BRI-CHEM

Right product. Right place. Right time.

Q4 MD&A Report

"For over 30 years we have proven our ability to combine strategic supplier relationships and expert logistics making us the premier supplier of drilling fluid chemicals and drilling fluid additives to the North American oil and gas industry."

North America's Largest Pure Play

Oil and Gas Drilling Fluids Distribution & Blending Company

INTRODUCTION:

This Management's Discussion and Analysis ("MD&A") was prepared as of March 29, 2015. It is provided to assist readers in understanding Bri-Chem Corp.'s ("Bri-Chem" or the "Company") financial performance for the 2015 fourth quarter and year ended December 31, 2015 and significant trends that may affect future performance of the Company. This MD&A should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2015 and 2014.

The Company's consolidated financial statements are prepared in accordance International Financial Reporting Standards ("IFRS"), and are presented in Canadian dollars unless otherwise indicated.

The Company sold its steel pipe manufacturing and steel pipe distribution businesses ("Discontinued Operations") effective July 15, 2014. Bri-Chem's business operations, financial and corresponding operating results will be concentrated entirely on its North American leading oil and gas drilling fluids distribution, blending & packaging businesses ("Continuing Operations").

The Company's Continuing Operations consolidated financial statements include the accounts of Bri-Chem Corp. and its subsidiaries as follows:

- 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,

The Company's Discontinued Operations include the accounts of 1100266 Alberta Ltd. (formerly Bri-Steel Corporation), and 1564316 Alberta Ltd.

All references in this report to financial information concerning the Company refer to such information in accordance with IFRS. This report also makes reference to certain non-IFRS measures in assessing the Company's financial performance. Non-IFRS measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These non-IFRS financial measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. These measures are discussed in the "Non-IFRS Measures" section of the report.

References in this MD&A to "Bri-Chem", the "Company", "us", "we", and "our" mean Bri-Chem Corp. and its subsidiaries, unless the context otherwise requires. Additional information relating to the Company, including the annual information form for the year ended December 31, 2015 is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or Bri-Chem's future plans and performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Bri-Chem believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- adequacy of capital resources required to finance the Company's inventories and other operations;
- the business objectives of the Company;
- results of operations and the performance of the Company;
- the ability of the Company to extend its credit facilities;
- the ability of the Company to develop its relationships with customers and potential new customers; and
- the ability of the Company to expand and broaden its areas of operation.

With respect to the forward-looking information contained in the MD&A, Bri-Chem has made assumptions regarding, among other things:

- the Company's relationships with its key suppliers and customers;
- economic conditions that influence the demand of the Company's customers for supplies and services;
- the Company's cash flow from sales; and
- the availability of existing credit facilities.

Although the forward-looking information contained in this MD&A is based upon what Management believes are reasonable assumptions, Bri-Chem cannot assure readers that actual results will be consistent with this forward-looking information. Although the Company believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Some of the risks and other factors, some of which are beyond the Company's control, which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A, include but are not limited to:

- supply and demand for oilfield services, and drilling fluids;
- competition for, among other things, capital and skilled personnel;
- incorrect assessments of the value of acquisitions;
- fluctuations in the market for oil and natural gas and related products and services;
- liabilities and risks, including environmental liabilities and risks inherent in chemical storage and handling and oil and natural gas service operations;
- fluctuations in foreign exchange or interest rates;
- political and economic conditions;
- failure of counter-parties to perform on contracts;

- regional competition;
- the Company's ability to attract and retain customers;
- amounts retained by the Company for capital expenditures;
- volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oil and gas services generally;
- stock market volatility and market valuations;
- unplanned equipment outages and other unforeseen disruptions that may affect operations;
- the presence of heavy competition in the industry in which the Company currently operates;
- general economic conditions in Canada and the United States and globally;
- the availability of capital on acceptable terms; and
- the other factors disclosed under "Risk & Uncertainties" in this MD&A.

Many of these risk factors are discussed further in detail herein, specifically in the "Risks and Uncertainties" section, and in the Company's Annual Information Form on file with Canadian securities commissions at www.sedar.com. Readers are also referred to the risk factors described in other documents filed with Canadian securities commissions periodically throughout the year.

Readers are cautioned that these factors and risks are difficult to predict. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the list of factors above and the risk factors set forth under the heading "Risks & Uncertainties" are not exhaustive. Before placing any reliance on any forward-looking statements to make decisions with respect to an investment in securities of Bri-Chem, prospective investors and others should carefully consider the factors identified above and other risks, uncertainties and potential changes that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. In addition, the forward-looking statements contained in this MD&A are made as of the date of this MD&A. Bri-Chem does not undertake any obligation to publicly update or to revise any forward-looking statements except as expressly required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by the cautionary statements contained herein.

2015 FOURTH QUARTER AND OVERALL PERFORMANCE:

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A. This Overview section is provided for information purposes only and readers are cautioned the information contained herein may not be appropriate for other purposes.

In the face of ongoing low global energy prices and the continued decline in drilling activity in North America, Bri-Chem has successfully continued to implement rolling changes to keep pace with the relentless lower industry activity levels. Commencing in early 2015 the Company initiated a number of restructuring initiatives to adjust its overhead expenditures in an effort to "Right-Size" its business operations to correspond with the reduced industry activity levels. Throughout 2015, the Company reduced annual fixed costs and commenced a significant debt and inventory reduction program that culminated in a $29 million reduction in our senior operating debt, down from $52 million to $23 million, while maintaining a strong working capital position and sufficient inventory levels for current market demands. .

In the fourth quarter and for fiscal 2015, we achieved the following corporate right-sizing milestones:

- Reduced inventory in Q4 by $6.4 million / $24 million for the year;
- Reduced senior operating debt in Q4 by $9.4 million / $29 million for the year;
- Reduced operating expenses in Q4 by $1.2 million / $4.1 million for the year;
- Consolidated two North American warehouse location (6 year to date) and three office locations;
- Identified additional workforce savings resulting in a 40% reduction of our workforce in 2015; and
- Implemented another round of right-sizing initiatives in December 2015 that will provide Bri-Chem with approximately $0.8 million of additional annual savings heading into fiscal 2016.

Another key milestone achieved in Q4 2015 was the restructuring agreement that was completed with our syndicate of lenders to make certain amendments to our credit facilities. The amended senior credit facility provides for a borrowing base of up to $40 million, down from $90 million, which will result in lowering the Company's unused credit facility fee costs and it also eliminated the fixed charge coverage ratio covenant and replaced it with a minimum tangible net worth covenant. In addition, the Company and its subordinated debt lender also agreed to certain amendments and additional terms to the current subordinated debt credit facility, including a deferral on 12 months of principal payments and financial covenant adjustments.

The results for the three months and year ended December 31, 2015 reflect the increasingly challenging North American energy industry conditions due to continued low oil and natural gas prices which resulted in substantially lower industry activity levels. During the fourth quarter of 2015, Bri-Chem's consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses decreased 57.2% to $21,507,712 compared to $50,291,385 from the prior period in 2014. For the year ended December 31, 2015, Bri-Chem's consolidated revenues were $96,822,080 compared to $184,707,721 for the comparable year of 2014, a decrease of 47.6%. Earnings before interest, taxes, amortization and depreciation, share-based payments expense, and impairment charges ("EBITDA") were ($2,761,020) for the year ended December 31, 2015, compared to $16,832,102 for the same period in 2014. Adjusted net loss, net of a one-time impairment charge of plant and equipment, goodwill and other intangible assets, for the year ended December 31, 2015 were ($6,908,111) or ($0.29) diluted loss per share as compared to net earnings of $6,392,330 for the same period in 2014.

During the year, the decline in oil and natural gas prices resulted in significant decreases in drilling activity, adversely impacting current and expected future business and estimated recoverable amounts and as a result, there were indicators of impairment for certain assets of the Company. Based on the impairment tests

performed, Bri-Chem recorded a write-down of plant and equipment, goodwill and other intangible assets in the amount of $5,163,603 for the twelve months ended December 31, 2015.

North American Drilling Fluids Distribution Divisions

Bri-Chem's Canadian drilling fluids distribution division generated sales of $6,873,849 and $29,606,659 for the three and twelve months ended December 31, 2015, compared to sales of $20,641,847 and $81,798,365 over the comparable periods in 2014. The number of wells drilled in Western Canada for the three and twelve month periods ended December 31, 2015 were 1,270 and 4,957, representing a decrease of 54.9% quarter over quarter and 53.7% year over year.

Bri-Chem's United States drilling fluids distribution division generated sales of $8,995,967 and $45,986,292 for the three and twelve month periods ended December 31, 2015, compared to revenues of $22,003,867 and $73,845,061 in the comparable periods of 2014, representing a decrease of $13,007,900 or 59.1% quarter over quarter, and a 37.7% decrease year over year. The average number of active rigs running in the USA during the fourth quarter was 755, a decrease of 60.5% quarter over quarter. Year to date rig activity has fallen 47.5%, averaging 977 operating during 2015.

North American Drilling Fluids Blending & Packing Divisions

Bri-Chem's Canadian drilling fluids blending and packaging division generated sales of $4,119,208 and $15,323,772 for the three and twelve months ended December 31, 2015 compared to the prior year period sales of $6,008,881 and $20,762,919 representing a 31.4% decrease quarter over quarter and a 26.2% decrease year over year.

Bri-Chem's USA fluids blending and packaging division, generated sales of $1,518,688 and $5,905,357 for the three and twelve month periods ended December 31, 2015 compared to $1,816,790 and $8,301,376, representing decreases of 16.4% and 28.9% respectively.

Outlook Summary

North American oil and gas drilling activity levels, during the fourth quarter of 2015, were substantially lower than activity levels during the fourth quarter of 2014 and current indications are that 2016 capital expenditures will be substantially lower than 2015 levels. Commodity prices remain low compared to historical levels and as such, the Company expects that industry conditions will remain very challenging for the foreseeable future. Steps have been taken to right-size the Company's operations in all business segments in response to reduced customer demand.

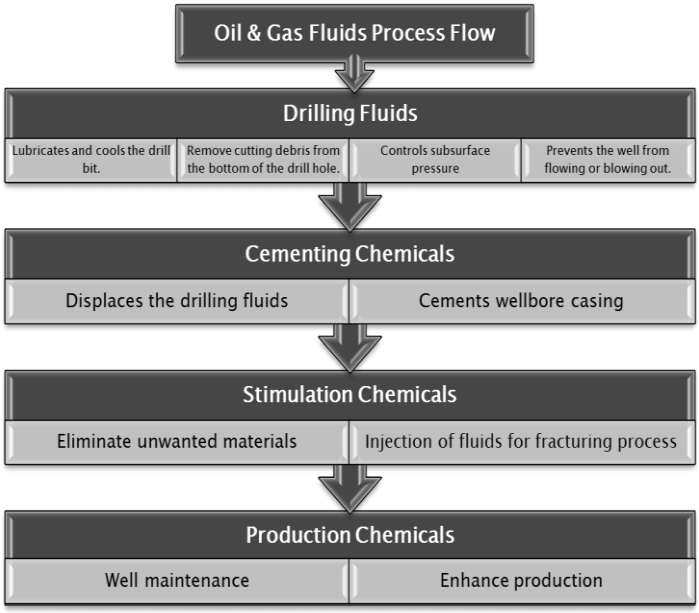
In Canada, the typical seasonal downturn in activity due to spring breakup is anticipated to start earlier than normal. However, management also expects a prolonged spring break-up with little visibility on how many rigs will return to work when the breakup ends. The oilfield activity has continued to deteriorate in the USA as the active rig count, to March 12, 2016, has fallen to 480 active rigs, a decrease of 645 from the prior year. Bri-Chem has been proactive in response to this reduction in business activity and has successfully implemented rolling changes to "Right-Size" its business and control costs. These initiatives together with new "Right-Sizing" strategies will continue to be evaluated based on current and projected business activity levels.

Overall, Bri-Chem's management team has experienced several business cycles and understands what is needed to effectively manage the business through an industry downturn. We understand the importance of cost management and reducing our debt during these challenging times. With minimum capex requirements, the Company will continue to provide superior customer performance while maintaining its corporate "Right-Sizing" and "Debt-Reduction" initiatives.

DESCRIPTION OF BUSINESS

Bri-Chem 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 27 strategically located warehouses throughout Canada and the United States. Bri-Chem has been operating in Canada since 1985 and as a result of the increasing market demand for oilfield chemicals during the past 5 years, we expanded into the United States in 2011 and have successfully obtained significant market penetration. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

The Company is headquartered in Edmonton, Alberta and owns a 100% interest in Bri-Chem Supply Ltd. ("Bri-Chem Supply"), 100% interest in Sodium Solutions Inc. ("Sodium"), 100% interest in Solution Blend Service Ltd. ("Solution Blend"), 100% interest in both 1100266 Alberta Ltd. ("Bri-Steel", previously named Bri-Steel Corporation), and 1564316 Alberta Ltd. ("Manufacturing", previously named Bri-Steel Manufacturing Inc. and formerly 70% owned). The Company also owns 100% interest in Bri-Corp USA Inc. ("Bri-Corp"), which has three 100% owned subsidiaries, Bri-Chem Supply Corp, LLC ("Bri-Chem USA") Sun Coast Materials, LLC ("Sun Coast") and Bri-Chem Logistics, LLC ("Logistics").



The Company divested its steel pipe manufacturing and steel pipe distribution businesses ("Discontinued Operations") effective July 15, 2014. Bri-Chem's business operations, financial and corresponding operating results are now presented and concentrated entirely on its North American leading oil and gas drilling fluids distribution, blending & packaging businesses as follows ("Continuing Operations"):

NORTH AMERICAN OILFIELD CHEMICAL DIVISIONS

Canadian Drilling Fluids Distribution Division

Bri-Chem is one of Canada's largest wholesale distributors of drilling fluid products to the oil and gas industry in the Western Canadian Sedimentary Basin ("WCSB"). The drilling fluids division focuses on the oil & gas drilling stage, providing over 100 drilling fluid products and custom-blended products to major and independent oilfield service companies. Bri-Chem distributes its drilling fluid products from 13 strategically located warehouses throughout the WCSB. Drilling fluids are used in the process of drilling deep vertical or horizontal boreholes. The drilling fluids are an integral part of the drilling process, serving a number of functions, including controlling subsurface pressures, lubricating the drill bit, stabilizing the wellbore, and carrying the cuttings to the surface, among other functions.

USA Drilling Fluids Distribution Division

Bri-Chem services its USA drilling fluids customers through its 16 warehouse locations strategically placed in the major resource plays in the USA. The division is establishing its market presence as a leading full service independent national wholesaler of drilling fluids to service the USA unconventional resource plays. The USA does not experience the seasonality of that in the WCSB and therefore maintains a more consistent active rig count. Bri-Chem will continue to focus on its product offerings and customer service in the regions it currently services.

Canadian Fluids Blending and Packaging Division

The WCSB oil and gas drilling and completion segment utilizes cementing, stimulation, fracturing and production chemical fluids. Many of these products are a blended formulation utilizing specialty additives that Bri-Chem can supply in both packaged and truckload quantities. Cementing is performed when the cement slurry is deployed into the well via pumps, displacing the drilling fluids still located within the well, and replacing them with cement. Well stimulation involves introducing special blends of chemicals and acid to oil or gas producing formations in order to diminish or eliminate unwanted materials. The fracturing process injects fluids and sand at high pressure which creates small fractures in the rock that extend out from the well. Production chemicals are specialty blended products that help maximize well production and minimize well maintenance costs. Bri-Chem has dedicated facilities, located in Acheson, Camrose and Calgary, Alberta, with capacity to blend and package specialty additive fluids for customer specific products.

On December 1, 2014, Bri-Chem acquired 100% of the issued and outstanding shares of Solution Blend Service Ltd. ("Solution Blend"), an Alberta based liquid blending company for production and stimulation oilfield chemicals. The total consideration paid on closing consisted of i) $4,650,683 in cash, and (ii) the issuance of a promissory note with fair value of $445,175. Solution Blend, located in Calgary, AB, is leading specialty blending company for the stimulation and production chemical segment of the oilfield chemical industry. The company's strategic advantage is ensuring customer success by providing high quality specialty oilfield blended products, operating in safe and environmentally controlled facility, while maintaining compliance regulations, proficient warehouse management and delivery. Solution Blend's business has built a strong market position with many long term customers and Bri-Chem entered into employment agreements with key members of management which is expected to provide for a seamless integration. The acquisition of Solution Blend expands Bri-Chem into the liquid stimulation and production oilfield blending chemical segment.

