Q4 2018 MD&A

North American Oilfield Chemical Distribution & Blending Company

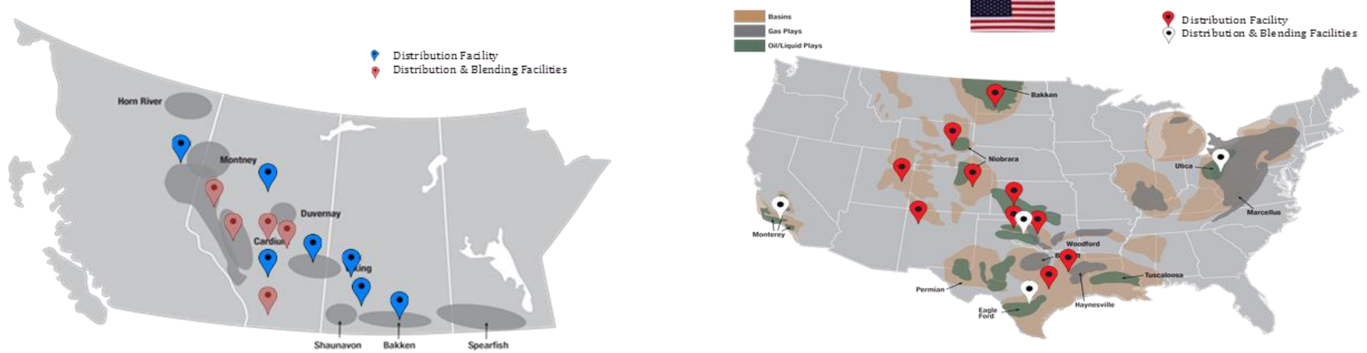
This Management's Discussion and Analysis ("MD&A") of Bri-Chem Corp. ("Bri-Chem" or the "Company") was prepared as at April 1, 2019 for the three and twelve months ended December 31, 2018 and should be read in conjunction with the Company's December 31, 2018 audited annual consolidated financial statements (the "financial statements"). The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and include the results of Bri-Chem Corp. and its subsidiaries, Bri-Chem Supply Ltd., Sodium Solutions Inc., Solution Blend Service Ltd., Bri-Corp USA, Inc., including its three subsidiaries Bri-Chem Supply Corp, LLC, Sun Coast Materials, LLC and Bri-Chem Logistics, LLC. All amounts presented in this MD&A are in Canadian dollars, except as otherwise noted.

Readers are encouraged to review the "Cautionary Statement Regarding Forward-Looking Information and Statements" and "Non-IFRS Measures" at the end of this document.

BUSINESS OF BRI-CHEM

Bri-Chem, headquartered in Edmonton, Alberta, Canada, has established itself, through a combination of strategic acquisitions and organic growth, as a North American industry leader for the 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. Bri-Chem has been operating in Canada since 1985 and we expanded into the United States in 2011 where we have successfully established 13 warehouse locations that are strategically located in major drilling regions throughout the USA. Bri-Chem's main business activity is to provide 24/7 coverage of oilfield chemicals in a wide variety of weights and clays, lost circulation materials and oil mud products to mud engineering companies who sell directly to drilling firms engaged by the oil and gas companies. Much of Bri-Chem's competitive advantage is attributed to its comprehensive network of 26 strategically placed and fully stocked warehouses throughout North America as mud engineering companies and drilling companies prefer to use one supplier of drilling fluids for all their widely dispersed drilling rig locations. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

A summary of the Company's distribution network is as follows:



Seasonality of Operations

Weather conditions can affect the sale of the Company's products and services. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As a result, there are three cycles of drilling activity in the Western Canada: Winter drilling season from November to mid-March is the period when the majority of drilling activity takes place as much of the ground is frozen allowing equipment to move into hard to reach regions during colder periods. Spring break up traditionally occurs between mid-March to mid-May and is the period when drilling activity is at its lowest as regions thaw and have road bans making heavy equipment difficult to move. Summer and fall drilling season operates from mid-May to end of October which focuses on areas not accessible during the winter drilling season. Spring break-up has a direct impact on the Company's activity levels. The timing of freeze-up and spring break-up affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company's slowest period in Canada.

FINANCIAL AND OPERATING INFORMATION HIGHLIGHTS

(in '000s except per share amounts)	Three months ended December 31 2018	2017	Change $	%	Twelve months ended December 31 2018	2017	Change $	%
Financial Performance								
Sales	**$ 27,705**	$ 27,917	$ (212)	(1%)	**$ 121,436**	$ 116,210	$ 5,226	4%
Adjusted EBITDA[1]	**580**	1,433	(853)	(60%)	**3,512**	6,878	(3,366)	(49%)
As a % of revenue	**2.1%**	5.1%			**2.9%**	5.9%		
Adjusted operating income [1]	**1,840**	1,102	738	67%	**4,213**	5,616	(1,403)	(25%)
Adjusted (loss) net earnings [1]	**(657)**	483	(1,140)	(236%)	**(515)**	2,122	(2,637)	(124%)
Net (loss) / earnings	**$ (5,570)**	$ 356	$ (5,926)	(1665%)	**$ (9,355)**	$ 1,708	$ (11,063)	(648%)
Diluted per share								
Adjusted EBITDA	**$ 0.02**	$ 0.06	$ (0.04)	60%	**$ 0.15**	$ 0.29	$ (0.14)	49%
Adjusted (loss) / net earnings	**$ (0.03)**	$ 0.02	$ (0.05)	235%	**$ (0.02)**	$ 0.09	$ (0.11)	124%
Net loss	**$ (0.23)**	$ 0.02	$ (0.25)	1651%	**$ (0.39)**	$ 0.07	$ (0.46)	643%
Financial Position								
Total assets					**$ 71,616**	$ 81,232	$ (9,616)	(12%)
Working capital					**17,977**	24,336	(6,359)	(26%)
Long-term debt					**8,777**	9,625	(848)	(9%)
Shareholders equity					**$ 20,153**	$ 28,756	$ (8,603)	(30%)

(1) Refer to the "Non-IFRS Measures" section for a definition of non-GAAP terms as well as reconciliations for Adjusted EBITDA, Adjusted Operating Income, and Adjusted (Loss) / Net Earnings.

