

Bri-Chem Announces 2018 First Quarter Financial Results

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Edmonton, Canada, May 14, 2018 – Bri-Chem Corp. ("Bri-Chem" or "Company") (TSX: BRY), a leading North American wholesale distributor and manufacturer of oil and gas drilling fluids reports the following 2018 first quarter financial results.

<i>In \$'000s</i> <i>(except per share amounts)</i>	For the three months ended		Change	
	March 31,		\$	%
	2018	2017		
Revenue	\$ 35,318	\$ 33,990	\$ 1,328	4%
Operating earnings⁽¹⁾	970	1,848	(878)	(48%)
EBITDA⁽²⁾	924	2,036	(1,112)	(55%)
EBITDA as a percentage of revenue⁽²⁾	3%	6%	-	56%
Net (Loss)/earnings	(106)	681	(787)	(116%)
Per Share Data (Diluted)				
EBITDA	\$ 0.04	\$ 0.09	\$ (0.04)	(44%)
Net Earnings	\$ (0.00)	\$ 0.03	\$ (0.03)	(115%)
Shares Outstanding				
Basic	23,932,981	23,632,981		
Diluted	23,941,581	23,632,981		
Financial Position				
Total Assets	\$ 88,694	\$ 70,434	\$ 18,260	26%
Working Capital	23,950	15,048	8,902	59%
Long-term debt	8,804	9,266	(462)	(5%)
Shareholders Equity	28,955	28,999	(44)	(0%)

(1) Represents earnings before financing costs, foreign exchange, and income taxes.

(2) Represents earnings before interest, taxes, depreciation, amortization, impairment charges and share-based payments

Q1 HIGHLIGHTS

Key Q1 2018 highlights include:

- Bri-Chem generated consolidated revenue of \$35.3 million, an increase of 4% from the first quarter in 2017, resulting primarily from higher business activity levels in the US fluids distribution segment;
- Revenue decreased by 27% and 20% in the Canadian fluids distribution and blending divisions respectively. The USA fluids distribution division and blending division revenue increased 47% and 155% respectively over the first quarter of 2017;
- Operating earnings were \$0.970 million for the three months ended March 31, 2018 compared to \$1.8 million in Q1 2017, representing a 48% decrease due to higher operating costs in new Texas regional warehouses;
- EBITDA was \$0.924 million versus \$2.0 million in the comparable period in 2017. This 58% decrease is due to margin compression in Texas regional warehouses, lower blending activities experienced in Canada and an earlier spring break up in Western Canada;

- Bri-Chem reported a net loss of \$0.106 million or \$0.00 loss per share diluted compared to net earnings of \$0.681 million or \$0.03 earnings per share diluted in 2017, representing a 115% decrease;
- Working capital, as at March 31, 2018, was \$24.0 million compared to \$24.3 million at December 31, 2017. The Company's current ratio (defined as current assets divided by current liabilities) was 1.47 to 1 compared to 1.56 to 1 as at December 31, 2017

Summary for the three months ended March 31, 2018:

During Q1 2018, drilling activity levels continued to rise in the United States as the USA rig count increased 31% over the same period last year with an average of 965 rigs operating during Q1 2018, while Canada experienced consistent rig activity year over year. Bri-Chem's Q1 2018 consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses was \$35.3 million compared to \$34.0 million in the same prior period in 2017. This comparable quarter revenue increase is a direct result of an increase in drilling fluid demand in the United States, while Western Canada experienced an earlier than expected spring break up.

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$11.8 million for the three months ended March 31, 2018, compared to sales of \$16.0 million over the comparable period in 2017. Q1 2018 sales were lower as many customers were adequately stocked with their own inventories for the winter drilling season given consistent drilling activity levels over the past few quarters. The number of wells drilled in Western Canada for the three month period ended March 31, 2018 was 2,175, representing a decrease of 4% over the comparable quarter in 2017. Bri-Chem's United States drilling fluids distribution division generated sales of \$17.9 million for the three month period ended March 31, 2018, compared to revenues of \$12.2 million in the comparable period of 2017, representing an increase of 47%.

Bri-Chem's Canadian drilling fluids blending, and packaging division generated sales of \$4.1 million for the quarter ended March 31, 2018 compared to the prior year quarter sales of \$5.2 million representing a 20% decrease quarter over quarter. This decrease relates to softer demand for blending services particularly in the month of March as rig activity declined much sooner than expected for spring breakup. Bri-Chem's USA fluids blending and packaging division, generated sales of \$1.5 million for the three month period ended March 31, 2018, compared to \$0.6 million for the comparable period in 2017 as the division has seen customer growth with return of well abandonment work in California.

Operating earnings this quarter were \$0.970 million compared with an operating income of \$1.8 million in the first quarter of 2017. Operating results this quarter decreased due to early start to spring break up in Western Canada and lower margins on products sold in our recently expanded oil based mud blending facilities in Texas. As a result of the higher operating costs and lower than expected margins in the Kermit and Three River warehouses, Bri-Chem will discontinue operating from these locations and seek to redeploy its cashflow resources in higher margin opportunities. This restructuring will result in various one-time sales and expenditures in Q2 2018.

EBITDA was \$0.9 million for the three months ended March 31, 2018 compared to \$2.0 million in the same comparable prior year period; a decrease of \$1.2 million quarter over quarter or 56%. The first quarter EBITDA as a percentage of sales was 3% compared to 6% from the prior year quarter. This decrease in quarter over quarter EBITDA is mainly attributed to lower margin activity with high operating costs in new Texas regional warehouse sales and lower sales activity in the Canadian blending division. The Company had net loss of \$106,091 for the quarter ended March 31, 2018 compared to net earnings of \$680,762 million in the same prior year period.

OUTLOOK

Northern American oil and gas drilling activity levels should remain consistent for the remainder of 2018, however, the Company is operating cautiously as there are potential headwinds given the current political and pipeline constraints in Western Canada which may prove to have an adverse effect on drilling activity in Western Canada over the short to medium term. PSAC has forecasted 5,131 wells to be drilled in Western Canada for the remainder of 2018 with 971 wells to be drilled in the second quarter, representing a 6% forecasted decrease over Q2 2017. We also anticipate that the typical spring break-up will be extended this year as winter conditions in Canada have stretched well into May. The USA drilling market continues to see small increases in rig activity which will enable the Company to seek market share gains in regions that offer higher margin opportunity for superior customer service.

Oilfield service activity in Canada will be impacted by pipeline construction, environmental regulations and the level of investment in Canada. Currently, the largest challenges facing the oilfield service industry are restrained customer spending, relative to historical levels, due to low natural gas prices and differentials on Canadian crude oil. Bri-Chem will continue to be proactive in seeking higher margin opportunities throughout all its North America business segments.

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 29 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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