USA Fluids Blending and Packaging Division

Bri-Chem services the well abandonment market of California through its subsidiary of Sun Coast Materials LLC. ("Sun Coast"). Sun Coast provides blended cement additives for customers in the California market that require various mixtures of cement products to complete shut ins on well abandonments in the region. Sun Coast's business currently has no geographic overlap with Bri-Chem and they have built a strong market position with many long term customers.

Training and Fluid Analysis

With a laboratory in Calgary, Alberta, Bri-Chem serves its customers throughout the WCSB with testing equipment, quality assurance, mud school training, and research and analysis of various oilfield Chemicals.

Seasonality of Operations

Weather conditions can affect the sale of the Company's fluids, chemical, and services. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As a result, spring months in Western Canada and the duration of the spring break-up have a direct impact on the Company's

activity levels. In addition, many exploration and production areas in the northern WCSB are accessible only in winter months when the ground is frozen hard enough to support the weight of heavy equipment. 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.

Corporate Strategy

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

In light of ongoing low global energy prices and the continued decline in drilling activity in North America, Bri-Chem will continue to evaluate and implement rolling changes to "Right-Size" its business and control costs based on current and projected business activity levels. Throughout 2016, the Company will seek to reduce its debt and inventory levels to reduce the overall leverage of the Company while maintaining a strong working capital position.

Bri-Chem's exceptional industry infrastructure located throughout Canada and the U.S., its diversified product mix and blending services, blue chip customer base, and low cost and highly scalable business model, collectively, will serve to be a valuable contributor to many customers throughout North America during this difficult period and will benefit significantly when the market returns to more reasonable levels.

FINANCIAL SUMMARY

The following selected two year consolidated financial information has been derived from and should be read in conjunction with the Company's Financial Statements for the year ended December 31, 2015 and 2014.

Consolidated statements of operations	For the year ended December 31		Change	
	2015	2014 [4]	$	%
Sales	**$ 96,822,080**	$ 184,707,721	$ (87,885,641)	(47.6%)
Gross margin	**13,480,581**	31,749,878	(18,269,297)	(57.5%)
	13.9%	17.2%		
Operating expenses [1]	**16,241,601**	14,917,776	1,323,825	8.9%
EBITDA [2]	**(2,761,020)**	16,832,102	(19,593,122)	(116.4%)
Depreciation and amortization	**1,610,928**	2,167,490	(556,562)	(25.7%)
Interest [5]	**3,307,833**	3,241,958	65,875	2.0%
Share-based payments	**517,303**	752,202	(234,899)	(31.2%)
Impairment charges [6]	**6,126,247**	8,867,621	(2,741,374)	(30.9%)
Earnings from continuing operations before income taxes	**(14,323,331)**	1,802,831	(16,126,162)	(894.5%)
Income tax (recovery) expense - current	**(2,727,890)**	2,629,501	(5,357,391)	(203.7%)
Income tax expense (recovery) - deferred	**2,761,926**	(1,937,656)	4,699,582	(242.5%)
Earnings from continuing operations	**(14,357,367)**	1,110,986	(15,468,353)	(1392.3%)
Loss from discontinued operations	**$ -**	$ (12,412,413)	$ 12,412,413	(100.0%)
Net loss	**$ (14,357,367)**	$ (11,301,427)	$ (3,055,940)	27.0%
Net earnings from continuing operations attributable to				
Shareholders of the Company	**$ (14,357,367)**	$ 1,110,986	$ (15,468,353)	(1392.3%)
Net loss from discontinued operations attributable to				
Shareholders of the Company	**$ -**	$ (9,490,998)	$ 9,490,998	(100.0%)
Net loss attributable to NCI [3]	**$ -**	$ (2,921,415)	$ 2,921,415	(100.0%)
Earnings (loss) per share from continuing and discontinued operations				
Basic from continuing operations	**$ (0.61)**	$ 0.05	$ (0.66)	(1313.9%)
Basic from discontinued operations	**$ -**	$ (0.40)	$ 0.40	(100.0%)
Diluted from continuing operations	**$ (0.61)**	$ 0.05	$ (0.66)	(1313.9%)
Diluted from discontinued operations	**$ -**	$ (0.40)	$ 0.40	(100.0%)
Adjusted basic from continuing operations [7]	**$ (0.29)**	$ 0.27	$ (0.56)	(207.4%)
Adjusted diluted from continuing operations [7]	**$ (0.29)**	$ 0.27	$ (0.56)	(207.4%)
EBITDA per share from continuing operations				
Basic	**$ (0.12)**	$ 0.70	$ (0.82)	(116.7%)
Diluted	**$ (0.12)**	$ 0.70	$ (0.82)	(116.7%)
Weighted average shares outstanding				
Basic	**23,655,900**	24,013,533		
Diluted	**23,655,900**	24,026,765		

(1) See page 47 for a further explanation of this non-IFRS measure.
(2) Represents earnings before interest, taxes, depreciation, amortization, impairment charges and share-based payments (See page 47 for a further explanation of this non-IFRS measure).
(3) NCI represents the 30% non-controlling interest's ("NCI") portion of the losses of 1564316 Alberta Ltd. for the year ended December 31, 2014. On December 31, 2014, the Company redeemed 30% interests in the subsidiary owned by the minority shareholder.
(4) The Company reclassified amounts in the Statement of Operations relating to discontinued operations to categorize results of discontinued operations consistently.
(5) Interest expense for the year ended December 31, 2015 includes amortization of capitalized deferred financing cost of $520,005 (December 31, 2014: $480,091).
(6) Impairment charges are related to bad debts, plant and equipment, goodwill and other intangible assets (December 31, 2014 – bad debts, goodwill and other intangible assets)
(7) Excludes after tax effect of impairment of plant and equipment, goodwill and other intangible assets (See page 47 for a further explanation of this non-IFRS measure).

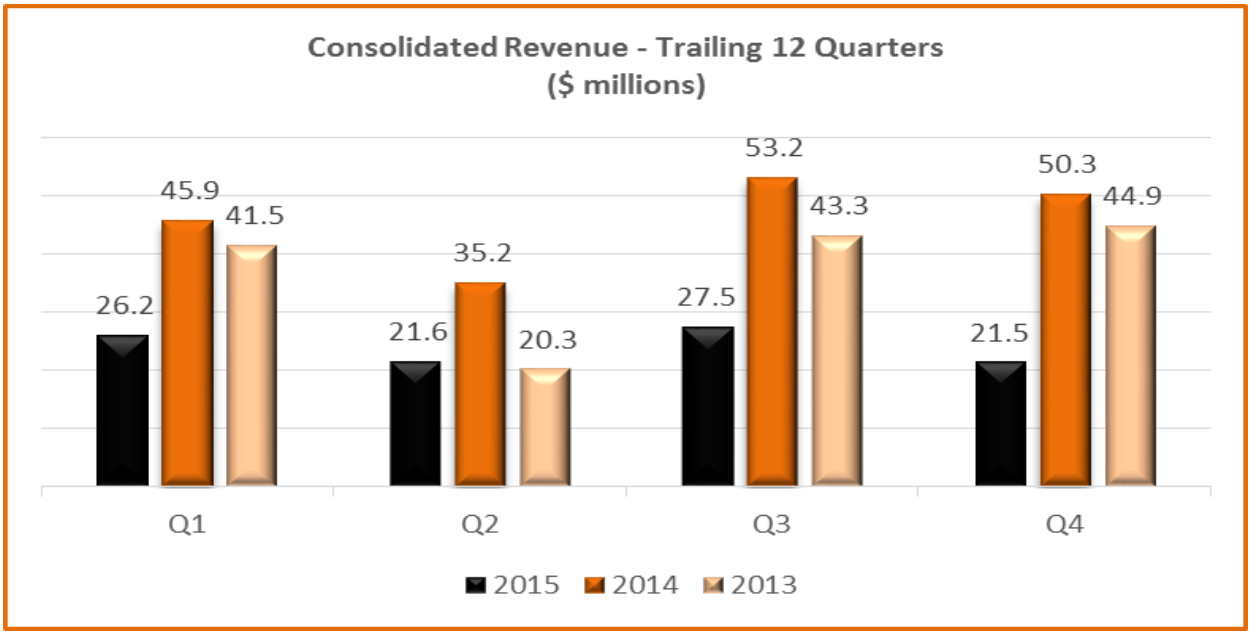
2015 YEAR END RESULTS AND DISCUSSION OF CONTINUING OPERATIONS

Sales

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

	For the year ended December 31					
	2015		2014		Change	
Sales by Segment	$	%	$	%	$	%
Fluids Distribution - Canada	**$ 29,606,659**	**30.6%**	$ 81,798,365	44.3%	$ (52,191,706)	(63.8%)
Fluids Distribution - USA	**45,986,292**	**47.5%**	73,845,061	40.0%	(27,858,769)	(37.7%)
Total Fluids Distribution	**75,592,951**	**78.1%**	155,643,426	84.3%	(80,050,475)	(51.4%)
Fluids Blending & Packaging - Canada [(1)]	**15,323,772**	**15.8%**	20,762,919	11.2%	(5,439,147)	(26.2%)
Fluids Blending & Packaging - USA	**5,905,357**	**6.1%**	8,301,376	4.5%	(2,396,019)	(28.9%)
Total Fluids Blending & Packaging	**21,229,129**	**21.9%**	29,064,295	15.7%	(7,835,166)	(27.0%)
Total	**$ 96,822,080**	**100.0%**	$ 184,707,721	100.0%	$ (87,885,641)	(47.6%)

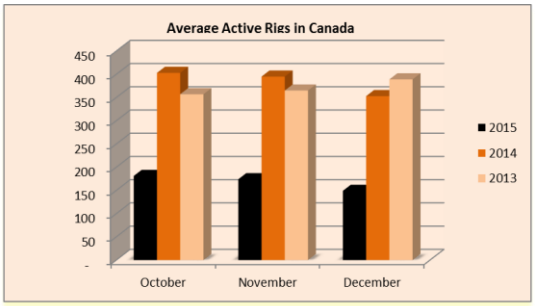
(1) The fluids blending and packaging division sells products to the drilling fluids distribution division, which in turn sells it to the end user. In 2015 the annual sales to the drilling fluids distribution division were an additional $3,016,344 (2014 - $9,620,148). This revenue has been eliminated upon consolidation. 2014 sales of includes $441,278 resulting from the acquisition of Solution Blend effective December 1, 2014.



North American Drilling Fluids Distribution Divisions

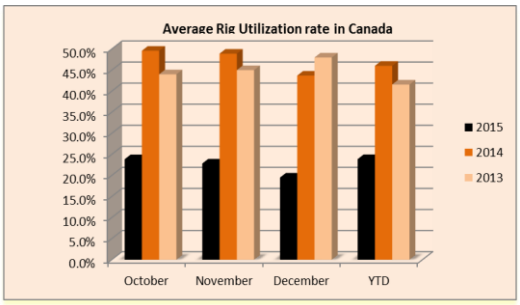
The Company's North American drilling fluids distribution divisions recorded combined sales of $96,822,080 for the year ended December 31, 2015 compared to sales of $184,707,721 in 2014, representing a decrease of 47.6% year over year. The Canadian fluids distribution divisions' sales declined by 63.8% for the year ended December 31, 2015, while the USA fluids distribution division experienced sales decline of 37.7% over the same comparable period in 2014.

Canadian Drilling Fluids Distribution Division



Bri-Chem's Canadian drilling fluids distribution division generated sales of $29,606,659 for the year ended December 31, 2015, compared to sales of $81,798,365 over the same comparable period in 2014. The 63.8% decrease in sales during the year was due to the continued weak global oil and gas commodity prices and significantly lower drilling activity throughout 2015. The number of wells drilled in 2015 in Western Canada was 4,957, compared to the 10,693 wells drilled in 2014, representing a decrease of 53.7% year over year. Rig utilization rates averaged 23.9% in 2015 compared to 46.0% in 2014, a decrease of 22.1%.

The Alberta, Saskatchewan and British Columbia markets all contributed to the decrease in revenues as each of these markets continue to experience a considerable slowdown in drilling activity. The Alberta market experienced a decrease in sales of 67.1% for the year ended December 31, 2015, while the number of wells drilled decreased by 58.3% in the region. The Saskatchewan market experienced 51.4% decline in revenue for the year ended December 31, 2015, while the number of wells drilled for the year ended December 31, 2015 decreased by 49.7% compared to the same 2014 period. British Columbia has experienced a decrease of 46.4% in sales as drilling activity declined 30.4% with 491 wells drilled in the region in 2015 compared to 705 wells drilled during 2014.



Summary of the number wells drilled:

Area	Wells Drilled 2015	Wells Drilled 2014	Change	Change in %
Alberta	2,688	6,452	(3,764)	(58.3%)
British Columbia	491	705	(214)	(30.4%)
Saskatchewan	1,778	3,536	(1,758)	(49.7%)
Western Canada[1]	4,957	10,693	(5,736)	(53.6%)

(1) Total Western Canada excludes Manitoba
(2) Source – PSAC

Summary of wells drilled in meters:

Area	Meters Drilled 2015	Meters Drilled 2014		Change in %
Alberta	8,763,329	15,268,776	(6,505,447)	(42.6%)
British Columbia	2,143,122	2,715,102	(571,980)	(21.1%)
Saskatchewan	3,202,237	6,034,587	(2,832,350)	(46.9%)
Western Canada[1]	14,018,688	24,018,465	(9,999,777)	(41.3%)

(1) Total Western Canada excludes Manitoba
(2) Source - PSAC

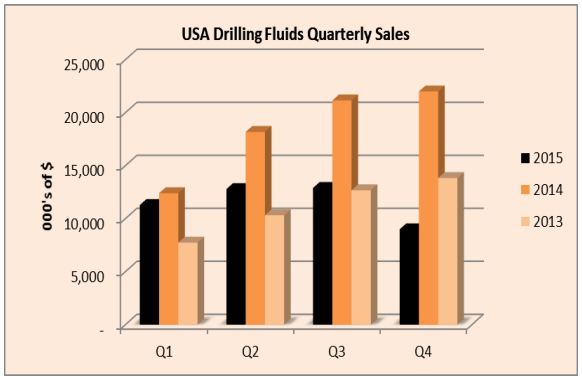
United States Drilling Fluids Distribution Division

Bri-Chem's United States drilling fluids distribution division generated sales of $45,986,292 for twelve months ended December 31, 2015, compared to revenues of $73,845,061 in the same comparable period of 2014, representing a decrease of $27,858,769 or 37.7% year over year. The decline in revenue was the result of a reduction in drilling activity, as reflected in the 47.5% decrease in the USA rig count for 2015. In the USA, the average number of active rigs running during 2015 was 977 compared to 1,862 in 2014. The drop in drilling and well completions across the USA negatively impacted revenue in all product lines and geographical areas. The Company is regularly evaluating each geographic region that it operates within to determine the appropriate level of inventory to carry and to assess any market trends effecting demand levels.

North American Fluids Blending and Packaging Division

Canadian Fluids Blending and Packaging Division

For the year ended December 31 2015, sales were $15,323,772 compared to $20,762,919 in 2014 representing a 26.2% decrease year over year. This decrease is due to the significant decrease in industry activity throughout the WCSB.



On December 1, 2014, Bri-Chem acquired 100% of the issued and outstanding shares of Solution Blend Service Ltd. ("Solution Blend"), an Alberta based liquid blending company for production and stimulation oilfield chemicals. Solution Blend, located in Calgary, AB, is leading specialty blending company for the stimulation and production chemical segment of the oilfield chemical industry. Solution Blend's business has built a strong market position with many long term customers and Bri-Chem entered into employment agreements with key members of management which is expected to provide for a seamless integration. The acquisition of Solution Blend expands Bri-Chem into the liquid stimulation and production oilfield blending chemical segment.

United States Fluids Blending and Packaging Division

For the year ended December 31 2015, sales were $5,905,357 compared to $8,301,376 in 2014 representing a decrease of 28.9% year over year. This decrease is due to an overall decline in drilling activity and customers not aggressively completing as many well abandonments in California as compared to prior years.