Key Q4 2018 & year end highlights include:

- Consolidated sales for the three months ended December 31, 2018 were 1% lower as compared to the same quarter last year. Sales for the twelve months ended December 31, 2018 were $5.2 million higher than the same period last year mainly due to stronger US Fluids Distribution sales. Bri-Chem's geographically diversified business model helped offset sales declines in its Canadian operations which continued to face headwinds from persistently lower oil and gas drilling activity.

- Adjusted EBITDA for the fourth quarter was $0.58 million versus $1.4 million in the comparable period in 2017. This decline is mainly due to weak performance in both the Canadian Fluids Distribution and Canadian Blending & Packaging divisions. Adjusted EBITDA for the twelve months ended December 31, 2018 declined by $3.4 million.

- Bri-Chem reported adjusted net loss of $(0.7) million or $(0.03) adjusted loss per share diluted compared to net earnings of $0.5 million or $0.02 adjusted earnings per share diluted for the three months ended in 2018. Adjusted net loss for the twelve months ended December 31, 2018 was $(0.5) million.

- Working capital, as at December 31, 2018, was $18.0 million compared to $24.3 million at December 31, 2017. The Company's current ratio (defined as current assets divided by current liabilities) was 1.42 to 1 compared to 1.56 to 1 as at December 31, 2017. Management is actively reducing inventory to align working capital with sales levels.

- The Company recognized one-time non-cash asset impairments and restructuring charges of $4.9 million in the fourth quarter of 2018 due to more uncertainty related to political, regulatory and market access issues in the Canadian oil and natural gas industry. This uncertainty has negatively impacted the operating and financial outlook for the Canadian oilfield industry and, as a result, Bri-Chem reduced its cash flow expectations and the fair value carrying amount of certain business assets.

Summary for the three and twelve months ended December 31, 2018:

Bri-Chem reported $27.7 million and $121.4 million in revenue and adjusted EBITDA of $0.58 million and $3.5 million respectively during the three and twelve months ended December 31, 2018. The Company incurred an adjusted net loss of $(0.7) million and $(0.5) million for the three and twelve months ended December 31, 2018. In 2018, the Company recognized $8.8 million of one-time asset impairment and restructuring charges, consisting of the revaluation of inventory, deferred taxes and capital assets and costs related to the closure of USA warehouses and blending facilities. As a result of these one-time charges, Bri-Chem incurred an annual net loss of $(9.4) million.

Demand for Bri-Chem's products and services is largely driven by current and future North American oil and gas prices which impact the capital drilling programs and corresponding rig activity of Bri-Chem's customers. During 2018, persistently weak Canadian oil and gas prices negatively impacted Bri-Chem's Canadian divisions as energy producers lowered drilling activity to align with weak cash flows. At the end of 2018, WCS prices experienced a significant decline dropping from US$29.80 per barrel at the beginning of October to a low of US$6.42 per barrel in late November, before recovering to end the year at US$24.66 per barrel. During the three months ended December 31, 2018, the WCS index only averaged US$19.35 per barrel which is well below its historical range. Consequently, performance for the Canadian Fluids Distribution and Blending and Packaging divisions during the three months ended December 31, 2018 was negatively impacted as sales and gross margin fell 35% and 53%, respectively, compared to the same quarter last year.

Bri-Chem partially mitigated the Canadian sales declines due to the increase in sales from its USA operations. West Texas Intermediate ("WTI") steadily increased during 2018, before falling in the fourth quarter of 2018, however, USA customer demand remained relatively stable during Q4 2018. USA Fluids Blending and Packaging sales increased 55% and 54%, respectively, for the three and twelve months ended December 31, 2018 while gross margin increased 26% and 32%, respectively, during the same periods. US Fluids Distribution sales for the three and twelve months ended December 31, 2018 were $3.0 million and $17.7 million higher, respectively, compared to the same periods last year mainly due to a higher average US rig count.

Outlook

The Canadian oil and gas industry continues to be confronted by political, regulatory and market access issues. These issues, along with the Alberta government's mandated production curtailments, have resulted in reduced 2019 Canadian customer capital spending budgets compared to last year. In January 2019, the Petroleum Services Association of Canada revised their 2019 WCSB drilling forecast to reflect a 25% decrease in the number of wells drilled compared to 2018 and estimated an average of 180-190 drilling rigs will operate in Canada which is well below the historical range. With lower industry activity, it remains a challenge for Bri-Chem to balance its Canadian infrastructure with erratic activity.

Management is cautiously optimistic in its outlook for Bri-Chem's US operations for 2019. While WTI pricing is expected to be fluctuating at US$52-$60 per barrel, the US rig counts so far in 2019 has been lower compared to Q4 2018. These mixed signals suggest US sales and gross margin could be flat compared to 2018.

To date, Bri-Chem has experienced lower overall activity in the first quarter of 2019 and, as a result, revenue is below the same period in 2018 last year. Activity for Canadian spring break-up is expected to be slow and forecasting drilling activity levels beyond the first half of 2019 is difficult given the current industry headwinds. Bri-Chem will be focused on cost management and allocating free cash flow to reduce debt. Since the fourth quarter of 2018, Bri-Chem has initiated several right-sizing measures to reduce inventory levels, restructure overhead expenses and prudently manage its working capital until more favorable North American industry activity levels return.

DISCUSSION OF THREE MONTHS ENDED AND YEAR TO DATE OPERATING RESULTS

Divisional Sales

(in 000's)	Three months ended December 31 2018	2017	Change $	%	Twelve months ended December 31 2018	2017	Change $	%
Fluids Distribution								
Canada	$ 6,732	$ 10,342	$ (3,610)	(35%)	$ 30,891	$ 45,395	$ (14,504)	(32%)
US	15,728	12,717	3,011	24%	69,167	51,447	17,720	34%
	22,460	23,059	(599)	(3%)	100,058	96,842	3,216	3%
Fluids Blending & Packaging								
Canada	3,307	3,604	(297)	(8%)	14,473	14,871	(398)	(3%)
US	1,938	1,254	684	55%	6,905	4,497	2,408	54%
	5,245	4,858	387	8%	21,378	19,368	2,010	10%
Consolidated sales	$ 27,705	$ 27,917	$ (212)	(1%)	$ 121,436	$ 116,210	$ 5,226	4%
Geographic Region								
Canada	10,039	13,946	(3,907)	(28%)	45,364	60,266	(14,902)	(25%)
US	17,666	13,971	3,695	26%	76,072	55,944	20,128	36%
Consolidated sales	27,705	27,917	(212)	(1%)	121,436	116,210	5,226	4%

Consolidated sales for the three months ended December 31, 2018 were largely consistent with the same period last year, reflecting the benefits of Bri-Chem's geographically diversified business model. US Fluids Distribution and Fluids Blending & Packaging sales increased $3.7 million which partially offset the $3.9 million in sales declines from Canadian divisions. Increased US sales, particularly in the Fluids Distribution division, were due to higher US drilling rig activity and the depreciation of the Canadian dollar relative to the US dollar. Consolidated sales for the twelve months ended December 31, 2018 were $5.2 million higher than the same period last year due to higher US sales.

