15,587	191%	\$ 57,751	\$ 22,994	\$ 34,757	151%
<b>Operating income (loss)</b>	444	(1,417)	1,861	131%	2,292	(2,629)	4,921	187%
<b>EBITDA<sup>(1)</sup></b>	788	(944)	1,732	183%	2,823	(2,337)	5,160	221%
<b>EBITDA as a percentage of revenue<sup>(1)</sup></b>	3%	(12%)	-	129%	5%	(10%)	-	148%
<b>Net Earnings (loss)</b>	(250)	(1,437)	1,187	83%	431	(3,534)	3,965	112%
<b>Per Share Data (Diluted)</b>								
EBITDA	\$ 0.03	\$ (0.04)	\$ 0.08	207%	\$ 0.12	\$ (0.10)	\$ 0.22	219%
Net Earnings (Loss)	\$ (0.01)	\$ (0.06)	\$ 0.05	83%	\$ 0.02	\$ (0.15)	\$ 0.17	112%
<b>Shares Outstanding</b>								
Basic	23,623,981	23,623,981			23,623,981	23,623,981		
Diluted	23,923,981	23,623,981			23,923,981	23,623,981		
<b>Financial Position</b>								
Total Assets	\$ 61,251	\$ 54,899	\$ 6,352	12%				
Working Capital	14,513	21,351	(6,838)	(32%)				
Long-term debt	143	7,810	(7,667)	(98%)				
Shareholders Equity	28,282	31,600	(3,318)	(11%)				

### Q2 HIGHLIGHTS

Key Q2 & YTD 2017 highlights include:

- Bri-Chem generated consolidated revenue of \$23.8 million, an increase of 191% from the second quarter in 2016, resulting primarily from higher business activity levels throughout North America;
- Second quarter revenue increased by 377% and 67% in the Canadian fluids distribution and blending divisions respectively and the USA fluids distribution division was up 222% over the second quarter of 2016;
- Operating income was \$0.4 million and \$2.3 million for the three and six months ended June 30, 2017 compared to negative \$1.4 million and negative \$2.6 million in the same comparable periods, representing a 131% and 187% increase;
- EBITDA was \$0.8 million and \$2.8 million respectively for the three and six months ended June 30, 2017 versus negative \$0.9 million and negative \$2.3 million in the comparable periods in 2016. The increases of 183% and 221% are as a result of significantly improved drilling activity throughout our business segments in North America;
- Bri-Chem reported a net loss of \$0.3 million or \$0.01 loss per share diluted compared to a net loss of \$1.4 million or \$0.06 loss per share diluted in 2016, while year to date, the Company reported net earnings of \$0.4 million or \$0.02 earnings per share compared to a net loss of \$3.5 million or \$0.15 loss per share for the same period in 2016;

- Working capital as at June 30, 2017, was \$14.5 million compared to \$12.7 million at December 31, 2016. The Company's current ratio (defined as current assets divided by current liabilities) was 1.44 to 1 compared to 1.33 to 1 as at December 31, 2016; and
- The Company is receiving and reviewing term sheets as it pertains to its subordinated debt facility that is set to mature on November 30, 2017. In addition the Company is currently working on extending its Asset Based Credit Facility with its senior lender.

*Summary for the three and six months ended June 30, 2017:*

With a return to more traditional spring break up in Western Canada, the Company experienced stronger sales in Canada during the second quarter while drilling activity remained consistent in the USA which drove increased year over year revenue growth for the Company in the second quarter. Canada experienced 113 average active rigs during the second quarter of 2017, an increase of 155% over the prior year quarter, while the active USA rig count increased 112% over the same period with 892 average active rigs operating in Q2 2017. The first half of 2017 has shown signs of recovery from that of 2016 with Canadian and USA rig count increasing by 85% and 67% respectively for the first half of 2017 compared to the first half of 2016. Bri-Chem's three and six month ended June 30, 2017 consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses were \$23.8 million and \$57.8 million compared to \$8.1 million and \$23 million in the same prior periods in 2016. These increases in quarterly and year to date revenues are a direct result of an increase in oil and gas drilling activity throughout North America and a return to more traditional spring break up in Western Canada.

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$7 million and \$23 million for the three and six months ended June 30, 2017, compared to sales of \$1.5 million and \$6.8 million over the comparable periods in 2016. Q2 2017 and year to date sales were strengthened by the continued increase in drilling activity, with a significant recovery in winter drilling activity. The number of wells drilled in Western Canada for the three month period ended June 30, 2017 was 1,018 representing an increase of 210% over the comparable quarter in 2016. The number of wells drilled for the six months of 2017 were 3,282 compared to 1,401 for the first half of 2016, an increase of 134%. Bri-Chem's United States drilling fluids distribution division generated sales of \$12.9 million and \$25.1 million for the three and six month periods ended June 30, 2017, compared to revenues of \$4 million and \$8.9 million in the comparable periods of 2016, representing increases of 222% and 181% respectively.

Bri-Chem's Canadian drilling fluids blending and packaging division generated sales of \$2.7 million and \$7.8 million for the three and six months ended June 30, 2017 compared to the prior year sales of \$1.6 million and \$4.7 million respectively, representing a 67% increase quarter over quarter and a 68% year over year increase. This increase is directly related to higher customer demand for blending services as a result of the increase in drilling activity throughout the first half of 2017. Bri-Chem's USA fluids blending and packaging division, generated sales of \$1.2 million and \$1.8 million for the three and six month periods ended June 30, 2017, compared to \$1.1 million and \$2.6 million for the comparable periods in 2016.

Operating income this quarter was \$0.444 million compared with an operating loss of \$1.4 million in the second quarter of 2016. Operating results this quarter were positively impacted by the increased activity levels throughout our North American business segments and a return to more of a traditional spring break up in Western Canada.

EBITDA was \$0.788 million for the three months ended June 30, 2017 compared to negative \$0.944 million in the same comparable prior year period; an increase of \$1.7 million quarter over quarter or 183%. EBITDA for the first half of 2017 was \$2.8 million or 5% of sales compared to negative EBITDA of \$2.3 million or negative 10% for the same period of 2016. The Company had a net loss of \$0.250 million for the quarter ended June 30, 2017 compared to net loss of \$1.4 million in the same prior year period. For the six months ended June 30, 2017, the Company had net earnings of \$0.431 million compared to a net loss of \$3.5 million from the comparable prior year period.

## **OUTLOOK**

Northern American oil and gas drilling activity levels, during the first half of 2017 continued to modestly grow, and we expect activity levels to remain at or near current levels for the remainder of 2017. PSAC has forecasted 3,603 wells to be drilled in Western Canada for back half of 2017, representing a 38% increase over the second half of

2016. Similar to the first half of the 2017, this anticipated drilling activity increase is expected to drive more demand for our drilling fluid products for Q3 and Q4 of 2017. The USA drilling market is also continuing to see improvements, as the active average rigs operating in the USA has continued to increase and is currently operating 924 rigs in USA. With the increased rig count in the USA, we look to expand our USA footprint to take advantage of the strong drilling activity which is anticipated to drive revenue and profit improvements from the lows of 2016.

#### **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 28 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).

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