

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

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Edmonton, Canada, August 13, 2020 – Bri-Chem Corp. ("Bri-Chem" or "Company") (TSX: BRY), a North American oilfield chemical distribution and blending company, is pleased to announce its second quarter financial results.

**FINANCIAL AND OPERATING INFORMATION HIGHLIGHTS**

(in '000s except per share amounts)	Three months ended				Six months ended			
	2020	June 30 2019	Change \$	%	2020	June 30 2019	Change \$	%
Sales	\$ 6,819	\$ 22,721	\$ (15,902)	(70%)	\$ 28,234	\$ 48,619	\$ (20,385)	(42%)
Adjusted EBITDA <sup>(1)</sup>	(423)	447	(870)	195%	(41)	2,028	(2,069)	(102%)
Adjusted EBITDA as a % of revenue	(6%)	2%			0%	4%		
Adjusted operating loss <sup>(1)</sup>	(25)	(30)	5	17%	(495)	940	(1,435)	(153%)
Adjusted net loss <sup>(1)</sup>	(1,173)	(717)	(456)	(64%)	(1,643)	(358)	(1,285)	(359%)
Net loss	\$ (1,276)	\$ (741)	\$ (535)	(72%)	\$ (1,746)	\$ (382)	\$ (1,364)	(357%)
Diluted per share								
Adjusted EBITDA	\$ (0.02)	\$ 0.02	\$ (0.04)	195%	\$ (0.00)	\$ 0.08	\$ (0.09)	102%
Adjusted (loss) / net earnings	\$ (0.00)	\$ (0.00)	\$ 0.00	17%	\$ (0.07)	\$ (0.01)	\$ (0.05)	(359%)
Net loss	\$ (0.05)	\$ (0.03)	\$ (0.02)	(72%)	\$ (0.07)	\$ (0.02)	\$ (0.06)	(357%)
Total assets					\$ 31,098	\$ 59,150	\$ (28,052)	(47%)
Working capital					13,928	16,560	(2,632)	(16%)
Long-term debt					642,714	9,016	633,698	7029%
Shareholders equity					\$ 14,800	\$ 19,325	\$ (4,525)	(23%)

**Key Q2 2020 & YTD highlights include:**

- Consolidated sales for the three months ended June 30, 2020 were \$6.8 million, a decrease of 70% from the comparable period last year. The decrease resulted from the significant economic downturn that followed the public health measures that were taken to limit the spread of the coronavirus ("COVID-19") world pandemic. This downturn resulted in a corresponding reduction in global oil demand and the reduction in drilling and completion activity in North America.
- Adjusted EBITDA for the second quarter was negative \$423 thousand versus positive \$447 thousand over Q2 2019, representing a 195% decrease year over year. The decrease is related to the overall weaker performance in all operating divisions due to the economic downturn;
- Adjusted operating loss was \$25 thousand for the three months ended June 30, 2020 compared to a loss of \$30 thousand in the prior year comparable quarter;
- Net loss per diluted share for the three months ended June 30, 2020 was \$0.05 per share compared to a net loss of \$0.03 per diluted share for same period last year;
- As at June 30, 2020, working capital was \$13.9 million compared to \$16.6 million at June 30, 2019, a decrease of 16%. 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. The Company over the past quarter has taken advantage of various federal corporate subsidy programs both in Canada and the United States.
- Subsequent to the quarter end, the Company extended the term of its senior credit facility to October 31, 2021 and secured a \$6.25 million Business Credit Availability Program ("BCAP") loan with its senior lender, CIBC. The loan is 80% guaranteed by the Canadian Federal Government through Business Development Bank of Canada ("BDC"). The proceeds of the loan will assist funding current operations.

## Summary for the three and six months ended June 30, 2020:

Consolidated sales for the three and six months ended June 30, 2020 were \$6.8 million and \$28.2 million respectively compared to \$22.7 million and \$48.6 million for the same periods in 2019, representing a \$15.9 million and \$20.4 million decrease respectively over the comparable periods. The decrease in revenue is related to the pause in world economies in reaction to the COVID-19 pandemic and a significant reduction in drilling and completion activity in the Company's North American operating regions.

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$175 thousand and \$4.0 million for the three and six months ended June 30, 2020 compared to \$3.6 million and \$8.9 million in the comparable prior periods. The Q2 and year to date sales were down significantly due to the overall decline in Canadian drilling activity as a result of the collapse of global oil prices and reduced demand as the result of the global COVID-19 pandemic. The number of wells drilled in Western Canada for the second quarter of 2020 was 163 compared to 806 in the same period last year, representing a decrease of 80% (Source: Petroleum Services Association of Canada "PSAC"). Bri-Chem's United States drilling fluids distribution division generated sales of \$3.9 million and \$16.5 million for the three and six months ended June 30, 2020 compared to sales of \$14.0 million and \$29.4 million for the same comparable periods in 2019, representing decreases of 72% and 44% respectively. The United States market declined rapidly as the average number of active rigs operating in the United States fell to 590 at June 30, 2020 from 990 at June 30, 2019, representing a 40% decline.

Bri-Chem's Canadian Blending and Packaging division generated sales of \$1.3 million and \$4.2 million for the three and six months ended June 30, 2020 compared to Q2 2019 sales of \$2.0 million and 2019 six months sales of \$4.9 million. The 34% decrease quarter over comparable quarter was the result of reduced demand for commodity toll packaging due to the significant decline in drilling activity. The decline was partially offset with a contract for packaging of hand sanitizer during Q2 2020 which lasted for five weeks. US Blending and Packaging sales for the three and six months ended June 30, 2020 were \$1.4 million and \$3.6 million compared to sales of \$3.1 million and \$5.4 million for the comparable periods in 2019, decreases of \$1.7 million and \$1.8 million respectively. Well abandonment work remained consistent in the State of California until the COVID-19 health measures were implemented which resulted in many companies slowing down well abandonment work in response to the pandemic.

Adjusted operating loss for the three months ended June 30, 2020 was \$25 thousand compared to \$30 thousand during the same period last year. The adjusted operating loss was offset by management's determined effort to reduce corporate and operating infrastructure costs. Adjusted EBITDA was negative \$423 thousand and negative \$41 thousand for the three and six months ended 2020 compared to adjusted EBITDA of \$447 thousand and \$2.0 million for the same comparable periods of 2019.

## OUTLOOK

The Company is cautiously optimistic that the markets that we serve will experience modest increase in drilling activity beginning late in the third quarter and continuing into the fourth quarter of 2020 as crude oil prices strengthened near the end of the second quarter of 2020 following a steady economic recovery as North American lockdowns related to COVID-19 began to ease. Bri-Chem anticipates that drilling activity will remain well below prior year levels in the second half of 2020 as customers continue to reduce capital spending budgets in an effort to manage their working capital. The Company remains focused on reducing overheads, limiting all spending and offsetting costs by utilizing COVID-19 relief programs provided by the Canadian and USA federal governments. These moves have allowed the Company to maintain operations during this pandemic. The proceeds of the recently funded BCAP loan will provide the Company with the necessary working capital to continue operating in all its North American regions, however we will carefully monitor the market activity 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).  
For further information, please contact:

**Jason Theiss**  
**Bri-Chem Corp.**  
CFO  
T: (780) 571-8587  
E: [jtheiss@brichem.com](mailto:jtheiss@brichem.com)

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