Economic Statistics

(in 000's)	Three months ended December 31 2018	2017	Change $	%	Twelve months ended December 31 2018	2017	Change $	%
Average crude oil and natural gas prices [1]								
Crude Oil								
West Texas Intermediate (US$/bbl)	59.32	55.28	4.04	7%	64.95	50.81	14.14	28%
Western Canadian Select (CDN$/bbl)	33.91	49.10	(15.19)	(31%)	49.97	49.49	0.48	1%
Natural Gas								
30 day spot AECO (CDN$/mcf)	1.61	1.67	(0.06)	(4%)	1.53	2.23	(0.70)	(31%)
Average foreign exchange rates [1]								
US dollar to Canadian dollar	1.32	1.27	0.05	4%	1.30	1.30	-	0%

(1) Source: Bloomberg.

Average WTI for the three and twelve months ended December 31, 2018 increased 7% and 28%, respectively compared to the same periods last year; however, average WCS pricing decreased 31% for the three months ended December 31, 2018 compared to the same period last year. WCS for the 12 months ended December 31, 2018 was consistent with the same period last year. AECO decreased for the three and twelve months ended December 31, 2018 4% and 31%, respectively, compared to the same period last year. The Canadian dollar depreciated relative to the US dollar for the three months ended December 31, 2018 compared to the same period last year, while it was consistent for the 12 months ended December 31, 2018 compared to the same period last year.

Fluids Distribution Division

Canada

Typically, the fourth quarter represents one of the strongest periods of sustained activity in the WCSB because Canadian energy producers can access a larger area of ground for oil and gas exploration compared to other times of the year. For the three months ended December 31, 2018, average drilling rig utilization rates were lower compared to the same period last year, and the historical range, because of persistently weak Canadian oil and gas prices as well as the mandatory oil production cuts in Alberta that were announced by the Alberta government on December 3, 2018. For the three months ended December 31, 2018, Canadian rig counts were 14% lower compared to the same period last year. As a result, Canadian Fluids Distribution sales for the three months ended December 31, 2018 fell $3.6 million compared to the same period last year. Sales for the twelve months ended December 31, 2018 were $14.5 million lower compared to the same period last year because an average of 7% fewer rigs were operating in Canada compared to the same period last year. Adverse weather conditions in the spring and summer of 2018 further reduced drilling activity compared to the same period last year.

US

US Fluids Distribution sales for the three and twelve months ended December 31, 2018 were $3.0 million and $17.7 million higher, respectively, compared to the same periods last year mainly due to a higher average US rig count. The average number of rigs operating in the US during the three months ended December 31, 2018 increased 16% compared to the same period last year, while the average number of active rigs operating in the US for the twelve months ended December 31, 2018 increased 18% compared to the same period last year. US sales in the three months ended December 31, 2018 also benefited from the depreciation of the CAD dollar relative to the US dollar, which resulted in higher translated CAD sales.

Fluids Blending & Packaging Division

Canada

Canadian Fluids Blending & Packaging sales for the three and twelve months ended December 31, 2018 were $0.3 million and $0.4 million lower, respectively, compared to the same periods last year mainly due to the Alberta government oil production curtailment announcement and lower Canadian rig counts.

US

US Fluids Distribution & Packaging sales for the three and twelve months ended December 31, 2018 sales were $0.7 million and $2.4 million higher, respectively, compared to the same periods last year due to increased well abandonment work in California and increased drilling rig activity in the US.

Divisional Gross Margin

	Three months ended December 31				Change		Twelve months ended December 31				Change	
(in 000's)	2018	%(1)	2017	%(1)	$	%	2018	%(1)	2017	%(1)	$	%
Fluids Distribution												
Canada	**$ (3)**	0%	$ 1,472	14%	$ (1,475)	(100%)	**$ 2,879**	9%	$ 6,202	14%	$ (3,323)	(54%)
US	**2,473**	16%	2,127	17%	346	16%	**8,154**	12%	9,567	19%	(1,413)	(15%)
	2,470	11%	3,599	16%	(1,129)	(31%)	**11,033**	11%	15,769	16%	(4,736)	(30%)
Fluids Blending & Packaging												
Canada	**780**	24%	906	25%	(126)	(14%)	**3,153**	22%	3,203	22%	(50)	(2%)
US	**659**	34%	524	42%	135	26%	**2,299**	33%	1,737	39%	562	32%
	1,439	27%	1,430	29%	9	1%	**5,452**	26%	4,940	26%	512	10%
Consolidated gross margin	**$ 3,909**	14%	$ 5,029	18%	$ (1,120)	(22%)	**$16,485**	14%	$ 20,709	18%	$ (4,224)	(20%)

(1) Expressed as a percentage of divisional sales.

Consolidated gross margin for the three months ended December 31, 2018 decreased $1.1 million compared to the same period last year due to lower gross margin in the Canadian Fluids Distribution division and $0.9 million of inventory impairment. Consolidated gross margin for the twelve months ended December 31, 2018 decreased $4.2 million compared to the same period last year due to lower gross margin in the Canadian and US Fluids Distribution divisions which experienced $3.6 million of inventory impairments because of slow-moving barite inventory and inventory sold as part of management's restructuring in west Texas as well as lower margin from the Canadian Fluids Distribution division. Consolidated adjusted gross margin, which adds back inventory impairments, was $4.8 million and $20.1 million, respectively, for the three and twelve months ended December 31, 2018, or 17% and 17% on an adjusted basis, compared to 18% and 18% respectively for the same comparable periods in 2017.

