

**Bri-Chem Announces 2020 First Quarter  
Financial Results**

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Edmonton, Canada, Tuesday, May 12, 2020 – Bri-Chem Corp. (“Bri-Chem” or “Company”) (TSX: BRY), a North American oilfield chemical distribution and blending company, is pleased to announce its 2020 first quarter financial results.

(in '000s except per share amounts)	Three months ended		Change	
	March 31 2020	2019	\$	%
<b>Financial performance</b>				
Sales	\$ 21,415	\$ 25,898	\$ (4,483)	(17%)
Adjusted EBITDA <sup>(1)</sup>	383	1,602	(1,219)	(76%)
As a % of revenue	2%	6%		
Adjusted operating earnings	294	990	(696)	(70%)
Adjusted net (loss) / earnings <sup>(1)</sup>	(470)	379	(849)	(224%)
Net (loss) / earnings	\$ (470)	\$ 359	\$ (829)	57%
Diluted per share				
Adjusted EBITDA	\$ 0.02	\$ 0.07	\$ (0.05)	(76%)
Adjusted net (loss) / earnings	(0.02)	0.02	(0.04)	nm
Net (loss) / earnings	\$ (0.02)	\$ 0.02	\$ (0.04)	nm
<b>Financial position</b>				
Total assets	\$ 46,284	\$ 66,743	\$ (20,459)	(31%)
Working capital	15,637	17,413	(1,776)	(10%)
Long-term debt	7,983	8,596	(613)	(7%)
Shareholders equity	\$ 16,593	\$ 20,361	\$ (3,768)	(19%)

**Key Q1 2020 highlights include:**

- Consolidated sales for the three months ended March 31, 2020 were \$21.4 million, a decrease of 17% compared to the comparable period last year due to weaker performance in the fluids distribution divisions in Canada and the United States as the industry is facing significant challenges as Global oil prices declined rapidly in the latter part of the first quarter of 2020 stemming from failed negotiations between OPEC+ countries and reduced demand driven by the novel coronavirus (“COVID-19”) health pandemic, including government responses thereto.
- Adjusted EBITDA for the first quarter was \$383 thousand versus \$1.6 million over Q1 2019, representing a 76% decrease year over year. The decrease related to weaker performance in all divisions with the exception of the USA Fluids Blending and Packaging Division;
- Adjusted operating income was \$294 thousand for the three months ended March 31, 2020 compared to income of \$990 thousand in the prior year comparable quarter, representing a 70% decrease;
- Net loss per diluted share for the three months ended March 31, 2020 was \$0.02 per share compared to net income of \$0.02 per diluted share for same period last year;
- Working capital, as at March 31, 2020, was \$15.6 million compared to \$17.4 million at December 31, 2019, a decrease of 10%. Management continues to ensure that prudent cash management practices

are followed by reducing inventory to levels more appropriate to the current environment, ensuring that collecting accounts receivable remains a priority while continuing to retire the accounts payable to our vendors. Over the short to medium term, the Company will continue to look at reducing inventory levels given the level of activity negatively impacted by global demand, international oil price wars and the COVID-19 pandemic.

#### **Summary for the months ended March 31, 2020:**

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$3.8 million for the three months ended March 31, 2020 compared to \$5.3 million in the comparable period in 2019. Demand for drilling fluid products is driven by the level of current and future capital drilling programs which have been negatively impacted in March 2020 as a result of the market conditions described above. The number of wells drilled in Western Canada for the first quarter of 2020 was 1,783 compared to 1,529 in the same period last year which, while representing an increase of 17%, the number of active operating rigs in March 2020 averaged 131, a decrease of 13% over the month of March in 2019. (Source: Petroleum Services Association of Canada "PSAC"). Bri-Chem's United States drilling fluids distribution division generated sales of \$12.5 million for the three months ended March 31, 2020 compared to sales of \$15.4 million for the comparable period in 2019, representing a decrease of 19%. The decreases were the result of lower customer demand as the average number of active rigs operating in the United States fell to 784 at March 31, 2020 from 1,045 at March 31, 2019.

Bri-Chem's Canadian Blending and Packaging division generated sales of \$2.9 million for Q1 2020 consistent with sales of \$2.8 million for the comparable quarter in 2019. The division managed to pick up additional bulk blending of cement additives and, as well, toll blending of stimulation and production chemicals remained consistent quarter over comparable quarter. Near the end of the quarter, the division obtained a contract for packaging of hand sanitizer in response to the increase of demand driven by the COVID-19 pandemic. US Blending and Packaging sales for the three months ended March 31, 2020 were \$2.2 million compared to \$2.3 million for the comparable period in 2019, a decrease of \$112 thousand. Well abandonment work remains consistent in the State of California and as a result, revenues continue to be stable quarter over comparable quarter.

Adjusted operating earnings for the three months ended March 31, 2020 was \$293 thousand compared to \$990 thousand during the same period last year. Adjusted EBITDA was \$383 thousand for Q1 2020 compared to \$1.6 million for Q1 2019. Adjusted EBITDA as a percentage of sales was 2% for the quarter. The decrease was due to the weak macroeconomic environment despite reduction in infrastructure costs.

#### **OUTLOOK**

The unprecedented world outbreak of COVID-19 has forced many businesses and, as a result, economies to pause which has significantly reduced global oil demand. In addition, the failure of OPEC and Russia (OPEC+ group) to agree on an extension of oil production cuts in March 2020 immediately and negatively impacted the price of oil, resulting in many operators reducing their planned drilling activities. Subsequent to the Q1 2020 reporting period, the global impact of the COVID-19 as well as the significant decline in global oil prices, has fostered substantially elevated uncertainty as to the health of global economies over the near term. As a result, the Company has put in place a number of initiatives to reduce costs and risks associated with global factors, including examining and, if thought appropriate, reducing purchases, reducing inventory to levels appropriate to the current environment, aggressively collecting amounts outstanding from customers and reducing infrastructure costs, including temporary layoffs and reduced work hours. We are expecting a material reduction of revenue until industry activities improve and customer spending and demand for our services recommences. Due to the above factors, Bri-Chem is subject to liquidity risks which may have a negative impact on the Company's ability to raise equity and or obtain loans in the future that are on terms favourable to the Company. During this unprecedented time, we will be working with our customers, creditors, suppliers and lenders to manage our financial resources. As is the general consensus amongst business and governmental officials, there is great uncertainty as to the timeframe for world economies returning to some state of normal activity and when world demand for oil will increase. Over the medium term, the Company will carefully monitor the volatile market and will adjust operations accordingly.

## **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 26 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).

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