Gross margin

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

	For the year ended December 31					
	2015		2014		Change	
Gross Margin	$	% *	$	% *	$	%
Fluids Distribution - Canada	**$ 232,950**	**0.8%**	$ 10,723,946	13.1%	$ (10,490,996)	(97.8%)
Fluids Distribution - USA	**7,224,807**	**15.7%**	13,998,481	19.0%	(6,773,674)	(48.4%)
Total Fluids Distribution	**7,457,757**	**9.9%**	24,722,427	15.9%	(17,264,670)	(69.8%)
Fluids Blending & Packaging - Canada**	**3,417,924**	**22.3%**	3,703,735	17.8%	(285,811)	(7.7%)
Fluids Blending & Packaging - USA	**2,604,900**	**44.1%**	3,323,716	40.0%	(718,816)	(21.6%)
Total Fluids Blending & Packaging	**6,022,824**	**28.4%**	7,027,451	24.2%	(1,004,627)	(14.3%)
Total	**$ 13,480,581**	**13.9%**	$ 31,749,878	17.2%	$ (18,269,297)	(57.5%)

* As a percentage of divisiona; revenues

* *2014 includes gross margin of $167,630 generated by Solution Blend since the acquisition date in Q4 2014.

Fluids Distribution and Blending & Packaging Divisions

	For the year ended December 31		Change	
Adjusted Gross Margins	**2015**	**2014**	**$**	**%**
Gross Margin ($)	**13,480,581**	31,749,878	(18,269,297)	(57.5%)
As percentage of sales	**13.9%**	17.2%		
Addback: Losses from sales associated with inventory reduction program due to economic downturn(1)	**3,645,783**	-	3,645,783	100.0%
Adjusted Gross Margin ($) (2)	**17,126,364**	31,749,878	(14,623,514)	(46.1%)
Adjusted gross margin as percentage of adjusted sales	**20.4%**	17.2%		

(1) Losses are due to the sale of large quantities of inventory as part of the Company's inventory reduction program. These one-time sales are due to the significant decline in industry activity and our ongoing program to "Right-Size" operations.

(2) Adjusted gross margins reflect the gross margin under IFRS excluding one-time losses from sales under unfavorable terms due to restructuring of the Company's operations caused by downturn (See page 47 for further explanation of this non-IFRS measure).

The drilling fluids distribution division margins declined by 6.0% for the year ended December 31, 2015 compared to the same period in 2014. Margins on drilling fluid sales vary based on product mix and drilling formations. Canadian drilling fluid distribution margins averaged 0.8% for the year ended December 31, 2015, lower by 12.3% than the same comparable period of 2014. The decrease in gross margin during the year was due to pressure from depressed selling prices given current industry market conditions. In addition, the division had one-time significant sales of invert and barite products resulting in lost margin of $835,610 as part of its inventory reduction management program implemented in 2015. The drilling fluids distribution division also disposed of and took a provision for obsolete inventory in the amount of $2,023,313 in 2015. If we had excluded the effect of these one-time sale transactions and the disposal and obsolete provision, the gross margin of the Canadian fluids distribution division would have been consistent at 10.4% for the year ended December 31, 2015 compared to 13.1% for the same comparable period in 2014.

The USA fluids distribution margins were 15.7% for the year ended December 31, 2015; a decrease of 3.3% compared to the same period in 2014. All our products lines have been impacted by the downturn in drilling activity in 2015. In addition, the decrease in gross margins in the USA fluid distribution division is also related to a larger volume of lower margin commodity products being sold during 2015 such as barite, bentonite, and liquid invert products which typically yield lower margins. The division had one-time significant sales of invert and barite and took an impairment charge during 2015 resulting in lost margin of $786,860. If we had excluded the effect of these one-time sale transactions and inventory impairment provision, the gross margins of the USA fluids distribution divisions would have been consistent on year over year.

Bri-Chem has dedicated facilities, located in Acheson, Camrose and Calgary, Alberta, with capacity to blend and package specialty additive fluids for customer specific products. As a result, the fluids blending and packaging division tends to have higher margins for this value-added service. For the year ended December 31, 2015 the Canadian fluid blending and packaging division experienced average gross margin of 22.3%, which was 4.5% greater compared to 2014. The increase in the gross margin was a result of a full year of margins from the acquisition of Solution Blend that occurred late in Q4 2014. Solution Blend contributed $1,027,459 or 28.5% to the Canadian fluids blending and packaging gross margin for 2015.

Sun Coast, our United States blending and packaging division, has maintained consistent margins through 2015, averaging 44.1% for the year ended December 31, 2015. These margins were in line with management's expectation.

Gross margins – outlook

For 2016, we are anticipating gross margins on fluid sales to be under pressure due to lower crude oil and natural gas market prices resulting in prolonged depressed activity levels, reduction of inventory and overall decline in fluid demand due to less rigs operating in North America. We are unable to predict the value of the Canadian dollar in relation to foreign currencies in the future; therefore, we are uncertain as to the potential impact on the Company's gross margin in relation to foreign purchases of product.

Operating expenses

Salaries and employee benefits

Salaries and employee benefits	For the year ended December 31 2015	2014	Change $	%
Salaries and benefits	**$ 8,745,715**	$ 11,429,170	$ (2,683,455)	-23.5%
% of sales	**9.0%**	6.2%		0.5

Salaries and benefits have decreased by $2,683,455 for the year ended December 31, 2015 compared to the prior year of 2014. Salaries and benefits, as a percentage of sales, for twelve months ended December 31, 2015 was 9.0%, compared to 6.2% in the same 2014 period. Salaries for year ended December 31, 2015 include $556,254 of wages and benefits related to the Solution Blend acquisition that occurred in late Q4 2014 (2014: $53,045). The decrease in wages and benefits was a result of the Company's "Right-Size" plan implemented in late Q1 2015, given the decline in drilling activity levels. The Company has laid off employees in all areas of the organization, including operations, sales, management and administration. In addition, sales commissions decreased by $512,267.

The Company employed 75 (30 Canada and 45 USA) employees at December 31, 2015 compared to 122 (50 Canada and 72 USA) at December 31, 2014. With the decline in oil prices and industry activity, Bri-Chem commenced right sizing its operations in the first quarter of 2015 and continued its plan throughout 2015. The Company has laid off approximately 40% of its staff, rolled back wages 5% companywide for all non-managerial staff employees and 10% for all directors, managerial, senior and executive employees, and suspended various nonessential employee benefits effective the beginning of the second quarter in 2015. Management is constantly re-evaluating the infrastructure of the Company and may continue to adjust employee levels given the level of drilling fluid demand in the industry.

Selling, general and administration

	For the year ended December 31			
	2015		2014	
Selling, general and administration	$	%*	$	%*
Selling	**$ 626,449**	**0.6%**	$ 1,044,019	0.6%
Professional and consulting	**612,506**	**0.6%**	937,912	0.5%
General and administration	**1,731,522**	**1.8%**	1,740,788	0.9%
Rent, utilities and occupancy costs	**2,741,717**	**2.8%**	2,933,023	1.6%
	5,712,194	**5.9%**	6,655,742	3.6%
Foreign exchange loss/(gain)	**974,990**	**1.0%**	(2,414,934)	(1.3%)
Total	**$ 6,687,184**	**6.9%**	$ 4,240,808	2.3%

* As a percentage of consolidated revenues

The following is an analysis of the selling, general and administrative categories:
Selling expenses decreased by $417,570 in 2015 compared to 2014. As part of the Company's right-size plan, discretionary spending was cut across every category. The decrease in the year includes a decline of $273,554 in advertising, promotion and meals and entertainment expenses. Travel costs declined by $52,713, however costs were still incurred as the Company had to travel more to assist operations with its right-size initiatives. Public company costs related to investor relation activities decreased by $51,893 for the year ended December 31, 2015. Selling costs relate to customer relations, promotion, and travel costs.

Professional and consulting expenses decreased by $325,406 during the twelve months ended December 31, 2015 compared to the same period in 2014. The decrease in professional and consulting expenses for the year ended December 31, 2015 primarily related to a decrease in legal fees as the Company did not have any significant transactions this year. In 2014 the Company reclassified $300,000 of legal costs to the Discontinued Operations due to the sale of the steel pipe divisions in Q3 2014. Professional and consulting expenses relate to audit, legal and other advisory fees.

General and administration expenses for the year ended December 31, 2015 were consistent compared to the prior year. Most costs were fairly consistent year over year. Expenses such as fees, licenses, taxes and insurance increases were offset by office supplies, waste disposal and safety costs. General and administration expenses include bank charges, insurance, office, and safety expenses.

Warehouse rent, utilities and occupancy costs decreased by $191,306 for the year ended December 31, 2015 compared to the prior year. As part of the Company's right sizing initiatives throughout 2015, the Company closed five non-performing warehouses that were operated by independent third parties and one warehouse that was operated by the Company. In addition, the Company reduced rents on warehouse space where ever possible to control costs. During 2015, Bri-Chem had been operating 28 warehouses in total compared to 34 in 2014. The costs in this category are comprised mainly of rent, utilities, and warehouse expenses for the Edmonton, Leduc, Camrose, Acheson and USA locations as well as liquid storage tank rentals.

During 2015, the Canadian dollar decreased its value in relation to the US dollar. This decrease in the Canadian dollar exchange rate caused the Company to have an unfavorable position on certain net advances denominated in USD, which resulted in having a foreign exchange loss of $974,990 for the year ended December 31, 2015.

Right-Size Cost Savings and Restructuring Costs

Commencing in Q1 2015 the Company initiated a number of restructuring initiatives to adjust its overheads in an effort to "Right-Size" its business operations to correspond with the reduced industry activity levels projected for 2015. In the first quarter of 2015, the Company reduced annual fixed costs that included employee terminations equivalent to approximately 39% of the overall staff, termination or suspension of various

employee benefits, company-wide 5% wage rollback and a 10% wage rollback for all managerial, senior and executive employees as well as directors, and several other operational cost cutting measures. These cost cutting initiatives are estimated to save the Company approximately $5 million annually and management feels it has the appropriate staffing and infrastructure levels moving forward given current sales volumes.

As part of overall cost savings measures, Bri-Chem recognized $1,323,009 of restructuring costs for the year ended December 31, 2015. The restructuring costs are comprised of severance costs of $368,978 due to personnel termination, provision of $875,358 for lease cancelations and shutting down of warehouses, and $78,673 worth of expenses related to winding up Discontinued Operations.

Impairment Charges

As a result of the continued decline in commodity prices in 2015 and reduced capital budgets set by oil and gas producers, the Company recognized an impairment on certain plant and equipment of $1,629,297, and a goodwill impairment expense of $1,910,108 (2014 - $4,408,579 using the "value in use" approach with various assumptions. This goodwill impairment charge arose in the Canadian Fluids Blending and Packaging division ("CGU") in 2015. Based on management's estimates it was determined that the carrying values of the CGU exceeded their fair values, and the negative difference between the estimated recoverable amounts of the CGU and their carrying values were greater than the goodwill values as of the test date. As a result, and in addition to the goodwill impairment loss, the Company recorded $1,624,198 impairment related to customer relationships, and non-compete agreements (2014: $4,159,342). The Company also took a provision for estimated uncollectible accounts receivable of $962,644 (2014: $299,700).

Depreciation and amortization

Depreciation and amortization	For the year ended December 31 2015	2014	Change $	%
Intangible assets	**$ 367,412**	$ 1,259,653	$ (892,241)	(70.8%)
Property and equipment	**1,243,516**	907,837	335,679	37.0%
Total	**$ 1,610,928**	$ 2,167,490	$ (556,562)	(25.7%)

The depreciation of property and equipment increased during the year ended December 31, 2015 as a result of full year of depreciation taken on assets put into use in 2014. In 2015, the Company had limited capital expenditures compared to the prior year. Intangible asset deprecation is down significantly as the Company recorded an impairment of its intangible assets in 2015.

Interest

Interest	For the year ended Decmber 31 2015	2014	Change $	%
Interest on short-term operating debt	**$ 1,700,171**	$ 1,980,462	$ (280,291)	(14.2%)
Interest on long-term debt	**1,592,186**	1,257,952	334,234	26.6%
Interest on obligations under finance lease	**15,475**	3,544	11,931	336.7%
Total interest expense	**$ 3,307,832**	$ 3,241,958	$ 65,874	2.0%
Deduct non-cash interest expense:				
Amortization of capitalized deferred financing costs	**$ 520,004**	$ 480,091	$ 39,913	8.3%
Cash interest expense[1]	**$ 2,787,828**	$ 2,761,867	$ 25,961	0.9%

(1) See page 47 for a further explanation of this non-IFRS measure.

Interest on short-term operating debt decreased by $280,219 for the year ended December 31, 2015. The short term interest expense for the year of 2014 was lower than in the comparable year of 2014 as the Company maintained a lower credit facility balance over the twelve months ended December 31, 2015 due to significant collections of accounts receivable and less cash outflow for purchases of inventory. Less working capital was required in both Canada and the USA as a result of the decrease in industry activity levels.

Interest on long-term debt for the year ended December 31, 2015 was higher during the year as the Company deferred two quarterly installments and accrued an additional deferral fee as part of its amended subordinate debt agreement in 2015. The Company repaid $600,000 during 2015. Interest on obligation under finance lease for the twelve months ended December 31, 2015 were relatively consistent compared to the same period in 2014.

Income taxes

The provision for income taxes for the year ended December 31, 2014 is a net current tax recovery of ($2,727,890) compared to an expense of $2,629,501 in the prior year. The significant change in current tax expense during the year is a result of the Company being in a net loss position and is able to carryback tax losses to prior periods and cover tax paid from prior years. The Company had a deferred tax expense of $2,761,926 for the year ended December 31, 2015 compared to a recovery of ($1,937,656) in 2014. The deferred tax expense is due to the utilization of deferred tax assets that were utilized this year as a result of tax planning initiatives. The Company's effective income tax rate is 26% for the twelve months ended December 31, 2015 (2014 – 28.4%).

Net (loss) earnings per share from continuing operations

Net (loss)/earnings and EDITDA	For the year ended December 31 2015	2014	Change $	%
Net (loss)/ earnings	**$ (14,357,367)**	$ 1,110,986	$ (15,468,353)	(1392.3%)
% of sales	**(14.8%)**	0.6%		
Adjusted net (loss) earnings [1]	**$ (6,908,111)**	$ 6,392,330	$ (13,300,441)	(208.1%)
% of sales	**(7.1%)**	3.5%		
EBITDA [2]	**$ (2,761,020)**	$ 16,832,102	$ (19,593,122)	(116.4%)
% of sales	**(2.9%)**	9.1%		
Adjusted EBITDA [3]	**$ (1,435,012)**	$ 16,832,102	$ (18,267,114)	(108.5%)
% of sales	**(1.5%)**	9.1%		

(1) Adjusted net earnings excludes the after tax effect of restructuring costs (see page 47 for a further explanation of this non-IFRS measure).

(2) Represents earnings before interest, taxes, depreciation, amortization, share-based payments and impairment charges (see page 47 for a further explanation of this non-IFRS measure).
(3) Represents earnings before interest, taxes, depreciation, amortization, share-based payments and impairment charges adjusted for restructuring costs (see page 47 for a further explanation of this non-IFRS measure).

The Company had a net loss for the year ended December 31, 2015 of $14,357,367 compared to net earnings of $1,110,986 in the prior year. The 2015 net earnings as a percentage of revenues for the year was (14.8%) compared to 0.6% for 2014. The net earnings decreased for the year ended December 31, 2015 due to impairment charges on property, equipment, goodwill and other intangible assets recognized in Q4 2015. The adjusted net loss, net of after tax impairment charge of goodwill and other intangible assets, for the year ended December 31, 2015 was ($6,908,111) or (7.1%) as a percentage of revenues, which represents a decrease of $13,300,441 compared to 2014. This decrease is due to lower of EBITDA of $19,593,122 as a result of the significant decline in North American drilling activity and $3,645,783 of gross margin lost from one-time sales and inventory impairment charges for the year ended December 31, 2015.

EBITDA was ($2,761,020) for the year ended December 31, 2015 compared to $16,832,102 in the same comparable prior year period; a decrease of $19,593,122 year over year. EBITDA, excluding the foreign exchange loss, was ($1,786,030) for the year ended December 31, 2015, which is a decrease of $18,618,132 for the same period in 2014.