Fluids Distribution Division

Canada

Gross margin decreased $1.5 million and $3.3 million, respectively, during the three and twelve months ended December 31, 2018 mainly due to lower sales from reduced Canadian drilling activity discussed earlier. Gross margins throughout 2018 were also pressured by excess drilling fluid supply in slow Canadian markets which negatively impacted the Company's ability to raise gross margins back to historical levels. Additionally, the Company recorded slow-moving barite inventory impairments of $0.7 million and $1.3 million, respectively, during the three and twelve months ended December 31, 2018 as the net-realizable-value of this inventory was below carrying cost. Adjusted gross margin, which adds back inventory impairments, was $0.7 million and $4.2 million, respectively, for the three and twelve months ended December 31, 2018, or 10% and 14% on an adjusted basis, compared to 14% and 14% for the same comparable periods in 2017.

US

Gross margin increased $0.3 million during the three months ended December 31, 2018 reflecting higher sales; however, decreased $1.4 million for the twelve months ended December 31, 2018 due to the sale of certain commodity fluids at or below cost to clear out and exist two west Texas warehouses and get out oil based mud in Pennsylvania. Inventory impairments and one-time sales below cost of $0.2 million and $2.3 million, respectively, were recorded during the three and twelve months ended December 31, 2018. Adjusted gross margin, which adds back inventory impairments and one-times sales below cost was $2.7 million and $10.4 million, respectively, for the three and twelve months ended December 31, 2018, or 17% and 15% on an adjusted basis, compared to 17% and 19% for the same comparable periods in 2017. The increase in adjusted gross margins for the three and twelve months ended December 31, 2018 were directionally consistent with higher sales.

Fluids Blending & Packaging Division

Canada

Gross margin decreased $0.1 million during the three months ended December 31, 2018 mainly due to increased pricing pressure in a saturated Canadian market. Gross margin for the twelve months ended December 31, 2018 was generally consistent with the same period last year.

US

Gross margin increased $0.1 million and $0.6 million, respectively, during the three and twelve months ended December 31, 2018 due to increased sales from higher US rig activity and a favorable product mix.

Salaries and Benefits

	Three months ended December 31		Change		Twelve months ended December 31		Change	
(in 000's)	2018	2017	$	%	2018	2017	$	%
Salaries and benefits	$ 2,341	$ 1,931	$ 410	21%	$ 9,667	$ 7,588	$ 2,079	27%
As a % of sales	8.4%	6.9%	1.5%	22%	8.0%	6.5%	1.4%	22%

Salaries and benefits increased during the three and twelve months ended December 31, 2018 mainly due to higher wages for operations staff and contract labor from higher activity levels in US Fluids Distribution division. Salaries and benefits for the twelve months ended December 31, 2018 were higher due to higher overtime expense for hourly staff in US Fluids Distribution division as well as higher wages for operations staff and contract labor. Salaries and benefits for the Company also increased during the three and twelve months ended December 31, 2018 due to an increased headcount. As at December 31, 2018 the Company employed 82 personnel (36 Canada and 46 US) versus 76 personnel as at December 31, 2017 (34 Canada and 42 US).

Selling, General and Administration

	Three months ended December 31		Change		Twelve months ended December 31		Change	
(in 000's)	2018	2017	$	%	2018	2017	$	%
Selling	$ 141	$ 160	$ (19)	(12%)	$ 698	$ 571	$ 127	22%
Professional and consulting	267	862	(595)	(69%)	593	1,719	(1,126)	(66%)
General and administrative	21	251	(230)	(92%)	1,643	1,579	64	4%
Rent, utilities, and occupancy costs	883	733	150	20%	3,673	3,096	577	19%
Total selling, general and administration	$ 1,312	$ 2,006	(694)	(35%)	$ 6,607	$ 6,965	(358)	(5%)
As a % of sales	4.7%	7.2%	(2.4%)	(34%)	5.4%	6.0%	(0.6%)	(9%)

Selling expenses relate meals and entertainment, transportation, and travel incurred by Bri-Chem's sales team. Selling expenses for the three months ended December 31, 2018 were generally consistent with the same period last year. Selling expenses for the twelve months ended December 31, 2018 increased $0.1 million compared to the same period last year due to higher US travel, advertising and promotional expenses as a result of higher sales.

Professional and consulting expenses decreased during the three and twelve months ended December 31, 2018 due to lower legal expenses as the Company paid significant fees in 2017 related to a lawsuit against a former employee of the Company and legal expenses related to assistance with collection of specific accounts receivable.

General and administrative expenses decreased $0.2 million during the three months ended December 31, 2018 compared to the same period last year due to decreases in insurance, security and office rentals. General and administration expenses for the twelve months ended December 31, 2018 were generally consistent with the same period last year. Additionally, management reclassified certain telephone costs in 2018 from general and administrative to rent, utilities, and occupancy costs as management felt these costs were better represented as a warehouses and office rental expense.

Rent, utilities, and occupancy costs increased $0.2 million and $0.6 million, respectively, during the three and twelve months ended December 31, 2018 mainly due to higher warehouse and office rental expense. Warehouse and office rental expense increased due to opening two new warehouses in Oklahoma and the reclassification of certain telephone costs in 2018 from general and administrative costs.

Restructuring Costs

	Three months ended December 31		Change		Twelve months ended December 31		Change	
(in 000's)	2018	2017	$	%	2018	2017	$	%
Restructuring	$ 242	$ -	$ 242	nm	$ 962	$ -	$ 962	nm

In the first quarter of 2018, management performed a strategic review of its warehouse distribution network to identify locations that were not achieving satisfactory levels of performance. As a result of the review, two locations in west Texas were identified for poor performance and management exited these locations in the second quarter of 2018. This resulted

in $1.0 million of restructuring costs for tank cleaning, product relocation costs, and rental tank returns. The restructuring was completed by the end of 2018 and no further costs are expected.

Depreciation on Property and Equipment

(in 000's)	Three months ended December 31 2018	2017	Change $	%	Twelve months ended December 31 2018	2017	Change $	%
Depreciation on property and equipment	$ 276	$ 241	$ 35	15%	$ 1,066	$ 954	$ 112	12%

Depreciation on property and equipment for the three and twelve months ended December 31, 2018 was generally consistent with the same periods last year.

