
Bri-Chem Completes Q2 Restructuring of Underperforming Regional Warehouses

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Edmonton, Canada, July 31, 2018 – Bri-Chem Corp. (“Bri-Chem” or “Company”) (TSX: BRY), a leading North American oilfield chemical distribution and blending company, announces that the Company has completed its Q2 restructuring plan and, as a result, has discontinued operating from warehouses in Kermit and Three Rivers, Texas and has moved operations from Enid, Oklahoma to Ada, Oklahoma in an effort to immediately redeploy its inventory and equipment in higher margin opportunities. In addition, the Company has opened a new warehouse in Woodward, Oklahoma and has repurposed its Chickasha, Oklahoma warehouse and its Leetsdale, Pennsylvania warehouse by discontinuing the oil based mud blending operations previously carried on from those locations. Leetsdale has also expanded its bulk barite transloading operations. This restructuring will result in various one-time inventory sales, at or below cost, and material shut-down expenditures to be incurred in Q2 2018.

The focus of the restructuring plan is to strengthen the Company and enhance long-term shareholder value. During Q1, management initiated a comprehensive strategic review of all 30 warehouse locations to determine which warehouses were not achieving target gross margins and EBITDA and therefore not best utilising current and future cashflow resources. The Company concluded that two large oil based mud warehouse facilities in Texas were incurring substantially higher than average operating costs, including increased transportation costs, due to a shortage of trucking and logistics resources within the Texas region, and were competing for low margin market share in the highly competitive west Texas drilling region. As a result of these factors, target gross margins and EBITDA percentages were well below those realized at other warehouses with little or no opportunity to achieve higher margins in the future. An immediate plan was implemented to discontinue operations in those warehouses and to have the restructuring completed as quickly as possible to prevent future and lengthy margin compression.

The Company’s business strategy is reprioritizing key value drivers, including continuing improvement of the balance sheet, disciplined capital allocation, along with debt and cost reductions. These value drivers are expected to result in improved rates of return on capital employed, free cash flow generation and, ultimately, the Company’s long-term sustainability. We will stay focused on our strategy, maintain our market share and not sacrifice either to achieve our margin goals in the near term. We built market share during the downturn and we intend to maintain our market position with healthy operating income, cash flow and returns.

Looking to the third quarter and beyond, sales are currently strong across all North American divisions and we expect our consolidated margins to be at or above historical normalized levels in all restructured regions.

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 or at Bri-Chem's website at www.brichem.com.

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