Basic and diluted loss per share for the year ended December 31, 2015 were $0.61. Basic and diluted adjusted loss per share for the twelve months ended December 31, 2015 were $0.29. Both the earnings per share and adjusted earnings per share were based on the weighted average number of shares outstanding during the year ended December 31, 2015. The basic and diluted weighted average numbers of shares outstanding for the year ended December 31, 2015 were 23,655,900 and 23,655,900 (December 31, 2014 – 24,013,533 and 24,026,765) respectively.

Discontinued operations

As a result of a strategic review, announced late 2013, and the follow-up Q1 2014 announcement where the Company disclosed its intention to sell its steel pipe divisional assets and ongoing steel pipe business operations, the Company, effective July 15, 2014, completed the sale of its Steel Pipe Manufacturing division assets and Steel Pipe Distribution division assets and all ongoing business operations to a USA based steel company for total proceeds of $17,358,762. The net proceeds from the sale were used to reduce amounts outstanding under the Company's secured ABL credit facility.

The Company did not retain any steel pipe assets or conduct any further steel pipe business operations going forward. In addition, the sale of the Steel Pipe Manufacturing division and Steel Pipe Distribution division reduced the Company's exposure to exchange rate risks and is no longer subject to the government trade tariffs risk related to the imported steel pipe products. The Company has reclassified the associated assets and liabilities of these businesses to assets and liabilities held for sale and the operations are reflected as Discontinued Operations for all periods presented. During the year ended December 31, 2014 the Company recorded impairment and re-measurement expenses of $15,434,501 to reflect the net assets at their estimated selling prices, less costs to sell, which is recorded in expenses and loss recognized on the re-measurement of the disposal group. Loss from discontinued operations was $12,412,413 for the year ended December 31, 2014 (2013: $4,666,234).

The following table summarizes the loss from discontinued operations as of the dates indicated:

	(for the year ended) December 31 2015	December 31 2014
Sales	$ -	$ 15,225,573
Cost of sales	-	12,871,498
Expenses	-	14,850,397
Loss before tax of discontinued operations	-	(12,496,322)
Income tax recovery	-	3,336,094
After tax loss of discontinued operations before re-measurement	-	(9,160,228)
Pre tax loss recognized on the re-measurement of disposal group	-	(4,336,245)
Income tax recovery	-	1,084,060
After tax loss recognized on the re-measurement of assets of disposal group	-	(3,252,185)
Net loss for the period from discontinued operations	$ -	$ (12,412,413)

SUMMARY OF QUARTERLY DATA

(in thousands of Cdn $)	2015 Q4	2015 Q3	2015 Q2	2015 Q1	Total TTM
Sales	$ 21,507	$ 27,495	$ 21,610	$ 26,210	$ 96,822
Gross margin ($)	1,564	4,833	3,201	3,883	13,481
Gross margin (%)	7.3%	17.6%	14.8%	14.8%	13.9%
EBITDA [1]	(5,696)	2,339	(1,125)	1,721	(2,761)
Net earnings/(loss) from continuing operations [2] [3]	$ (13,373)	$ 351	$ (1,709)	$ 373	(14,358)
Basic earnings/ (loss) per share from continuing operations	$ (0.57)	$ 0.01	$ (0.07)	$ 0.02	$ (0.61)
Diluted earnings/ (loss) per share from continuing operations	$ (0.57)	$ 0.01	$ (0.07)	$ 0.02	$ (0.61)

(in thousands of Cdn $)	2014 Q4	2014 Q3	2014 Q2	2014 Q1	Total TTM
Sales	$ 50,291	$ 53,283	$ 35,186	$ 45,947	$ 184,707
Gross margin ($)	8,564	9,663	6,055	7,468	31,750
Gross margin (%)	17.0%	18.1%	17.2%	16.3%	17.2%
EBITDA [1]	5,189	6,461	932	4,250	16,832
Net earnings (loss) from continuing operations [3] [4]	$ (3,370)	$ 3,357	$ (597)	$ 1,721	1,111
Net (loss) from discontinued operations [3]	225	(368)	(2,580)	(9,689)	(12,412)
Basic earnings (loss) per share from continuing operations	$ (0.14)	$ 0.14	$ (0.02)	$ 0.07	$ 0.05
Diluted earnings (loss) per share from continuing operations	$ (0.14)	$ 0.14	$ (0.02)	$ 0.07	$ 0.05
Basic loss per share from discontinued operations	$ 0.01	$ (0.02)	$ (0.11)	$ (0.28)	$ (0.40)
Diluted loss per share from discontinued operations	$ 0.01	$ (0.02)	$ (0.11)	$ (0.28)	$ (0.40)

(1) EBITDA is non-IFRS measures which the Company defines as earnings before interest, taxes, depreciation and amortization and share-based payments expense. (See page 47 for a further explanation of these non-IFRS measures).
(2) In Q3 2014, the Company completed the sale of its Steel Pipe Manufacturing division assets and Steel Pipe Distribution division assets and all ongoing business operations. The Company reclassified the associated assets and liabilities of these businesses to assets and liabilities held for sale and the operations are reflected as discontinued operations for all periods presented. The Company recognized the impairment expenses of $15,434,501 for the year ended December 31, 2014 to reflect net assets of these steel pipe divisions at their estimated fair value, less costs to sell.
(3) In Q4, 2013 the Company recognized impairment charges related to the steel pipe distribution division inventory, bad debts and other items in the amount of $3,194,759, which is presented within discontinued operations.
(4) In Q5 2014 the Company recognized impairment charges on plant and equipment, goodwill and other intangible assets in the amount of $6,126,247 (2014 -8,567,921).

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, spring months in Western Canada and the duration of the spring break-up during Q2 has a direct impact on the Company's activity levels. In addition, many exploration and production areas in the northern WCSB are accessible only in winter months when the ground is frozen hard enough to support the weight of heavy equipment. 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.

FOURTH QUARTER RESULTS AND DISCUSSIONS

The following selected three-month period consolidated financial information has been derived from and should be read in conjunction with the Company's Financial Statements for Q4 and the year ended December 31, 2015.

Consolidated statements of operations	For the three months ended December 31		Change	
	2015	2014 [4]	$	%
Sales	**$ 21,507,712**	$ 50,291,385	$ (28,783,673)	(57.2%)
Gross margin	**1,563,561**	8,564,349	(7,000,788)	(81.7%)
	7.3%	17.0%		
Operating expenses [1]	**7,259,413**	3,375,201	3,884,212	115.1%
EBITDA [2]	**(5,695,852)**	5,189,148	(10,885,000)	(209.8%)
Depreciation and amortization	**385,235**	582,275	(197,040)	(33.8%)
Interest [5]	**1,083,402**	933,977	149,425	16.0%
Share-based payments	**71,850**	86,196	(14,346)	(16.6%)
Impairment charges [6]	**6,126,247**	8,571,553	(2,445,306)	(28.5%)
Loss from continuing operations before income taxes	**(13,362,586)**	(4,984,853)	(8,377,733)	168.1%
Income tax (recovery)/expense - current	**(2,751,475)**	459,838	(3,211,313)	(698.4%)
Income tax recovery - deferred	**2,761,926**	(2,075,110)	4,837,036	(233.1%)
(Loss) earnings from continuing operations	**(13,373,037)**	(3,369,581)	(10,003,456)	296.9%
Earnings (loss) from discontinued operations	**$ -**	$ 224,841	$ (224,841)	(100.0%)
Net loss	**$ (13,373,037)**	$ (3,144,740)	$ (10,228,297)	325.3%
Net loss from continuing operations attributable to				
Shareholders of the Company	**$ (13,373,037)**	$ (3,369,581)	$ (10,003,456)	296.9%
Net earnings (loss) from discontinued operations attributable to				
Shareholders of the Company	**$ -**	$ 236,912	$ (236,912)	(100.0%)
Net loss attributable to NCI [3]	**$ -**	$ (12,071)	$ 12,071	(100.0%)
(Loss) earnings per share from continuing and discontinued operations				
Basic from continuing operations	**$ (0.57)**	$ (0.14)	$ (0.43)	304.3%
Basic from discontinued operations	**$ (0.57)**	$ 0.01	$ (0.58)	(5760.8%)
Diluted from continuing operations	**$ -**	$ (0.14)	$ 0.14	(100.0%)
Diluted from discontinued operations	**$ -**	$ 0.01	$ (0.01)	(100.0%)
Adjusted basic from continuing operatioins [7]	**$ (0.28)**	$ 0.08	$ (0.36)	(450.0%)
Adjusted diluted from continuing operatioins [7]	**$ (0.28)**	$ 0.08	$ (0.36)	(450.0%)
EBITDA per share from continuing operations				
Basic	**$ (0.24)**	$ 0.22	$ (0.46)	(211.5%)
Diluted	**$ (0.24)**	$ 0.22	$ (0.46)	(211.5%)
Weighted average shares outstanding				
Basic	**23,623,981**	24,007,814		
Diluted	**23,623,981**	24,008,023		

(1) See page 47 for a further explanation of this non-IFRS measure.
(2) Represents earnings before interest, taxes, depreciation, amortization, impairment charges and share-based payments (See page 47 for a further explanation of this non-IFRS measure).
(3) NCI represents the 30% non-controlling interest's ("NCI") portion of the losses of 1564316 Alberta Ltd. for the year ended December 31, 2014. On December 31, 2014, the Company redeemed 30% interests in the subsidiary owned by the minority shareholder.
(4) The Company reclassified amounts in the Statement of Operations relating to discontinued operations to categorize results of discontinued operations consistently.
(5) Interest expense for the year ended December 31, 2014 includes amortization of capitalized deferred financing cost of $160,800 (December 31, 2013: $65,059).
(6) Impairment charges are related to bad debts, property and equipment, goodwill and other intangible assets (December 31, 2013 – bad debts)
(7) Excludes after tax effect of impairment of plant and equipment, goodwill and other intangible assets (See page 47 for a further explanation of this non-IFRS measure).

Sales

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

	For the three months ended December 31					
	2015		2014		Change	
Sales by Segment	$	%	$	%	$	%
Fluids Distribution - Canada	**$ 6,873,849**	**32.0%**	$ 20,461,847	40.7%	$ (13,587,998)	(66.4%)
Fluids Distribution - USA	**8,995,967**	**41.8%**	22,003,867	43.8%	(13,007,900)	(59.1%)
Total Fluids Distribution	**15,869,816**	**73.8%**	42,465,714	84.4%	(26,595,898)	(62.6%)
Fluids Blending & Packaging - Canada (1)	**4,119,208**	**19.2%**	6,008,881	11.9%	(1,889,673)	(31.4%)
Fluids Blending & Packaging - USA	**1,518,688**	**7.1%**	1,816,790	3.6%	(298,102)	(16.4%)
Total Fluids Blending & Packaging	**5,637,896**	**26.2%**	7,825,671	15.6%	(2,187,775)	(28.0%)
Total	**$ 21,507,712**	**100.0%**	$ 50,291,385	100.0%	$ (28,783,673)	(57.2%)

(1) The fluids blending and packaging division sells products to the drilling fluids distribution division, which in turn sells it to the end user. In Q4 2015 the three month sales to the drilling fluids distribution division were an additional $667,358 (2014 - $2,877,717). This revenue has been eliminated upon consolidation. 2014 comparative figures includes sales of $441,278 resulting from the acquisition of Solution Blend effective December 1, 2014.

North American Drilling Fluids Distribution Divisions

The Company's North American drilling fluids distribution divisions recorded combined sales of $15,869,816 for the three months ended December 31, 2015 compared to sales of $42,465,714 in 2014, representing a decrease of 62.6% quarter over quarter. The Canadian fluids distribution divisions' sales declined by 66.4% for the quarter ended December 31, 2015, while the USA fluids distribution division experienced sales decline of 59.1% over the same comparable period in 2014.

Canadian Drilling Fluids Distribution Division

Bri-Chem's Canadian drilling fluids distribution division generated revenues of $6,873,849 for the three months ended December 31, 2015, compared to sales of $20,461,847 over the same comparable period in 2014. The 66.4% decrease in sales during the fourth quarter was due to continued decline in drilling activity in North America as a result of falling oil and natural gas commodity prices. The number of wells drilled in Q4 2015 in Western Canada was 1,270 compared to the 2,818 wells drilled in Q4 2014, representing a decrease of 54.9% quarter over quarter. In Canada, drilling rig utilization averaged 22.1% for the fourth quarter in 2015, a decrease of 25.3% quarter over quarter.

The Alberta market sales reached $4,996,379 for the three month period ended December 31 2015, a decrease of 70.3% compared to the same period in 2014, while the number of wells drilled in this region decreased in Q4 2015 by 61.4% compared to the same prior year quarter. The Saskatchewan region experienced a decrease in sales of 29.4% for the three months ended December 31, 2015, while the number of wells drilled in the Q4 2014 was less by 49.3%. The decline in sales for the Q4 2015 in both Alberta and Saskatchewan was mainly due to customers utilizing and reducing their existing inventory in preparation of the expected drilling activity slowdown as a result of falling crude oil and natural gas prices. British Columbia sales experienced a decrease of 58.7% for the fourth quarter in 2015 compared to same period in 2014, generating $982,476 in sales from this region during the three months ended December 31, 2015 with a 24.9% decrease in drilling activity in the region.

United States Drilling Fluids Distribution Division

The Company's USA drilling fluids distribution division generated revenues of $8,995,967 for the three months ended December 31, 2015 compared to $22,003,867 in 2014, representing a 59.1% decrease. In the USA, the average number of active rigs running during the Q4 2015 was 755, a decrease of 60.5% quarter over quarter. The decrease in sales was directly attributable to the significant decline in drilling activity throughout the USA, as commodity prices and high production volumes have caused many operators to stop drilling until prices stabilize and commodity prices return to a more reasonable price.

North American Fluids Blending and Packaging Division

Canadian Fluids Blending and Packaging Division

For the three months ended December 31, 2015, sales were $4,119,208 as compared to $6,008,881 representing a 31.4% decrease quarter over quarter. This decrease in sales is due to the significant decline in 2015 drilling activity which continued into Q4 2015. Revenues in the Canadian Fluids Blending and Packaging Division for Q4 2015 includes sales of $794,912 generated by Solution Blend that was acquired in late Q4 2014.

United States Fluids Blending and Packaging Division

For the three months ended December 31, 2015, sales were $1,518,688 as compared to $1,816,790 representing a 16.4% decrease quarter over quarter. Since this division focuses on the well abandonment market, sales declines were not significant as the divisions only provides a small amount of its products to the limited number of drilling rigs operating in the region.

Gross margin

	For the three months ended December 31					
	2015		2014		Change	
Gross Margin	$	% *	$	% *	$	%
Fluids Distribution - Canada	**$ (1,429,590)**	**(20.8%)**	$ 2,553,738	12.5%	$ (3,983,328)	(156.0%)
Fluids Distribution - USA	**1,386,273**	**15.4%**	4,185,556	19.0%	(2,799,283)	(66.9%)
Total Fluids Distribution	**(43,317)**	**(0.3%)**	6,739,294	15.9%	(6,782,611)	(100.6%)
Fluids Blending & Packaging - Canada**	**918,591**	**22.3%**	1,125,388	18.7%	(206,797)	(18.4%)
Fluids Blending & Packaging - USA	**688,287**	**45.3%**	699,667	38.5%	(11,380)	(1.6%)
Total Fluids Blending & Packaging	**1,606,878**	**28.5%**	1,825,055	23.3%	(218,177)	(12.0%)
Total	**$ 1,563,561**	**7.3%**	$ 8,564,349	17.0%	$ (7,000,788)	(81.7%)

* As a percentage of divisional revenues

**2014 includes gross margin of $167,630 generated by Solution Blend since the acquisition date in Q4 2014.

Fluids Distribution and Blending & Packaging Divisions

Adjusted Gross Margins	For the year ended December 31 2015	2014	Change $	%
Gross Margin ($)	**1,563,561**	8,564,349	(7,000,788)	(81.7%)
As percentage of sales	**7.3%**	17.0%		
Addback: Losses from sales associated with inventory reduction program due to economic downturn[1]	**2,518,878**	-	2,518,878	100.0%
Adjusted Gross Margin ($) [2]	**4,082,439**	8,564,349	(4,481,910)	(52.3%)
Adjusted gross margin as percentage of adjusted sales	**19.9%**	17.0%		

(1) Losses are due to the sale of large quantities of inventory as part of the Company's inventory reduction program. These one-time sales are due to the significant decline in industry activity and our ongoing program to "Right-Size" operations.
(2) Adjusted gross margins reflect the gross margin under IFRS excluding one-time losses from sales under unfavorable terms due to restructuring of the Company's operations caused by downturn (See page 47 for further explanation of this non-IFRS measure).