Financing Costs

(in 000's)	Three months ended December 31 2018	2017	Change $	%	Twelve months ended December 31 2018	2017	Change $	%
Interest on short-term operating debt	$ 480	$ 377	$ 103	27%	$ 1,795	$ 1,231	$ 564	46%
Interest on long-term debt	248	384	(136)	(35%)	978	1,833	(855)	(47%)
Interest on obligiatons under finance lease	10	2	8	400%	12	5	7	140%
Cash interest paid	738	763	(25)	(3%)	2,785	3,069	(284)	(9%)
Add non-cash interst expense:								
Amortization of deferred financing costs	29	45	(16)	(36%)	96	232	(136)	(59%)
Total interest expense	$ 767	$ 808	$ (25)	(3%)	$ 2,881	$ 3,301	$ (284)	(9%)

Interest on short-term operating debt increased $0.1 million and $0.6 million, respectively, during the three and twelve months ended December 31, 2018 compared to the same periods last year due to higher average borrowing levels in 2018. Additionally, interest on short-term operating debt during the three months ended December 31, 2018 included refinancing expenses for the December 24, 2018 ABL and GreyPoint amendments. Interest on long-term debt decreased $0.2 million and $1.0 million, respectively, during the three and twelve months ended December 31, 2018 due to scheduled debt repayments which reduced the balance remaining. Changes in interest on obligations under finance lease was insignificant in both comparative periods.

Foreign Exchange Loss / (Gain)

(in 000's)	Three months ended December 31 2018	2017	Change $	%	Twelve months ended December 31 2018	2017	Change $	%
Foreign exchange loss / (gain)	$ 72	$ (504)	$ 576	(114%)	$ 303	$ (670)	$ 973	(145%)

Foreign exchange loss / (gain) increased $0.6 million and $1.0 million, respectively, during the three and twelve months ended December 31, 2018 due to higher unrealized losses on US borrowings from the Company's ABL Facility.

Income Tax Expense (Recovery)

(in 000's)	Three months ended December 31 2018	2017	Change $	%	Twelve months ended December 31 2018	2017	Change $	%
Current	$ 631	$ (385)	$ 1,016	(264%)	$ 80	$ (54)	$ 134	(248%)
Deferred	1,700	284	1,416	499%	2,136	503	1,633	325%
Total income tax expense	$ 2,331	$ (101)	$ 2,432	(2408%)	$ 2,216	$ 449	$ 1,767	394%

Bri-Chem's effective corporate income tax rate was 27.0% in both 2018 and 2017. Income tax expense increased $2.4 million and $1.8 million, respectively, during the three and twelve months ended December 31, 2018 mainly due to the de-recognition of $2.0 million of deferred tax asset in the fourth quarter of 2018.

SUMMARY OF QUARTERLY DATA

Bri-Chem's quarterly results are materially impacted by seasonality factors, particularly those results from its Canadian operations. Typically, the first quarter of the calendar year is very active, followed by a much slower second quarter due to spring breakup where provincial and county road bans restrict movement of heavy equipment which negatively impacts demand for the Company's drilling fluid products. The following is a summary of selected financial information for the last eight quarters:

(in 000's except per share amounts)	2018 Q4	2018 Q3	2018 Q2 (2)	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Sales	**$ 27,705**	$ 31,159	$ 27,255	$ 35,318	$ 27,917	$ 30,542	$ 23,761	$ 33,990
Gross margin ($)	**3,909**	5,101	2,028	5,447	5,030	6,006	4,281	5,392
Gross margin (%)	**14%**	16%	7%	15%	18%	20%	18%	16%
Adjusted EBITDA (1)	**580**	2,287	(401)	1,046	1,772	2,337	788	2,033
Net earnings/(loss)	**$ (5,570)**	$ 61	$ (3,740)	$ (106)	$ 690	$ 670	$ (377)	$ 725
Diluted earnings/(loss) per share	**$ (0.23)**	$ -	$ (0.16)	$ -	$ 0.03	$ 0.03	$ (0.02)	$ 0.03

(1) Refer to the "Non-IFRS Measures" section for a definition of non-GAAP terms as well as reconciliations for EBITDA, adjusted operating (loss) income, and adjusted (loss) / net earnings.

Quarterly results generally reflect the seasonality factors discussed above. In addition, Bri-Chem's performance has generally improved with higher as oil and gas commodity prices. Despite this improvement, 2018 quarterly gross margin was generally lower compared to 2017 because of continued pricing pressure in a slow Canadian marketplace. Beginning in the second quarter of 2018, Bri-Chem also recorded restructuring charges related to the closure of warehouses in west Texas and impairments for slow-moving inventory which negatively impacted gross margins and net earnings / (loss).

FINANCIAL CONDITION AND LIQUIDITY

The Company's primary liquidity needs are to fund ongoing operations, service existing debt obligations, fund capital expenditures, finance growth opportunities, and finance future acquisitions. To do this, Bri-Chem relies on cash from operations, bank indebtedness, long-term debt and equity financing. The following table summarizes the Company's sources and uses of cash for the years ended December 31, 2018 and 2017:

Summary of cash flows (000's)	December 31 2018	December 31, 2017
Operating activites	**$ 1,990**	$ (9,312)
Financing activities	**(561)**	10,011
Investing activities	**(1,429)**	(699)
Change in cash position	**$ -**	$ -

For the year ended December 31, 2018, $2.0 million of cash was provided by operating activities compared to $9.3 million used in operating activities for the same period last year. This increase was mainly due to a positive change in working capital, particularly lower inventory levels, which were partially offset by decreased earnings. For the year ended December 31, 2018, $0.6 million of cash was used in financing activities compared to $10.0 million of cash provided by financing activities for the same period last year. This decrease was mainly due to decreased advances on the ABL facility. For the year ended December 31, 2018, $1.4 million of cash was used in investing activities compared to $0.7 million of cash used in investing activities for the same period last year. This decrease was mainly due to increased purchases of property and equipment.

Working capital position (000's)	December 31 2018	December 31, 2017
Current assets	**$ 60,972**	$ 67,818
Current liabilities	**42,995**	43,482
Working capital	**$ 17,977**	$ 24,336

Working capital as at December 31, 2018 decreased $6.4 million compared to the same time last year due to lower inventory levels.

On February 16, 2017 the Company amended the terms of the ABL Facility with CIBC to increase the maximum borrowing base to $25.0 million. On August 11, 2017 and again on October 31, 2017 CIBC agreed to extend the ABL Facility to November 15, 2017 in order to complete an amended ABL Facility. On November 6, 2017 the terms of the ABL Facility were amended to increase the maximum borrowing base to $35.0 million. Other amendments included a decrease in interest rates and an extension of the maturity date to October 31, 2020. The ABL Facility was also amended to become due on demand and the minimum adjusted tangible net worth and adjusted EBITDA covenants were replaced with a fixed charge coverage ratio covenant. The limit on eligible capital expenditures covenant continued to apply. On February 8, 2018 the company increased the maximum amount it could borrow under the ABL Facility to $40.0 million. On December 24, 2018 the ABL Facility was amended to replace the fixed charge coverage ratio with a minimum total net worth covenant and a minimum trailing twelve-month EBITDA covenant until the end of May 2019 after which time the financial covenants will revert back to the original covenants. Minimum total net worth is defined as 90% of equity less prepaids, intangibles, and goodwill. Minimum trailing twelve-month EBITDA is defined as a prescribed level of EBITDA. The ABL facility requires the Company to maintain certain financial covenants which are monitored monthly. The same financial covenants apply to the GreyPoint facility.

A summary of the Company's financial covenants which it was in compliance with as at December 31, 2018 are as follows:

	December 31, 2018	Covenant	December 31, 2017	Covenant
Fixed charge coverage ratio	**Not in effect**		10.94	Must exceed 1.1
Eligible capital expenditures	**$ 850,552**	**Not to exceed $2,241,600**	$ 903,714	Not to exceed $1,050,000
Minimum tangible net worth	**$ 19,440,558**	**Must exceed $16,931,000**	Not in effect	
Minimum trailing twelve month EBITDA	**$ 2,949,231**	**Must exceed $2,300,000**	Not in effect	

RISKS AND UNCERTAINTIES

Volatility of Oil and Natural Gas Industry Conditions

The demand, pricing and terms for Bri-Chem's drilling fluid products depend upon the level of industry activity for oil and natural gas in the resource basins it serves. Industry conditions can be influenced by factors over which the Company has no control, including: oil and natural gas prices; expectations about future oil and natural gas prices; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas; available pipeline and other oil and natural gas transportation capacity; demand for oil and natural gas; weather conditions; and political, regulatory and economic conditions in North America. Current global economic events and uncertainty have the potential to significantly impact commodity pricing. No assurance can be given that expected trends in oil and natural gas activities will continue or that demand for services provided by Bri-Chem will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas would likely affect activity levels in these industries and therefore affect the demand of Bri-Chem's products.

Credit Risk

As a result of the continued volatility in the North American oil and natural gas markets, the Company is exposed to heightened credit risk because a substantial portion of the Company's dealings are with entities involved in the oil and gas industry. Regarding accounts receivable, the Company remains focused on actively managing credit risk. Management has remained diligent in assessing credit levels granted to customers, monitoring the aging of receivables and taking proactive steps to collect outstanding balances. The Company's top five customers accounted for 24% (2017: 27%) of total sales for the twelve months ended December 31, 2018. No single external customer accounts for more than 10% of sales. The Company does not usually enter into long-term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customer, or any significant

decrease in sales to a customer, or prices paid or any other changes to the terms of service with a customer, could have a material adverse impact on the financial results, cash flows, and overall financial condition of the Company.

Transportation and Distribution Network Risk

The Company relies on a large distribution network to manage the sale of inventory from the point of initial material inventory purchase to final customer sale. Common to industry practice, the Company has no formal long-term contract with its major inventory storage and distribution supplier. A significant disruption to its transportation and distribution network could have a material adverse impact to the Company.

Cyber Security

Bri-Chem manages cyber security risk by ensuring appropriate technologies, processes and practices are effectively designed and implemented to help prevent, detect and respond to threats as they emerge and evolve. The primary risks to Bri-Chem include, loss of data, destruction or corruption of data, compromising of confidential customer or employee information, leaked information, disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. Bri-Chem applies technical and process controls in line with industry-accepted standards to protect its information assets and systems. Data backup and recovery processes are in place to minimize risk of data loss and resulting disruption of business. As result of the unpredictability of the timing, nature and scope of disruptions from cyber-attacks, Bri-Chem could potentially be subject to: operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of its systems and networks or financial losses, any of which could have a material adverse effect on Bri-Chem's reputation and competitive position, financial condition or results of operations.

Government Regulation

Bri-Chem is subject to a variety of federal, provincial, state, and local laws in Canada and the US, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Bri-Chem invests financial and managerial resources to ensure such compliance. Although such expenditures are generally not material to companies such as Bri-Chem, such laws or regulations are subject to change. Accordingly, it is impossible for Bri-Chem to predict the cost or impact of such laws and regulations on its future operations.

Seasonal Operations

Bri-Chem's Canadian operations are affected by the seasonality normally associated with the western Canadian oil and natural gas drilling industry. During the year, the busiest months are January through March and the slowest months are April through September when soft ground conditions hinder the movement of heavy equipment. Bri-Chem's US operations are not impacted by seasonality to the same degree as its Canadian operations.

OFF-BALANCE SHEET FINANCING

Bri-Chem has no off-balance sheet financing.

TRANSACTIONS WITH RELATED PARTIES

During the three and twelve months ended December 31, 2018 the Company incurred office sharing costs that were paid to a company over which a Director has control. A summary of these costs for the periods presented is as follows:

	Three months ended December 31		Change		Twelve months ended December 31		Change	
(in 000's)	2018	2017	$	%	2018	2017	$	%
Office sharing costs	$ 9	$ 9	$ -	0%	$ 36	$ 36	$ -	0%

CRITICAL ACCOUNTING ESTIMATES

This MD&A is based on Bri-Chem's Consolidated Financial Statements for the years ended December 31, 2018 and 2017 which were prepared in accordance with IFRS. The presentation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. These estimates and judgements are based on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Anticipating future events cannot occur with absolute certainty, therefore these estimates may change as new events occur, more experience is acquired and as the Company's operating environment changes. The Company's critical accounting estimates and assumptions are as follows:

Impairment - An evaluation of whether an asset is impaired involves consideration of whether indicators of impairment exist. Factors which could indicate impairment exists include: significant underperformance of an asset relative to historical or projected operating results, significant changes in the way an asset is used or in the Company's overall business strategy, the carrying amount of the net assets of the entity being more than its market capitalization or significant negative industry or economic trends. In some cases, these events are clear. However, in many cases, a clearly identifiable event indicating possible impairment does not occur. Instead, a series of individually insignificant events occur over a period leading to an indication that an asset may be impaired. Events can occur in these situations that may not be known until a date subsequent to their occurrence. Management continually monitors the Company's operating segments, the markets, and the business environment, and makes judgments and assessments about conditions and events in order to conclude whether a possible impairment exists. When there is an indicator of impairment the recoverable amount of the asset is estimated to determine the amount of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The determination of CGUs is based on management judgement. The Company's CGUs are Bri-Chem Supply Ltd., Sodium Solutions Inc, Solution Blend Service Ltd, Bri-Chem Supply Corp, and Sun Coast Materials, LLC. The recoverable amount for property and equipment is the higher of fair value less costs to sell and value in use. In assessing fair value less costs to sell, the Company must estimate the price that would be received to sell the asset or CGU less any incremental costs directly attributable to the disposal. In assessing value in use, the estimated cash flows are discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Arriving at the estimated future cash flows involves significant judgments, estimates and assumptions, including those associated with the future cash flows of the CGU, determination of the CGU, and discount rates.