The drilling fluids distribution division margins declined significantly for the three months ended December 31, 2015 compared to the same periods in 2014. Margins on fluid sales vary based on product mix and drilling formations. Canadian fluid distribution margins averaged (20.8%) for the fourth quarter ended December 31, 2015. The decrease in gross margin during the quarter was due to one-time significant sales of invert and barite products resulting in lost margin of $166,185 as part of its inventory reduction management program implemented in 2015. In addition, the division disposed of and took a provision for obsolete inventory in the amount of $2,023,313 in the fourth quarter 2015. If we had excluded the effect of these one-time sale transactions and the disposal and obsolete provision, the gross margin of the Canadian fluids distribution division would have been consistent at 12.0% for the three months ended December 31, 2015 compared to 12.5% for the same comparable period in 2014.

The USA fluids distribution margins were 15.4% for the three months ended December 31, 2015; a decrease of 3.6% compared to the same period in 2014. All our products lines have been impacted by the downturn in drilling activity in 2015. The division had one-time significant sales of invert and barite and we recognized an impairment charge of $329,380 during the fourth quarter of 2015 resulting in lost margin of $329,380. If we had excluded the effect of these one-time sale transactions and inventory impairment provision, the gross margins of the USA fluids distribution divisions would have been consistent on year over year.

Canadian fluids blending and packaging division margins were 22.3% for the three months ended December 31, 2015, compared to 18.7% for the comparable prior year period. This increase in gross margin was attributable to the full quarter of Solution Blend margins included from the late Q4 2014 acquisition. Sun Coast, the United States blending and packaging division generated gross margins of 45.3% for the Q4 2015 which represents an increase of 6.8%. The increase of the gross margin in Q4 2015 relates to the decrease of cost of one product that was sold during the fourth quarter of 2015.

Wages and Salaries

Salaries and employee benefits	For the three months ended December 31 2015	2014	Change $	%
Salaries and benefits	**$ 1,680,653**	$ 2,720,561	$ (1,039,908)	-38.2%
% of sales	**7.8%**	5.4%		0.4

Wages and salaries decreased by $1,039,908 for the fourth quarter of 2015 compared to same period in 2014. The sharp decrease in salaries and employee benefits for the three months ended December 31, 2015 is

attributable to the Company's right-sizing initiatives it undertook throughout 2015. In addition, there were no short-term awards rewarded to employees this year as a result of market conditions.

Operating expenses

	For the three months ended December 31			
	2015		2014	
Selling, general and administration	$	%*	$	%*
Selling	**$ 57,514**	**0.3%**	$ 292,367	0.6%
Professional and consulting	**189,191**	**0.9%**	189,143	0.4%
General and administration	**562,987**	**2.6%**	480,048	1.0%
Rent, utilities and occupancy costs	**586,817**	**2.7%**	814,341	1.6%
	1,396,509	**6.5%**	1,775,899	3.6%
Foreign exchange loss/(gain)	**3,740,016**	**17.4%**	(1,035,063)	(2.1%)
Total	**$ 5,136,525**	**23.9%**	$ 740,836	1.5%

* As a percentage of consolidated revenues

Operating expenses for the three months ended December 31, 2015 decreased by $379,390 compared to the same period in 2014. Selling costs decreased by $234,853 while general and administration costs increased by $82,939 over the comparable prior period. This decrease in selling expenses relate to right sizing initiatives that were implemented be the Company during 2015. Canadian sales staff were reduced during 2015 which resulted in a decrease of promotion, meals and entertainment as well as travel expenses. In addition the Company discontinued its investor relations service during 2015 which also caused a decrease in selling costs. The offset of general and administration cost increases relate to increases in office expense and increased insurance expense.

Warehouse rent, utilities and occupancy costs decreased by $227,524 for the quarter ended December 31, 2015 compared to the same prior year quarter. This increase during Q4 2015 relates to Company's right size plan which included the closure of various non-performing warehouses. The Company reclassified $305,402 as restructuring costs relating to break fees on leases.

The Company recorded a foreign exchange loss of $3,740,016 for the fourth quarter of 2015 compared to a foreign exchange gain of $1,035,063 in the fourth quarter of 2014. This was largely a result of foreign exchange losses realized due to the difference in the Canadian and US dollar during the period.

Right-Size Cost Savings and Restructuring Costs

As part of overall cost savings measures that were initiated in early 2015, Bri-Chem recognized $514,087 of restructuring costs for the three months ended December 31, 2015. The restructuring costs are comprised of severance costs of $166,662 due to personnel termination, provision of $347,425 for lease cancelations and shutting down of warehouses.

Impairment Charges

As a result of the continued decline in commodity prices in 2015 and reduced capital budgets set by oil and gas producers, the Company recognized a goodwill impairment expense of $1,910,108 (2014 - $4,408,579) using the "value in use" approach with various assumptions. This goodwill impairment charge arose in the Canadian Fluids Blending and Packaging division ("CGU") in 2015. Based on management's estimates it was determined that the carrying values of the CGU exceeded their fair values, and the negative difference between the estimated recoverable amounts of the CGU and their carrying values were greater than the goodwill values as of the test date. As a result, in addition to goodwill impairment loss, the Company recorded a $1,624,198 impairment related to customer relationships, and non-compete agreements (2014: $4,159,342). The

Company also took a provision for estimated uncollectible accounts receivable of $962,644 (2014: $299,700) and an impairment on certain plant and equipment assets in the amount of $1,629,297 (2014: nil).

Depreciation and amortization

Depreciation and amortization	For the three months ended December 31 2015	2014	Change $	%
Intangible assets	**$ 67,098**	$ 320,754	$ (253,656)	(79.1%)
Property and equipment	**318,137**	261,521	56,616	21.6%
Total	**$ 385,235**	$ 582,275	$ (197,040)	(33.8%)

Amortization of intangible assets for the three month period ended December 31, 2015 was less than the same comparable prior year period. Depreciation of property and equipment for the fourth quarter of 2015 increased by $56,616 compared to the same 2014 period due to acquisition more capital assets for the USA blending and packaging division.

Interest

Interest	For the three months ended December 31 2015	2014	Change $	%
Interest on short-term operating debt	**$ 416,243**	$ 618,823	$ (202,580)	(32.7%)
Interest on long-term debt	**662,095**	314,199	347,896	110.7%
Interest on obligations under finance lease	**5,064**	955	4,109	430.3%
Total interest expense	**$ 1,083,402**	$ 933,977	$ 149,425	16.0%
Deduct non-cash interest expense:				
Amortization of capitalized deferred financing costs	**$ 314,481**	$ 160,800	$ 153,681	95.6%
Cash interest expense[1]	**$ 768,921**	$ 773,177	$ (4,256)	(0.6%)

(1) See page 47 for a further explanation of this non-IFRS measure.

Interest on short-term operating debt decreased by $202,580 for the three months ended December 31, 2015. The short term interest expense for Q4 2015 was lower than in the comparable Q4 2013 as the Company maintained a lower credit facility balance over the quarter ended December 31, 2014 due to the increased collections of accounts receivable and less inventory purchases both Canada and the USA.

Interest on long-term debt for the three months ended December 31, 2015 increased compared to Q4 2014. The Company made quarterly principal installment payments of $300,000 pursuant to the terms of the subordinate debt agreement with Fulcrum Capital Partners Inc. ("Fulcrum").

Interest on obligation under finance lease for the three months ended December 31, 2014 were relatively consistent compared to the same period in 2013.

Net (loss) earnings and (loss) earnings per share from continuing operations

Net (loss)/earnings and EDITDA	For the three months ended December 31 2015	2014	Change $	%
Net (loss)/earnings	**$ (13,373,037)**	$ (3,369,581)	$ (10,003,456)	296.9%
% of sales	**(62.2%)**	(6.7%)		
Adjusted net (loss)/earnings [1]	**$ (6,732,703)**	$ 1,911,763	$ (8,644,466)	(452.2%)
% of sales	**(31.3%)**	3.8%		
EBITDA [2]	**$ (5,695,852)**	$ 5,189,148	$ (10,885,000)	(209.8%)
% of sales	**(26.5%)**	10.3%		
Adjusted EBITDA [3]	**$ (5,181,765)**	$ 5,189,148	$ (10,370,913)	(199.9%)
% of sales	**(24.1%)**	10.3%		

(1) Adjusted net earnings excludes the after tax effect of restructuring costs (see page 47 for a further explanation of this non-IFRS measure).
(4) Represents earnings before interest, taxes, depreciation, amortization, share-based payments and impairment charges (see page 47 for a further explanation of this non-IFRS measure).
(5) Represents earnings before interest, taxes, depreciation, amortization, share-based payments and impairment charges adjusted for restructuring costs (see page 47 for a further explanation of this non-IFRS measure).

The Company had a net loss, for the three months ended December 31, 2015, of $13,373,037 compared to net loss of $3,369,581 in the same period in 2014. The net losses as a percentage of revenues for the Q4 2015 was 62.2% compared to net loss as a percentage of revenue of 6.7% from Q4 2014. The net loss for the three months ended December 31, 2015 is mainly due to the impairment charges on property and equipment, goodwill and other intangible assets recognized in December 2015. The adjusted net loss, net of the after tax impairment charge of plant and equipment, goodwill and other intangible assets, for the three months ended December 31, 2015, was $6,732,703 or 31.3% as a percentage of revenues, which represents a decrease of $8,644,466 compared to the same period in 2014. This decrease is due to significantly lower EBITDA of $10,885,000 due to the significant decline in oil and natural drilling activity resulting in less demand for drilling fluid products.

EBITDA was ($5,695,852) for the three months ended December 31, 2015 compared to $5,189,148 in the same comparable prior year period; an decrease of $10,885,000 quarter over quarter. EBITDA, excluding the foreign exchange loss, was ($1,955,836) for the quarter ended December 31, 2015.

Basic and diluted losses per share for the three months ended December 31, 2015 were $0.57. Adjusted basic and diluted adjusted loss per share for the three months ended December 31, 2015 was $0.28. Both the losses per share and adjusted earnings per share were based on the weighted average number of shares outstanding during the quarter ended December 31, 2015. The basic and diluted weighted average numbers of shares outstanding for the quarter ended December 31, 2014 were 23,623,981 and 23,623,981 (December 31, 2014 – 24,007,814 and 24,008,023) respectively.

FINANCIAL CONDITION & LIQUIDITY – CONTINUING OPERATIONS

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

The Company's primary liquidity and capital resource needs are to fund ongoing operations, capital expenditures, growth opportunities and potential future acquisitions. In addition, the Company must service its debt, including interest payments and finance working capital needs. The Company relies on its cash flow from operations, debt and equity financings and borrowings under the Company's ABL Facility for liquidity.

The Company's operating cash flow has historically been affected by the overall profitability of sales within the Company's segments, the Company's ability to invoice and collect from customers in a timely manner and the Company's ability to efficiently manage costs. The Company's cash flow from operations has historically been sufficient to meet the Company's working capital, capital expenditure and debt servicing requirements.

As at December 31, 2015, the Company has liquidity of approximately $8,618,992 under its existing ABL Facility based on the Company's marginable asset base which is sufficient to meet its short term obligations.

As at December 31, 2015 the Company had positive working capital of $24,499,303 compared to $29,448,685 at December 31, 2014. The Company's current ratio (defined as current assets divided by current liabilities) was 1.81 to 1 as at December 31, 2015, compared to 1.39 to 1 as at December 31, 2014.

The following table summarizes the Company's sources and uses of funds for the year ended December 31, 2015 and 2014:

Summary of Consolidated Statements of Cash Flows Year ended		December 31 2015		December 31 2014
Continued operations				
Cash provided by operating activities	**$**	**39,490,666**	$	4,536,137
Cash (used in) provided by financing activities		**(38,640,570)**		5,352,752
Cash used in investing activities		**(850,096)**		(10,264,930)
Net cash provided by discontinued operations		**-**		376,041
Net increase in cash and cash equivalents	**$**	**-**	$	-
Cash and cash equivalents, beginning of the year		**-**		-
Cash and cash equivalents, end of the year	**$**	**-**	$	-

Operating activities

Cash provided by operating activities for the year ended December 31, 2015 was $39,490,666 compared to cash provided of $4,536,137 for the prior year. The increase in the Company's cash flow provided by operating activities mainly relates to the increased accounts receivable collection of $29 million and reduced inventory of $23.9 million for the year ended December 31, 2015. The increase in the collection of accounts receivable and the recognized cash savings from lowering inventory levels were due to reduced sales activity and lower purchasing of inventory as a result of the significant decline in drilling activity in 2015.

Financing activities

Cash used in financing activities was $38,640,570 for the year ended December 31, 2015, compared to cash provided of $5,352,752 in the comparable 2014 year. The cash used in financing activities in 2015 relates to repayments of the ABL Facility of $35 million. The increase in the repayments on the operating line was due to the increased collection of accounts receivable and net reduction in inventory during 2015. Bri-Chem also used $211,196 to repurchase common shares under its normal course issuer bid. In addition, the Company made year to date principal installments of $600,000 under the terms of the Fulcrum subordinated debt.

Investing activities

Cash used in investing activities amounted to $850,096 for the year ended December 31, 2015 compared to $10,264,930 in 2014. The decrease was a result of the less cash used for capital assets during 2015. Since the decline in drilling activities, the Company cut back its capital expenditure program in 2015 and is expected to spend very little on capital expenditures in 2016.

Credit Facilities

Effective August 12, 2011, the Company entered into a secured Asset-Based Lending Facility (the "ABL Facility") with CIBC Asset-Based Lending Inc. and HSBC Bank Canada. The ABL Facility is subject to a borrowing base that is calculated as a percentage of specified value of eligible inventory and accounts receivable. On November 14, 2013 the Company amended the terms of the ABL Facility to increase the borrowing base up to a maximum of $90,000,000, reducing interest rates and extending the maturity of the facility to August 12, 2016. At December 31, 2014 the ABL Facility bears interest either at prime rate (2013 -prime rate) or bankers' acceptance rate plus 1.50% (2013 -bankers' acceptance rate plus 1.50%) or LIBOR plus 1.50% (2013 -LIBOR plus 1.50%), a collateral management fee of $1,500 per month (2013 -$1,500 per month) and a standby fee of 0.25% (2013 -0.25%) on unused amounts of the ABL Facility.

On November 30, 2015, the Company amended the terms of the ABL Facility to decrease the maximum borrowing base down to $40,000,000. Other amendments include an increase in interest rates, a change in the financial covenants with no change to the maturity date of the facility, which is still August 12, 2016. The ABL Facility bears interest either at the Canadian prime rate plus 1.5% (2014 – Canadian prime rate) or bankers' acceptance rate plus 3.00% (2014 - bankers' acceptance rate plus 1.50%) or LIBOR plus 3.00% (2014 - LIBOR plus 1.50%), a collateral management fee of $1,500 per month (2014 - $1,500 per month) and a standby fee of 0.25% (2014 - 0.25%) on unused amounts of the ABL Facility. The ABL Facility is secured by a general security agreement covering all present and acquired property and postponements of claims from related parties.

As at December 31, 2015, the Company had drawn $23,055,007, net of unamortized transaction costs of $134,896, on its available credit facilities of $40,000,000, as compared to $51,873,895 at December 31, 2014. The Company is required to comply with two financial covenants under its ABL Facility being a minimum adjusted tangible net worth ratio and maximum annual eligible capital expenditures. Failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, would permit acceleration of the relevant indebtedness.

The minimum adjusted tangible net worth covenant requires the Company to ensure adjusted tangible net worth is greater than $24,749,100 as at December 31, 2015. This is defined, on a consolidated basis, as total assets, less intangibles and goodwill, excluding deferred tax assets less total liabilities, excluding deferred tax liabilities. The capital expenditures limit is set at a maximum of 120% of consolidated budgeted yearly capital expenditures, but does not include capital additions by way of finance lease.

Effective November 30, 2012, the Company secured a subordinated debt facility with Fulcrum. The initial term of the sub debt facility is for five years and is secured by a second charge general security agreement coving all present and after acquired property and postponement of claim from related parties. The sub debt facility bears interest at 11.50%, with repayments of interest only for the first fifteen months of the agreement, then quarterly principal repayments of $300,000 plus interest. Total transaction costs relating to the subordinate debt facility amounted to $312,786.

The Company amended the agreement on November 30, 2015, in conjunction with the amendment to the ABL Facility. In accordance with this amendment, the Company has deferred two quarterly payments in September and December of 2015 and will defer two more quarterly principal payments in March 31, 2016 and June 30, 2016. The amendment also eliminated the funded term debt to Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") covenant. The Lender has added a principal deferral fee of 8.5% per year that will be added to the outstanding principal amount and will bear interest at the applicable interest rate until the deferred principal is repaid in full.

The subordinated debt facility contains financial covenants that are consistent with the ABL Facility. In addition, the Company is required to maintain a twelve month rolling actual adjusted EBITDA in excess of 70% of projected adjusted EBITDA. Adjusted EBITDA is defined as net income before interest on debt, taxes on net income, depreciation and amortization, and non-recurring charges (including one-time transaction, acquisition and restructuring expenses, share based payments, and foreign exchange gains or losses), and after unfunded capital expenditures. As at December 31, 2015, the Company was in compliance with its covenants.

The ABL Facility is subject to renewal prior to its maturity date of August 12, 2016. However, the Company has held discussions with its ABL Facility bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. Failure to reach agreement regarding the terms to extend this agreement could result in the acceleration of the relevant indebtedness.

The Company's ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations, realize forecasted revenues, control operational expenditures and secure future financing when required. Management has applied significant judgement in preparing forecasts supporting the going concern assumption. Revenues are projected based on demand for drilling fluid products, which is driven by forecasted commodity prices and drilling activity levels. The timing and extent of operating and general administrative expenditures are projected based on the estimated revenue levels. The actual commodity prices may differ significantly from the forecasted commodity prices used by management.

	December 31, 2015		December 31, 2014	
	As calculated	**Minimum required**	As calculated	Minimum required
Minimum adjusted tangible net worth	**$ 34,292,132**	**$ 31,864,000**	N/A	N/A
Fixed charge coverage ratio	**N/A**	**N/A**	2.44	To exceed 1.1
Eligible capital expenditures	**N/A**	**N/A**	2,585,291	Not to exceed $5,806,980
		Actual adjusted EBITDA greater than 70% of projected adjusted EBITDA		
EBITDA	**$ 2,251,957**	**$1,016,889**	N/A	N/A
Funded term debt to EBITDA	**N/A**	**N/A**	0.52	Not to exceed 1.5:1

The minimum covenants are noted in the above table. The Company monitors its covenants on an ongoing basis and reports on its compliance to its lender on a monthly basis. As at December 31, 2015, the Company was in compliance with all financial covenants.

Cash Requirements for Capital Expenditures

Historically, the Company has financed its capital expenditures and acquisitions through its ABL Facility, subordinated debt and equity. The budgeted future capital expenditures for 2016 are approximately $250,000 (2015 - $857,000) which may include future equipment upgrades to blending and packaging equipment for the Canadian blending and packaging division. Capital expenditures typically are comprised of betterments and upgrades to existing assets, and additions incurred during the period. The Company ensures equipment is efficient and profitable or the equipment is replaced when the cost of maintenance and operating the

equipment is not feasible. However, if a sustained period of market and commodity price uncertainty and financial market volatility persists in 2016, the Company's activity levels, cash flows and access to credit may be negatively impacted, and the expenditure level would be reduced accordingly. Conversely, if future growth opportunities present themselves, the Corporation would look at expanding this planned capital expenditure amount.

Commitments under operating lease and liquidity analysis

The Company has committed to numerous operating lease arrangements for property and equipment.

	Minimum lease payments due			
	Within one year	Two to five years	After five years	Total
December 31, 2015	$ 2,352,953	—	—	$ 2,352,953
December 31, 2014	$ 2,797,947	6,136,395	—	$ 8,934,342

The table below analyzes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

Contractual obligations related to financial liabilities at December 31, 2015 are as follows:

	Bank credit facility	Accounts payable	Long-term debt	Promissory notes payable	Finance leases	Total
2016	$ 23,055,007	$ 6,371,417	$ 1,561,736	$ 260,797	$ 53,164	$ 31,302,121
2017	—	—	9,861,797	261,250	53,597	10,176,644
2018	—	—	5,465	—	24,952	30,417
2019	—	—	—	—	4,501	4,501
2020	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—
Total	$ 23,055,007	$ 6,371,417	$ 11,428,998	$ 522,047	$ 136,214	$ 41,513,683

Intangible assets

Intangible assets include acquired software used in administration, customer relationships, brand, supply agreements, distribution agreements and non-compete agreements that qualify for recognition as an intangible asset in a business combination. These intangible assets have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives of 2 to 7 years and is recognized in profit or loss for the period. Residual values and useful lives are reviewed at each reporting date. The following estimated useful lives are applied:

Customer relationships	2 to 7 years straight-line
Non-competition agreements	2 to 5 years straight-line
Computer software	4 to 7 years straight-line
Supply agreement	4 years straight line
Distribution agreement	4 years straight line
Brand	2 years straight line

Customer relationships represent existing contracts and the underlying customer relationships. Costs associated with maintaining computer software programs such as expenditures relating to patches and other minor updates as well as their installation are expensed as incurred. The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss.

Off-balance sheet arrangements

The Company did not enter into any off-balance sheet arrangements during the current or comparable reporting period.

Transactions with related parties

During the year ended December 31, 2015, the Company incurred office sharing costs of $60,000 (December 31, 2014 – $60,000) that were paid to a company over which a director has control.

OUTLOOK

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A. This Outlook section is provided for information purposes only and readers are cautioned the information contained herein may not be appropriate for other purposes.

North American oil and gas drilling activity levels, during the fourth quarter of 2015, were substantially lower than activity levels during the fourth quarter of 2014 and current indications are that 2016 capital expenditures will be substantially lower than 2015 levels. Commodity prices remain low compared to historical levels and as such, the Company expects that industry conditions will remain very challenging for the foreseeable future. Steps have been taken to right-size the Company's operations in all business segments in response to reduced customer demand.

In Canada, the typical seasonal downturn in activity due to spring breakup is anticipated to start earlier than normal, however, management also expects a prolonged spring break-up with little visibility on how many rigs will come back to work when the breakup ends. The oilfield activity has continued to deteriorate in the USA as the active rig count, to March 12, 2016, has fallen to 480 active rigs, a decrease of 645 from the prior year. Bri-Chem has been proactive in response to this reduction in business activity and has successfully implemented rolling changes to "Right-Size" its business and control costs. These initiatives together with new "Right-Sizing" strategies will continue to be evaluated based on current and projected business activity levels.

Overall, Bri-Chem's management team has experienced several business cycles and understands what is needed to effectively manage the business through an industry downturn. We understand the importance of cost management and reducing our debt during these challenging times. With minimum capex requirements, the Company will continue to provide superior customer performance while maintaining its corporate "Right-Sizing" and "Debt-Reduction" initiatives.

RISKS AND UNCERTAINTIES

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with the detailed information appearing elsewhere in this MD&A and Bri-Chem's other public disclosure documents, including the Annual Information Form for the Company for the year ended December 31, 2015. These risks and uncertainties are not the only ones facing Bri-Chem. Additional risks and uncertainties not currently known to the Company or that the Company currently considers remote or immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.

Risks Relating to Bri-Chem and its Business

Industry Conditions

There is a strong correlation between oil and gas drilling activity and demand for the Company's products. The capital expenditure programs of oil and gas companies largely affect the products provided by the Company. The magnitude of capital expenditures determines the demand for the Company's drilling fluids to the oil and gas industry. The primary catalysts to high expenditures and activity levels in the energy industry are oil and gas prices which, in turn, are influenced strongly by supply and demand expectations. The ability to forecast the price of crude oil or natural gas is extremely difficult as many global factors affecting commodity prices are beyond the control of the Company.

Prolonged low oil and natural gas prices, like the prices which have existed since late 2014, generally depress the level of exploration and production activity by E&P companies which causes a corresponding decline in the demand for drilling fluid products and services and, as a result, has an adverse effect on the Company's business and financial results. The level of activity in the Canadian and United States oil and gas exploration and production industry is volatile. There can be no assurance that the future level of demand for the Company's products or future conditions in the oil and natural gas and oilfield services industries will not decline.

Oil and Natural Gas Prices

The revenue, cash flow and earnings of the Company are substantially dependent upon and affected by the level of activity associated with oil and natural gas exploration. Both short-term and long-term trends in oil and natural gas prices affect the level of such activity. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, may affect both the demand for and the supply of oil and natural gas. Weather conditions, governmental regulation, levels of consumer demand, the availability of pipeline capacity and other factors beyond the Company's control may also affect the supply of and demand for oil and natural gas leading to future price volatility. The drilling industry is cyclical and the fluctuations in the level of oil and natural gas exploration and development activity have a direct impact on the Company's business. Any significant reduction in industry levels of drilling activity in the WCSB and the United States may severely reduce activity levels for the Company and its resulting revenue, cash flow and earnings.

Regulations Affecting the Oil and Natural Gas Industry

The operations of the Company and its customers are subject to or impacted by a wide array of regulations in the jurisdictions in which they operate. As a result of changes in regulations and laws relating to the oil and natural gas industry, the Company's customers' operations could be disrupted or curtailed by governmental authorities. The high cost of compliance with applicable regulations could cause customers to discontinue or limit their operations and may discourage companies from continuing activities. As a result, demand for the Company's products and services could be substantially affected by regulations and taxation adversely impacting the oil and natural gas industry.

Provincial Royalty Rate Changes

The provincial governments of Alberta, British Columbia, Manitoba, Quebec and Saskatchewan collect royalties on the production from Crown lands. These fiscal royalty regimes are reviewed and adjusted from time to time by the respective governments for appropriateness and competitiveness. These changes, as well as the potential for future changes in these and other jurisdictions, add uncertainty to the outlook of the oilfield services sector.

Seasonal Weather

In Canada, the level of activity in the oil and natural gas industry is influenced by seasonal weather patterns. Spring break-up during the second quarter of each year leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of energy services. In addition, many jurisdictions enforce road bans during such times that restrict the movement of heavy equipment. The timing and duration of spring break-up is dependent on weather patterns and the duration of this period will have an impact on the level of business of the Company. There is greater drilling activity and therefore a greater demand for the Company's products in the winter season when the ground is frozen allowing the movement and operation of heavy equipment. This peak season typically runs from November to early March. However, if unseasonably warm temperatures in the winter occur it may prevent sufficient freezing, and drilling activity may be adversely affected, impacting the Company's operations and financial condition.

Ability to Maintain Obligations Under Asset-Based Lending Facility and Other Debt

Bri-Chem has borrowed a considerable amount of cash under its ABL and subordinate debt facilities. Bri-Chem is required to satisfy certain financial covenants in order to maintain its good standing under the ABL and subordinate debt facilities. Bri-Chem may from time to time enter into other arrangements to borrow money in order to fund its operations and expansion plans, and such arrangements may include covenants that have similar obligations or that restrict its business in some way. Events may occur in the future, including events out of Bri-Chem's control that would cause Bri-Chem to fail to satisfy its obligations under the credit facilities or other debt instruments. In such circumstances, the amounts drawn under Bri-Chem's debt agreements may become due and payable before the agreed maturity date and Bri-Chem may not have the financial resources to repay such amounts when due. The credit facilities are secured by all of Bri-Chem's assets. If Bri-Chem were to default on its obligations under the credit facility or other secured debt instruments in the future, the lender(s) under such debt instruments could enforce their security and seize all or significant portions of Bri-Chem's assets.

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company actively monitors its financing obligations, as well as its cash to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost. The changes in the global financial markets and weak economic conditions, can have a significant impact on the ability of the Company to obtain funding for future financial requirements.

Due to these factors, the Company cannot be certain that funding will be available when needed and to the extent required, on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, the Company may be unable to implement its business plans, or take advantage of business opportunities, or respond to competitive pressures, all of which could have a material adverse effect on the Company's financial conditions, results of operations, and cash flows.

Market Price Volatility of Common Shares

The market price of the Company's common shares may be volatile. The volatility may affect the ability of shareholders to sell the common shares at an advantageous price. Market price fluctuations in the common shares may be due to the Company's operating results failing to meet the expectations of investors and stock market analysts in any quarter, downward revision in securities analysts' estimates, governmental regulatory actions, adverse change in market conditions or economic trends, acquisitions, business or asset dispositions and material announcements by the Company or its competitors, along with a variety of additional factors, including, but not limited to, those set forth in *"Cautionary Statement Regarding Forward-Looking Information"* herein. In addition, the stock markets, including TSX, may experience significant price and trading fluctuations. These fluctuations may result in volatility in the stock market prices that often has been unrelated or disproportionate to changes in operating performance. These market fluctuations may adversely affect the market prices of the Company's common shares.

Availability of Future Funding

The Company's business strategy is based in part upon the continued expansion of the Company's strategic network of warehouse facilities. In order to continue to implement its business strategy, the Company may be required to further finance these expenditures through ongoing cash flow from operations, borrowings under its credit facilities and by raising capital through the sale of additional debt or equity securities. The Company's ability to obtain financing or to access the capital markets for future offerings may be limited by the restrictive covenants in the Company's current and future debt agreements, by the Company's future financial condition, and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties beyond the Company's control. In addition, capital markets can be volatile and continued industry volatility could limit the Company's ability to obtain new financing, The Company's inability to raise funding to support ongoing operations and to fund capital expenditures or acquisitions may limit Bri-Chem's growth or may have a material adverse effect upon the Company.

Credit Risk

The oilfield services sector is directly affected by the financial health of its customers, and as a result of low oil prices, cash flows have declined significantly, having a negative impact on capital spending programs. Further, the long duration of an industry downturn may result in many companies having over-leveraged balance sheets, bank covenant breaches and limited access to financial capital markets. The Company's revenues are predominantly generated from products sold to oil and gas fluid engineering companies which may result in significant exposure to one customer or on a combined basis to several individual customers.

The Company's management regularly reviews outstanding accounts receivable and follows up with customers when settlement has not occurred on a timely basis. During times of weak economic conditions, the risk of payment delays and failure to pay increases due to a reduction in customer's cash flow. The Company generally grants unsecured credit to its customers; however, it evaluates all new customers and analyzes and reviews the financial health of its current customers on an ongoing basis. The Company also closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customer's credit risk, historical trends and other economic information. Failure to collect accounts receivable from customers could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Concentration risk

The top eight customers of the Company account for approximately 44.2% of revenue for the year ended December 31, 2015, of which no single customer accounting for more than approximately 10%. 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 customers, any significant decrease in sales to a customer, or prices paid or any other changes to the terms of service with customers, could have a material adverse effect on the financial results, cash flows, and the overall financial condition of the Company.

Supply Risk

The Company distributes drilling fluid products manufactured or supplied by a number of domestic and international suppliers. The Company does not have long-term contracts with any of its major suppliers. Although the Company believes that it has access to similar products from competing suppliers, any disruption in the Company's sources of supply, particularly of the most commonly sold items or any material fluctuation in the quality, quantity or cost of such supply, could have a material adverse effect upon the Company's results of operations and financial condition. Also, supply shortages occur at times as a result of unanticipated demand, production difficulties or delivery delays. In such cases, suppliers often allocate products among distributors. Future supply shortages may occur from time to time and may have a short-term material adverse effect on the Company's results of operations and financial condition.

Inventory Risk

The Company distributes to markets that are highly sensitive to price, quality of product and timeliness of the delivery and adequate supply levels. In addition, product sales are dependent on demand and demand fluctuates with the seasonality of the drilling industry in Western Canada. The Company purchases products to stock warehouses to sufficient levels to meet the demands of customers. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and optimal customer service. Since the Company maintains significant quantities of inventory, the value is subject to the risk of changing prices.

Transportation and Distribution Network Risk

The Company relies on a wide distribution network to manage its inventory flow between locations and 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. If they were to experience a breakdown in this network, it could have a potential material effect on sales, margins and profitability.