Sales returns provision - The Company has an internal policy whereby it accepts product returns from customers in certain subsidiaries. Provisions recorded for estimated product returns are based on historical experience, market conditions, and drilling activities. Actual returns experienced may differ from estimate. The allowance for sales returns is presented in accounts payable and accrued liabilities in Note 7.

Allowance for doubtful accounts - At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any.

Inventories - Inventories are measured at the lower of cost and net realizable value. In estimating the net realizable value, management considers evidence, such as aging of the inventory, current sales prices, vendor price lists, available at the time in determining the net realizable values of the inventories.

Stock-based compensation - The Company uses the Black-Scholes Option Pricing Model for valuing its stock options to employees and directors at the date of issue. Management uses estimates of the expected life, the risk-free rate, expected volatility, and expected forfeiture rate when calculating the value of the options issued. These estimates may vary from

actual experience and are updated at each reporting period based on information available at that time. The Company values options issued to non-employees based on available evidence of the value the transaction represents to the Company based on services provided in exchange for the option.

CHANGES IN ACCOUNTING POLICIES

Bri-Chem's IFRS accounting policies are discussed in Note 2 of the financial statements for the years ended December 31, 2018 and 2017. On January 1, 2018 the Company adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" which are discussed in Note 2.

RECENT PRONOUCEMENTS NOT YET EFFECTIVE AND THAT HAVE NOT BEEN ADOPTED EARLY

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee ("IFRIC") that are not yet effective for the financial year ended December 31, 2018. The standards and amendments issued that are applicable to the Company are as follows:

<u>IFRS 16 – Leases</u>

The Company will adopt IFRS 16, "Leases" on January 1, 2019 which introduces new or amended requirements for lease accounting. The Company's March 31, 2019 interim financial statements will be its first financials issued in accordance with IFRS 16. While the requirements for lessor accounting have remained largely the same, significant changes were made to lessee accounting, including removal of the distinction between operating and finance leases except in limited circumstances. Upon transition, the Company will elect to apply IFRS 16 using the cumulative catch-up approach which does not require restatement of comparative information. Instead, comparative information will remain as previously reported under IAS 17 "Leases" and its related interpretations. In applying this approach, the cumulative impact of initial application will be applied on the date of transition by adjusting January 1, 2019 balances. The Company will also elect to use several transitional reliefs and exemptions made available by the IASB as practical expedients to implement the standard as follows:

- The Company will use transitional relief not to reassess whether a contract is or contains a lease. By applying this relief, the Company will not reassess arrangements under IFRS 16 that had not previously been identified as leases (i.e. grandfathering).
- The Company will apply the exemption related to low-value assets to exclude minor IT and office equipment that are deemed to be monetarily insignificant. For these arrangements, the Company will continue to recognize lease expense on a straight-line basis over the term of the agreement as presented within selling, general, and administration in the Consolidated Statements of Operations.
- The Company will elect to apply the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics.

IFRS 16 changed the definition of a lease to focus on the concept of control. IFRS 16 determines whether a contract is or contains a lease based on whether the customer has the right to control the use of an identified asset for a period in exchange for consideration. The Company will apply this definition and guidance in IFRS 16 to its arrangements that had previously been identified as a lease under IAS 17 and its related interpretations which resulted in the following:

- On initial application, the Company will elect to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations will be recorded as of January 1, 2019 in the Consolidated Statement of Financial Position at the present value of the future minimum lease payments, with no net impact on retained earnings;
- The Company will recognize lower selling, general, and administrative expenses, higher finance expenses, and higher depreciation for right-of-use assets and interest on lease liabilities in the Consolidated Statements of Operations and Comprehensive (Loss) / Income; and,
- The Company will separate the total amount of cash paid into a principal portion presented within financing activities and interest presented within operating activities in the Consolidated Statements of Cash Flows.

The impact of adoption is not yet determinable as the Company's assessment is still being finalized.

OUTSTANDING SHARES

As at April 1, 2018, the Company had 23,923,981 common shares issued and outstanding and no potentially dilutive shares. The Company had 1,120,000 stock options outstanding as at December 31, 2018.

NON-IFRS MEASURES

Bri-Chem uses certain measures in this MD&A which do not have any standardized meaning as prescribed by IFRS. These measures, which are derived from information reported in the annual consolidated financial statements, may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company. These Non-IFRS measures are identified and defined as follows:

Adjusted Net Earnings (Loss) and Adjusted EBITDA

Adjusted Net Earnings (Loss) are defined as net earnings (loss) before non-recurring events, net of corporate income taxes ("Adjusted Net Earnings (Loss)"). Management believes that in addition to net earnings (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure that represents normalized net earnings from the business so that financial statement users can make insightful comparisons between current period and historical results. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment charges, share-based payments, and non-recurring events ("Adjusted EBITDA"). Management believes that in addition to net earnings Adjusted EBITDA is a useful supplemental measure of operating performance that normalizes financing, depreciation, income tax, and other non-recurring charges which are not controlled at the operating level. The following table provides a reconciliation of net earnings (loss) under IFRS, as disclosed in the annual consolidated financial statements, to Adjusted Net Earnings (Loss) and Adjusted EBITDA:

	Three months ended December 31		Twelve months ended December 31	
(in 000's)	2018	2017	2018	2017
Net (loss) earnings	**$ (5,570)**	$ 356	**$ (9,355)**	$ 1,708
Add:				
Inventory impairment [1]	**899**	127	**4,106**	414
Property and equipment impairment	**1,636**	-	**1,636**	
Deferred tax asset impairment	**2,136**	-	**2,136**	-
Restructuring costs [2]	**242**	-	**962**	-
Adjusted net earnings (loss)	**(657)**	483	**(515)**	2,122
Add:				
Interest	**766**	809	**2,881**	3,301
Income tax expense / (recovery)	**195**	(100)	**80**	449
Depreciation on property and equipment	**276**	241	**1,066**	954
Share-based expense	**-**	-	**-**	52
Adjusted EBITDA	**$ 580**	$ 1,433	**$ 3,512**	$ 6,878

(1) Inventory impairment includes inventory sold below cost as part of the Company's restructuring of its Texas warehouses (three and twelve months ended December 31, 2018 $nil and $1.9 million, respectively), slow-moving barite inventory (three and twelve months ended December 31, 2018 $0.8 million and $1.7 million, respectively), and bad debt expense (three and twelve months ended December 31, 2018 $42 thousand and $0.5 million, respectively).