Insurance Risk

The Company maintains insurance coverage adequate to cover the risks associated with operations of the Company. Such insurance is subject to coverage limits and exclusions and may not cover the Company in all circumstances. There is no assurance that the Company's insurance coverage will be adequate to cover the Company's liabilities or will be generally available in the future. Future changes in insurance premiums could affect the Company's ability to purchase adequate insurance coverage and could impact the settlement of future claims. This could have a material adverse effect on the Company's ability to conduct normal business operations and on its financial conditions, results of operations and cashflow.

Competitive Conditions

The Company competes with a number of companies throughout North America. There can be no assurance that competitors will not substantially increase their resources devoted to the development of their business

that compete with those of the Company, or that new or existing competitors will not enter the various markets in which the Company is active. In addition, reduced levels of activity in the oil and natural gas industry could intensify competition and the pressure on competitive pricing and may result in lower revenues or margins to the Company in all divisions. The Company's customers may elect not to purchase its products and services if they view the Company's financial viability as unacceptable, which would cause the Company to lose customers.

Asset Impairment

The Company is required to periodically review asset balances including goodwill and capital assets for impairment when certain factors indicate the need for analysis. In the case of goodwill, if any exists on the balance sheet, an impairment test must be completed at least annually. These calculations are based on management's estimates and assumptions at the time the analysis is made. Several factors are included in this analysis and may include changes in share price, cash flow and earnings estimates, changes in market conditions, and general local and global economic conditions. Any resulting future impairment write down to goodwill or capital assets could result in a non-cash charge against net earnings, and could be material in nature.

Regulatory Compliance Risk

The operations of the Company are subject to laws and regulations relating to workplace safety and work health related regulations, the conduct of operations, and the transportation, storage and disposal of fluid products. The Company acts in the best interests to ensure it is compliant with such laws and regulations. As future laws and regulations change, this may give rise to additional expenditures or liabilities. Any change to laws or regulations could have an adverse effect on the operations of the Company and its financial condition, results of operations and cash flow.

Workplace Safety, Health and Wellness

The Company's employees may face workplace health and safety risks and hazards, which could potentially result in injury or lost time. The Company's Safety Program is in place to reduce risks to people, the environment and the Company's business, and is continually updated as new risks and hazards are identified. These risks and hazards could result in personal injury, loss of life, environmental damage, or other damage to the Company's property or the property of others. The Company cannot fully protect or insure against all these risks, and could become liable for damages arising from these events against which are not insured.

Product Liability Claims

Although Bri-Chem believes it offers superior products in the market place, the Company may, from time to time, have claims for damages resulting from misapplication of products or from product defects. The Company mitigates this risk by providing standard MSDS information for all fluids products sold. However, the defense of claims could prove costly, therefore increasing the Company's expenses. If a claim would be successful or partially successful, it could result in monetary liabilities and future scrutiny from customers on products sold.

Income Tax Expense

The Company collects, accrues, and pays significant amounts of income taxes and has significant deferred tax liabilities and tax expense. The amounts reported are based on management's best estimates using currently enacted tax rules and accounting principles related to income tax reporting at the time of preparation. Tax interpretations, regulations, and legislation that pertain to the Company's activities are subject to continual change. There is a risk that the actual tax owing may differ from this amount, which could affect the Company's reported net income after tax and earnings per share reported. Management engages a third party specialist to review the calculation of deferred income taxes to help mitigate the risks in this area.

Foreign Currency and Interest Rate Risk

The Company is exposed to foreign currency fluctuations in relation to its sales and purchases in US dollars. Any change in the value of the Canadian dollar relative to the US dollar during a given financial reporting period would result in a foreign currency gain or loss on the translation of our US dollar denominated debt and assets into Canadian dollars. Therefore the Company is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not hedge inventories purchased specifically from US markets, instead the Company relies on its inventory turnover.

The Company is exposed to interest rate risk on its ABL credit facilities. Floating-rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate should the Canadian prime rate and or the Bankers' Acceptance rate increase.

Integration of Acquisitions

The Company may experience difficulties in integrating an acquired business into the existing operations, including but not limited to integrating administrative functions, financial reporting, operational and information systems, improvements in operational effectiveness, standardization of controls, policies and procedures and recognizing the synergistic opportunities of the combined entity. The success of the integration also depends on the ability to retain key employees of the acquired company.

Potential Liabilities from Acquisitions

In pursuing acquisitions, the Company conducts due diligence procedures on the business being acquired. It seeks to understand and identify all liabilities and representations of the business being acquired. Despite such efforts, there can be no assurance that the Company may not become subject to undisclosed liabilities as a result of acquisitions. Liabilities may exist which were not discovered during the due diligence process prior to completing the acquisition. This failure to discover potential liabilities may be due to various factors, such as our failure to accurately assess all of the pre-existing liabilities of the operations acquired or vendors failing to comply with laws. If this occurs, the Company may be responsible for such violations which could have a material adverse effect on the business.

Entering New Business Lines

The Company may enter into new business lines with new acquisitions or other opportunities for growth related to the current business of the Company. There is no guarantee that these new business lines will be successful in the marketplace to which they are directed. Management makes its best efforts to research and forecast future profitability of any new business ventures prior to commencing in any new endeavor, however there are underlying risks that are intangible at the time of entry. The success of any new venture is also dependent on the areas of sales and marketing, customer demand, market stability, existing barriers to entry, and other factors of product introduction.

Dependence on Key Personnel

The success of the Company will be dependent on the services of the members of its senior management. The experience and talents of these individuals will be a significant factor in the success and growth of the Company. The loss of one or more of these individuals could have a material adverse effect on the operations and business prospects of Bri-Chem, furthermore, as part of the Company's growth strategy, it must continue to hire highly qualified individuals, including financial, sales and operations personnel. There can be no assurance that the Company will be able to attract and retain qualified personnel in the future. The compensation program in place includes salary, benefits, and bonus structures, and is designed to provide fair compensation to all personnel and adequate performance incentives. Other non-monetary measures including training and development and recognition are used to ensure the culture stays focused on key personnel retention.

Ability to Achieve Profitability

There can be no assurance that the Company will be able to achieve profitability in future periods. The Company's future operating results will depend on a number of global factors that are affecting commodity prices and that are beyond the control of the Company. There can be no assurance that the Company will be successful in achieving the objectives of its corporate strategic plan or that its corporate strategic plan will enable it to achieve, maintain or sustain profitability.

Environmental Liability

As a result of the Company's operations dealing with petroleum products and chemical additives used in connection with the transportation, storage and disposal of drilling fluid products, the Company is exposed to potential environmental liability in connection with its business. The Company maintains compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials, however, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. Although the Company enforces a program to identify and address contamination issues before acquiring or leasing properties, and attempts to utilize generally accepted operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under properties owned, leased, or operated by the Company prior to the Company owning, leasing or operating these properties. These properties and the wastes disposed thereon may be subject to environmental laws that could require the Company to remove the wastes or remediate sites where they have been released. Laws and regulations relating to the environment that apply to the business and operations of the Company is likely to change and become more stringent in the future. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Company cannot predict the nature of the restrictions that may be imposed. The Company may be required to increase operating expenses or capital expenditures in order to comply with any new environmental restrictions or regulations which could have a materially adverse effect on the operations of the Company and its financial condition, results of operations and cash flow.

Disclosure Controls & Procedures

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, is made known to the Chief Executive Officer and Chief Financial Officer by others within the Company, particularly during the period in which the annual and interim filings of the Company are being prepared, in an accurate and timely manner in order for the Company to comply with its disclosure and financial reporting obligations and in order to safeguard the Company's assets. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Company's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met.

Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. While management of the Company has put in place certain plans and procedures to mitigate the risk of a material misstatement in the Company's financial reporting, a system of internal controls can provide only reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well conceived or operated.

Forward-Looking Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Company's forward-looking statements because the Company can give no assurance that they will prove to be correct. By their nature, forward-looking statements reflect numerous inherent known and unknown risks and uncertainties that contribute to the possibility that the forward looking statements may prove to be incorrect and could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this MD&A under the heading *"Cautionary Statement Regarding Forward-Looking Information"*

CRITICAL ACCOUNTING ESTIMATES

In preparing the annual consolidated financial statements, in conformity with International Financial Reporting Standards ("IFRS"), management is required to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the reporting date and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and, consequently, the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired or the environment in which the Company operates changes. The accounting policies and practices that involve the use of estimates that have significant impact on the Company's financial results include the allowance for doubtful accounts receivable, the sales return provision, inventory obsolescence, net realizable value inventory write-downs and write-ups, the estimated useful life of property and equipment and intangible assets and the corresponding amortization rates, the valuation of deferred tax assets, the impairment testing of goodwill and long-lived assets, valuations of accrued liabilities and deferred tax liabilities, the fair value of derivative financial instruments, and stock based compensation. Management feels actual results will not be materially different from these estimates. The most significant estimates made by management include:

Impairment financial assets

All of the Company's financial assets are reviewed for indicators for impairment, in accordance with the accounting policy stated in the note 2 to the annual consolidated financial statements. 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.

Sales return provision

Accounts receivable are considered a significant financial asset. Included in this balance is a sales return provision for the fluids distribution division. The division experiences product returns, as is common in the industry, for many reasons as customers buy bagged product for drilling sites and will return unused product upon drilling completion for a refund. Management closely monitors returns and estimates a provision based on sales each month. The provision factors in seasonality of operations, current market conditions, and past history to come to a current rate for the month. While management does not normally see significant variances from this provision, if unpredicted high or low returns are subsequently incurred there is the potential to affect accounts receivable and revenues over and above the estimated provision already recorded.

Inventory valuations

Inventory is measured at the lower of cost and net realizable value. Net realizable value is an estimate of future selling prices less the costs to sell. Management reviews inventory periodically and uses the most reliable evidence in determining the net realizable values of the inventories. This includes examining the value of inventory against aging of the inventory, current market conditions, past sales history, and future sales trends predictions to determine the recoverable amount. When impairment is recorded, management tracks the future sales of these items and reverses any write-down where the net realizable value has subsequently increased.

Impairment testing of intangible assets and property and equipment

The Company is required to test for impairment of intangible assets with definite useful life and property and equipment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortization (goodwill) are tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment. An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. Impairment losses are allocated first to goodwill, then to remaining assets. To determine the value-in-use, management estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management. Impairment loss is charged to the items in each cash-generating unit, first to goodwill, then to all other items on a pro-rata basis. An impairment charge relating to property and equipment, and intangible assets, excluding goodwill, is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount.

Income taxes

Management calculates the provision for income taxes based on all available information at the time of reporting. This includes recording deferred tax assets related to losses incurred by the Company that are expected to be recovered in future periods. The calculation requires certain areas of significant judgment interpreting tax rulings and regulations, which are constantly changing. This includes the calculation of deferred taxes, which is based on the tax jurisdiction’s substantively enacted rates at the time the differences between accounting and income tax are expected to reverse. The effect of a change in rates would be included in the period during which the change is considered to be substantively enacted.

Business combinations

The Company uses valuation techniques in determining fair values of the various elements of a business combination, including intangible assets, based on future expected cash flows and a discount rate. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risks and weighted average cost of capital. If future events or results differ significantly from these estimates and assumptions, the Company could record impairment charges in the future.

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 the actual expense incurred 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 exchanging for the option.

ACCOUNTING POLICIES

The discussion in this section is qualified in its entirety by the "Cautionary Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

The following standard, that is applicable to the Company, has been adopted by the Company for the first time in the financial year beginning on or after January 1, 2015 and has no material impact on the Company:

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

In January, 2015, the Company adopted amendments to IAS 19, which relate to accounting for employee contributions in a defined benefit plan. Since the Company has no defined benefit plans, the application of these amendments have had no effect on the Company's financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The discussion in this section is qualified in its entirety by the "Cautionary Statement Regarding Forward-Looking Information" section presented at the beginning of the MD&A.

The Company's financial instruments consist of recorded amounts of accounts receivable, as well as bank indebtedness, accounts payable and accrued liabilities, long-term debt, promissory notes payable and derivative financial instruments.

The estimated fair value of the Company's financial instruments approximates the amount for which the financial instruments could currently be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. The carrying value of accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate their fair value because of the near term to maturity of these instruments. The fair value of promissory notes payable reflects the incremental cost of borrowing given current market risks and interest rates for the similar debt. The carrying value of the long-term debt approximates its fair value as interest rates have not significantly changed since this time.

Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services may experience financial difficulty and be unable to fulfill their obligations. Concentrations of credit risk on accounts receivable are with customers in the oil and gas industry. Accounts receivable consist of a large number of customers spread across diverse geographical areas and ongoing credit evaluations are performed on the financial condition of accounts receivable. Revenue from the Company's largest two customers accounted for approximately 9.5%, and 6.5% respectively (December 31, 2014 – 8.0%, 7.3%) of total revenue during the year and nil, and 5.7% respectively (December 31, 2014 – 6.8%, 10.6%) of total accounts receivable at year end.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date and presented in the statement of financial position.

The Company manages its credit risk through the credit assessment process and through an extensive credit monitoring and collections processes. The Company maintains an allowance for estimated credit losses on accounts receivable. The Company makes an assessment of past due accounts receivable for impairment and collectability on an individual basis and considers the following factors: i) the age of the outstanding accounts

receivable, ii) the payment history and loss experience, iii) debtor's financial conditions, and other economic information.

For the year ended December 31, 2015, the Company has recorded an allowance for doubtful accounts of $1,278,521 (December 31, 2014 - $115,888). The allowance is an estimate of the December 31, 2015 accounts receivable balances that are considered uncollectible.

Concentrations of credit risk on trade accounts receivable are with customers in the oil and gas industry. A significant decline in economic conditions within the industry would increase the risk that customers will experience financial difficulty and be unable to fulfill their obligations. The Company's exposure to credit risk arising from granting sales is limited to the carrying value of accounts receivable. The Company's revenues are normally invoiced with payment terms of 30 days. Despite the established payment terms, customers in the oil and gas industry typically pay amounts within 94 days of invoice date.

The aging of accounts receivable was as follows:

December 31, 2015	Gross accounts Receivable	Allowance for doubtful accounts	Net accounts receivable
Current	$ 4,599,098	$ —	$ 4,599,098
31 to 60 days	5,647,467	—	5,647,467
61 to 90 days	4,717,217	—	4,717,217
91 to 120 days	1,537,354	(53,805)	1,483,549
Over 120 days	1,224,716	(1,224,716)	—
Total	$ 17,725,852	$ (1,278,521)	$ 16,447,331

The changes in allowance for doubtful accounts were as follows:

	December 31 2015	December 31 2014
Balance, beginning of year	**$ 115,888**	$ 197,571
Bad debts	**1,563,475**	299,700
Receivables written off	**(118,056)**	(230,684)
Transfer to assets held for sale	**-**	(94,733)
Recovery of bad debts	**(282,786)**	(55,966)
Balance, end of year	**$ 1,278,521**	$ 115,888

The Company held $nil (December 31, 2014 - $nil) of customer deposits for the purpose of mitigating the credit risk associated with certain accounts receivable.

Interest rate risk

Bank indebtedness, issued at variable rates, exposes the Company to cash flow interest rate risk as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. The interest on promissory notes and long-term debt are issued at fixed rates. Management analyzes the Company's interest rate exposure on a dynamic basis and is of the opinion that the Company's interest rate risk is not significant.

The contractual interest rate on the bank indebtedness at December 31, 2015 was Canadian bank prime interest rate plus 1.50% (4.35%) (December 31, 2013 - Canadian bank prime interest rate (3.00%). As at

December 31, 2015, other variables unchanged, an increase or decrease of 25 basis points in the prime interest rate would impact the Company's net earnings by approximately $43,776 (December 31, 2014 - $96,838).

Currency risk

The Company is subject to foreign currency risk due to its accounts receivable, accounts payable and accrued liabilities and bank indebtedness denominated in foreign currencies. Therefore, there is a risk of earnings fluctuations arising from changes in and the degree of volatility of foreign exchange rates arising on foreign monetary assets and liabilities. Although the majority of the Company's operations are in Canada, the Company has expanded its operations outside Canada, which increases its exposure to foreign currency risk. The Company's US subsidiaries are not exposed to foreign currency risk as all their monetary assets and monetary liabilities are denominated in their functional currency, which is the United States dollar.