(2) Restructuring costs relate to cleaning oil-based storage tanks, inventory relocation costs, and tank rental rentals as part of the Company's restructuring of its Texas warehouses.

Adjusted Operating Earnings (Loss)

Adjusted operating earnings (loss) are defined as operating earnings (loss) before non-recurring events ("Adjusted Operating Earnings (loss)"). Management believes that in addition to operating earnings (loss) Adjusted Operating Earnings (loss) is a useful supplemental measure that represents normalized net earnings from the business so that financial statement users can make insightful comparisons between current period and historical results. The following table provides a reconciliation of operating earnings (loss) under IFRS, as disclosed in the annual consolidated financial statements, to Adjusted Operating Earnings (loss):

(in 000's)	Three months ended December 31 2018	Three months ended December 31 2017	Twelve months ended December 31 2018	Twelve months ended December 31 2017
Operating income (loss)	**$ 699**	$ 975	**$ (855)**	$ 5,202
Add:				
Restructuring costs	**242**	-	**962**	-
Inventory impairment [1]	**899**	127	**4,106**	414
Adjusted operating income (loss)	**1,840**	1,102	**4,213**	5,616

(1) Inventory impairment includes inventory sold below cost as part of the Company's restructuring of its Texas warehouses (three and twelve months ended December 31, 2018 $nil and $1.9 million, respectively), slow-moving barite inventory (three and twelve months ended December 31, 2018 $0.8 million and $1.7 million, respectively), and bad debt expense (three and twelve months ended December 31, 2018 $42 thousand and $0.5 million, respectively).

MANAGEMENT'S EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company, together with management, have established and maintain disclosure controls and procedures ("DC&P") for the Company in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner, particularly during the period in which the annual filings are being prepared. The CEO and CFO, together with management, have evaluated the design and operating effectiveness of the Company's DC&P as of December 31, 2018 and, based on that evaluation, have concluded that these controls and procedures are effective in providing such reasonable assurance, except as noted below.

Internal controls over financial reporting ("ICFR")

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

The Chief Executive Officer and Chief Financial Officer have concluded, based on their assessment, that the design and implementation of the Company's disclosure controls and procedures and ICFR are not effective due to the material weaknesses in ICFR as described below. A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

- A material weakness was identified relating to the evaluation of impairment for property and equipment which was corrected and resulted in an impairment charge of $1.6 million for the year ended December 31, 2018. This material weakness did not require adjustment to any prior period.
- Control limitations were identified relating to segregation of duties, review of journal entries and various IT related weaknesses around passwords and monitoring of user access in the accounting process. These situations are common to many small companies. While deficiencies in segregation of duties could lead to a material misstatement in the financial statements, other checks and balances including direct involvement of senior management in the day to day operations of the Company are in place, and no misstatement has occurred related to segregation of duties. However, these mitigating procedures may not be considered sufficient to reduce the likelihood that a material misstatement would be prevented or detected in the future.

As the Company grows, it plans to expand the number of individuals involved in the accounting function and to implement additional oversight and review type controls around the specific control deficiencies noted above.

Changes in ICFR

There were no changes in the Company's ICFR that occurred in 2018 that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting. It should be noted that while the CEO and CFO believe that Bri-Chem Corp.'s disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, except as noted above, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain information and statements contained in this MD&A constitute forward-looking information, including the anticipated costs associated with the purchase of capital equipment, expectations concerning the nature and timing of growth within the various business divisions operated through affiliates of the Company, expectations respecting the competitive position of such business divisions, expectations concerning the financing of future business activities, and statements as to future economic and operating conditions. Readers should review the cautionary statement regarding forward-looking information that appears below.

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), the credit risk to which the Company is exposed in the conduct of its business, fluctuations in prevailing commodity prices or currency and interest rates, the competitive environment to which the various business divisions are, or may be, exposed in all aspects of their business, the ability of the Company's various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Company's various business divisions to attract and maintain key personnel and other qualified employees, various environmental risks to which the Company's business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Company's business divisions operate, timing and costs associated with the acquisition of capital equipment, the impact of weather and other seasonal factors that affect business operations, availability of financial resources or third-party financing and the impact of new laws and regulations or changes in existing laws, regulations or administrative practices on the part of regulatory authorities, including without limitation taxation and environmental laws and regulations and changes in how such laws and regulations are interpreted and enforced. Forward-looking information respecting the anticipated costs associated with the purchase of capital equipment are based upon historical prices for various classes of equipment, expectations relating to the impact of inflation on the future cost of such equipment and management's views concerning the negotiating position of the Company and its affiliates. Forward-looking information concerning the nature and timing of growth within the various business divisions is based on the current budget of the Company (which is subject to change), factors that affected the historical growth of such business divisions, sources of historic growth opportunities and expectations relating to future economic and operating conditions. Forward-looking information concerning the future competitive position of the Company's business divisions is based upon the current competitive environment in which those business divisions operate, expectations relating to future economic and operating conditions, current and announced build programs and other expansion plans of other organizations that operate in the energy service business. Forward-looking information concerning the financing of future business activities is based upon the financing sources on which the Company and its predecessors have historically relied and expectations relating to future economic and operating conditions. Forward-looking information concerning future economic and operating conditions is based upon historical economic and operating conditions, opinions of third-party analysts respecting anticipated economic and operating conditions. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in additional detail in this MD&A under the heading "Risk Factors and Risk Management" on page 10 and in the Company's Annual Information Form (AIF) for the year ended December 31, 2018 which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.

Corporate Information

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Chairman, President, CEO and Director
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Jason Theiss, CPA
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Spruce Grove, Alberta

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Eric Sauze, CPA[1] [2]
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(1) Audit committee member.
(2) Compensation committee member.

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