The analysis of currency risk is as follows:

Balance, December 31, 2015	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
Canadian dollar	$ 7,377,016	$ (3,472,481)	$ —	$ 3,949,535
US dollar	486,475	(12,479,275)	—	(11,992,800)
Total[1]	$ 7,863,491	$ (15,951,756)	$ —	$ (8,043,265)

Balance, December 31, 2014	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
Canadian dollar	$ 24,781,187	$ (21,259,318)	$ —	$ 3,521,869
US dollar	536,628	(24,735,689)	—	(24,199,061)
Total[1]	$ 25,317,815	$ (45,995,007)	$ 3,183,000	$ (20,677,192)

[1] the total does not include monetary assets and monetary liabilities of the US subsidiaries

At December 31, 2015, if the Canadian dollar had weakened/strengthened by 5% (December 31, 2014 - 5%) against the US Dollar with all other variables held constant, post-tax profit would have been $1,049,115 (December 31, 2014 - $962,335) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated monetary assets and liabilities.

Commodity risk

Commodity risk arises from the effect that fluctuations of future commodity prices of certain chemicals and may have on the fair value or future cash flows of financial assets and liabilities. The Company does not use derivatives to reduce its commodity risk.

Derivative financial instruments

Foreign exchange derivatives entered into by the Company have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The Company does not have foreign exchange derivatives at December 31, 2015.

FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the financial year ended December 31, 2015. The standards issued that are applicable to the Company are as follows:

IFRS 9 – Financial instruments

The complete version of IFRS 9 replaces most of the guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the impact of this standard on its consolidated financial statements.

IFRS 15 – Revenue from contracts with customers

IFRS 15 converged standard on revenue recognition. It replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity`s contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, with early adoption permitted and is to be applied retrospectively. The Company is assessing the impact of this standard on its consolidated financial statements.

Amendments to IAS 16 – Property Plant and Equipment and IAS 38 – Intangible assets

This method clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendments become effective on or after January 1, 2016. This amendment will not have an impact on the Company's financial statements.

Annual improvements 2014

These annual improvements amend standards from the 2012-2014 reporting cycle. It includes changes to:

- IFRS 5, Non-current assets held for sale and discontinued operations. The amendment clarifies that, when an assets (or disposal group) is reclassified from `held for sale` to `held for distribution`, or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment also explains that the guidance on changes in a plan of sale should be applied to an asset (or a disposal group) which ceases to be held for distribution but is not reclassified as `held for sale`;
- IFRS 7, Financial instruments; Disclosures. There are two amendments: 1) Servicing contracts – if an entity transfers a financial asset to a third party under conditions which allow the transferor to

derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters. 2) Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, `Disclosure – Offsetting financial assets and financial liabilities` is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective;

- IAS 34, Interim financial reporting – the amendment clarifies what is meant by the reference in the standard to `information disclosed elsewhere in the interim financial report`. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

These improvements become effective on or after July 1, 2016 and will not have an impact on the Company's financial statements.

SHARE DATA

As at March 29, 2016, the Company had 23,632,981 common shares issued and outstanding. As of December 31, 2015, options to purchase 1,495,000 common shares were outstanding at an average price of $2.40 per common share.

NON-IFRS MEASURES

Certain supplementary information and financial measures referred to in the MD&A and explained below, namely EBITDA, Operating Expenses, Operating EBITDA, and Cash Interest Expense are not recognized under IFRS.

EBITDA

Management believes that, in addition to net earnings, EBITDA is a useful supplemental measure that provides a measure of operating performance without reference to financing decisions, depreciation or income tax impacts, which are not controlled at the operating management level. Investors should be cautioned that EBITDA should not be construed as alternatives to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from that of other entities and accordingly may not be comparable to measures used by other entities.

EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment charges and share-based payments. The following is a reconciliation of EBITDA to net earnings for each of the periods presented in this MD&A.

EBITDA from continuing operations	For the three months ended December 31 2015	2014
Net loss	**$ (13,373,037)**	$ (3,369,581)
Add:		
Interest	**1,083,402**	933,977
Income taxes	**10,451**	(1,615,272)
Depreciation and amortization	**385,235**	582,275
Share-based payment	**71,850**	86,196
Impairment charges (1)	**6,126,247**	8,571,553
EBITDA	**$ (5,695,852)**	**$ 5,189,148**

EBITDA from continuing operations	For the year ended December 31 2015	2014
Net (loss) earnings	**$ (14,357,367)**	$ 1,110,986
Add:		
Interest	**3,307,833**	3,241,958
Income taxes	**34,036**	691,845
Depreciation and amortization	**1,610,928**	2,167,490
Share-based payment	**517,303**	752,202
Impairment charges (1)	**6,126,247**	8,867,621
EBITDA	**$ (2,761,020)**	**$ 16,832,102**

(1) Impairment charges are related to plant and equipment, bad debts and other items

Adjusted EBITDA

Adjusted EBITDA is measure which has been reported in order to assist in the comparison of historical EBITDA to current results. The calculation of Adjusted EBITDA normalizes the impact of non-recurring one time unusual transactions net of corporate income taxes which did not occur during the preceding two years and are not expected to recur within next two years, and the related impact on net earnings and net earnings per share. The normalization of this net expense is the calculation of Adjusted EBITDA is considered by management to be a more accurate representation of the EBITDA from continuing operations.

Net earnings and EDITDA	For the three months ended December 31 2015	2014	Change $	%
EBITDA	**$ (5,695,852)**	$ 5,189,148	$ (10,885,000)	(209.8%)
% of sales	**(26.5%)**	10.3%		
Add/(deduct)				
Restructuring costs	**514,087**	-	514,087	100%
Adjusted EBITDA	**$ (5,181,765)**	$ 5,189,148	$ (10,370,913)	(199.9%)
% of sales	**(24.1%)**	10.3%		

Net earnings and EDITDA	For the year ended December 31 2015	2014	Change $	%
EBITDA	**$ (2,761,020)**	$ 16,832,102	$ (19,593,122)	(116.4%)
% of sales	**(2.9%)**	9.0%		
Add/(deduct)				
Restructuring costs	**1,326,008**	-	1,326,008	100%
Adjusted EBITDA	**$ (1,435,012)**	$ 16,832,102	$ (18,267,114)	(108.5%)
% of sales	**(1.5%)**	9.0%		

Adjusted Net (Loss)/earnings and Adjusted Net Earnings per Share

Adjusted net (loss)/earnings and adjusted net earnings per share are measures which have been reported in order to assist in the comparison of historical net earnings to current results. The calculation of Adjusted Net Earnings normalizes the impact of non-recurring one time unusual transactions net of corporate income taxes which did not occur during the preceding two years and are not expected to recur within next two years, and the related impact on net earnings and net earnings per share. The normalization of this net expense is the calculation of Adjusted Net Earnings and Adjusted Net Earnings per share is considered by management to be a more accurate representation of the net earnings from continuing operations.

Net (loss)/earnings	For the three months ended December 31 2015	2014
Net (loss)/earnings	**$ (13,373,037)**	$ (3,369,581)
Add/(deduct), net of corporate income taxes:		
Restructuring costs	**514,087**	-
Impairment charges on goodwill and other intangible assets	**6,126,247**	5,281,344
Adjusted net (loss)/earnings	**$ (6,732,703)**	$ 1,911,763
Weighted average number of shares		
Basic	**23,623,981**	24,007,814
Diluted	**23,623,981**	24,008,023
Adjusted net (loss)/earnings, per share		
Basic	**$ (0.28)**	$ 0.08
Diluted	**(0.28)**	0.08

Net (loss)/earnings	For the year ended December 31 2015	2014
Net (loss)/earnings	**$ (14,357,367)**	$ 1,110,986
Add/(deduct), net of corporate income taxes:		
Restructuring costs	**1,323,009**	-
Impairment charges on goodwill and other intangible assets	**6,126,247**	5,281,344
Adjusted net (loss)/earnings	**$ (6,908,111)**	$ 6,392,330
Weighted average number of shares		
Basic	**23,655,900**	24,013,533
Diluted	**23,655,900**	24,026,765
Adjusted net (loss)/earnings, per share		
Basic	**$ (0.29)**	$ 0.27
Diluted	**(0.29)**	0.27

Adjusted Gross Margins

In compliance with IFRS accounting standards, the Company's gross margins must include all direct and overhead costs associated with ongoing activities regardless of whether or not the loss from sales of products was incurred due to the restructuring the Company's operations caused by the economic downturn. Adjusted gross margins reflect the product selling price less the cost of the product in the ordinary course of business and exclude losses incurred due to restructuring of the Company's operations. Management believes that the adjusted gross margin is useful information as it provides a more accurate gross margin contribution for comparative purposes. The following is a reconciliation of adjusted gross margins to IFRS compliant gross margins for each of the periods presented in this MD&A.

Adjusted Gross Margins	For the three months ended December 31 2015	2014	Change $	%
Gross Margin ($)	**1,563,561**	8,564,349	(7,000,788)	(81.7%)
As percentage of sales	**7.3%**	17.0%		
Addback: Losses from sale related to inventory reduction program	**2,518,878**	-	2,518,878	100.0%
Adjusted Gross Margin ($)	**4,082,439**	8,564,349	(4,481,910)	(52.3%)
Sales	**21,507,712**	50,291,385	(28,783,673)	(57.2%)
Less: Sales associated with inventory reduction program due to economic downturn	**993,471**	-	993,471	100%
Adjusted sales	**20,514,241**	50,291,385	(29,777,144)	(59.2%)
Adjusted gross margin as percentage of adjusted sales	**19.9%**	**17.0%**		

Adjusted Gross Margins	For the year ended December 31 2015	2014	Change $	%
Gross Margin ($)	**13,480,581**	31,749,878	(18,269,297)	(57.5%)
As percentage of sales	**13.9%**	17.2%		
Addback: Losses from sale related to inventory reduction program	**3,645,783**	-	3,645,783	100.0%
Adjusted Gross Margin ($)	**17,126,364**	31,749,878	(14,623,514)	(46.1%)
Sales	**96,822,080**	184,707,721	(87,885,641)	(47.6%)
Less: Sales associated with inventory reduction program due to economic downturn	**12,747,375**	-	12,747,375	100%
Adjusted sales	**84,074,705**	184,707,721	(100,633,016)	(54.5%)
Adjusted gross margin as percentage of adjusted sales	**20.4%**	**17.2%**		

Operating Expenses

Operating expenses is not a concept recognized under IFRS as it does not include interest, share based payments, depreciation and amortization expense related to operations. The following is a reconciliation of operating expenses as presented in this MD&A to total expenses as presented in the December 31, 2015 annual consolidated financial statements:

Operating expenses	For the three months ended December 31 2015	2014
Operating expenses	**$ 7,259,413**	$ 3,375,201
Add:		
Interest	**1,083,402**	933,977
Depreciation and amortization	**385,235**	582,275
Share-based payments	**71,850**	86,196
Impairment charge	**6,126,247**	8,571,553
Total expenses	$ 14,926,147	$ 13,549,202

Operating expenses	For the year ended December 31 2015	2014
Operating expenses	**$ 16,241,601**	$ 14,917,776
Add:		
Interest	**3,307,833**	3,241,958
Depreciation and amortization	**1,610,928**	2,167,490
Share-based payments	**517,303**	752,202
Impairment charge	**6,126,247**	8,867,621
Total expenses	$ 27,803,912	$ 29,947,047

Operating EBITDA

Management believes that, in addition to net earnings, Operating EBITDA is a useful supplemental measure that provides a measure of operating performance without reference to inter group corporate cost allocations, financing decisions, depreciation or income tax impacts, which are not controlled at the operating management level. Investors should be cautioned that Operating EBITDA should not be construed as alternatives to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating Operating EBITDA may differ from that of other entities and accordingly may not be comparable to measures used by other entities.

Operating EBITDA is defined as earnings before inter group corporate cost allocations, interest, taxes, depreciation, amortization, impairment charges and share-based payments. The following is a reconciliation of EBITDA, per annual consolidated financial statements for the year ended December 31, 2015, to Operating EBITDA for each of the periods presented in this MD&A.

	For the three months ended December 31, 2015					
	EBITDA		Corporate cost allocation		Operating EBITDA	
	$	%*	$	%*	$	%
Fluids Distribution - Canada	**$ (3,773,244)**	**-54.9%**	$ 1,074,521	15.6%	$ (2,698,723)	-39.3%
Fluids Distribution - USA	**(2,346,285)**	**-26.1%**	1,407,150	15.6%	(939,135)	-10.4%
Total Fluids Distribution	**(6,119,529)**	**-38.6%**	$ 2,481,671	15.6%	(3,637,858)	-22.9%
Fluids Blending & Packaging - Canada	**213,429**	**5.2%**	-	0.0%	213,429	5.2%
Fluids Blending & Packaging - USA	**390,288**	**25.7%**	57,656	3.8%	447,944	29.5%
Total Fluids Blending & Packaging	**603,717**	**10.7%**	57,656	1.0%	661,373	11.7%
Other **	**(180,040)**	**N/A**	(2,539,327)	N/A	(2,719,367)	N/A
Total	**$ (5,695,852)**	**-26.5%**	$ -	0.0%	$ (5,695,852)	-26.5%

* As a percentage of divisional revenues

* * Other includes corporate overhead costs

	For the year ended December 31, 2015					
	EBITDA		Corporate cost allocation		Operating EBITDA	
	$	% *	$	% *	$	%
Fluids Distribution - Canada	**$ (3,997,635)**	**-13.5%**	$ 10,703	0.0%	$ (3,986,932)	-13.5%
Fluids Distribution - USA	**(2,145,044)**	**-4.7%**	2,207,734	4.8%	62,690	0.1%
Total Fluids Distribution	**(6,142,679)**	**-8.1%**	2,218,437	2.9%	- 3,924,242	-5.2%
Fluids Blending & Packaging - Canada	**419,348**	**2.7%**	94,500	0.6%	513,848	3.4%
Fluids Blending & Packaging - USA	**1,072,453**	**18.2%**	226,390	3.8%	1,298,843	22.0%
Total Fluids Blending & Packaging	**1,491,801**	**7.0%**	320,890	1.5%	1,812,691	8.5%
Other **	**1,889,858**	**N/A**	(2,539,327)	N/A	(649,469)	N/A
Total	**$ (2,761,020)**	**-2.9%**	$ -	0.0%	$ (2,761,020)	-2.9%

* As a percentage of divisional revenues

* * Other includes corporate overhead costs

	For the three months ended December 31, 2014					
	EBITDA		Corporate cost allocation		Operating EBITDA	
	$	% *	$	% *	$	%
Fluids Distribution - Canada	**$ 1,495,162**	**7.3%**	$ (544,390)	(2.7%)	$ 950,772	4.6%
Fluids Distribution - USA	**1,506,115**	**6.8%**	456,286	2.1%	1,962,401	8.9%
Total Fluids Distribution	**3,001,277**	**7.1%**	$ (88,104)	(0.2%)	2,913,173	6.9%
Fluids Blending & Packaging - Canada	**842,437**	**14.0%**	40,200	0.7%	882,637	14.7%
Fluids Blending & Packaging - USA	**285,111**	**15.7%**	47,904	2.6%	333,015	18.3%
Total Fluids Blending & Packaging	**1,127,548**	**14.4%**	88,104	1.1%	1,215,652	15.5%
Other **	**1,056,691**	**N/A**	-	N/A	1,056,691	N/A
Total	**$ 5,185,516**	**10.3%**	$ -	0.0%	$ 5,185,516	10.3%

* As a percentage of divisional revenues

* * Other includes corporate overhead costs

	For the year ended December 31, 2014					
	EBITDA		Corporate cost allocation		Operating EBITDA	
	$	% *	$	% *	$	%
Fluids Distribution - Canada	**$ 6,484,431**	**7.9%**	$ (1,966,125)	(2.4%)	$ 4,518,306	5.5%
Fluids Distribution - USA	**4,173,136**	**5.7%**	1,613,709	2.2%	5,786,845	7.8%
Total Fluids Distribution	**10,657,567**	**6.8%**	(352,416)	(0.2%)	10,305,151	6.6%
Fluids Blending & Packaging - Canada	**2,334,062**	**11.2%**	160,800	0.8%	2,494,862	12.0%
Fluids Blending & Packaging - USA	**1,283,838**	**15.5%**	191,616	2.3%	1,475,454	17.8%
Total Fluids Blending & Packaging	**3,617,900**	**17.0%**	352,416	1.7%	3,970,316	18.7%
Other **	**2,256,935**	**N/A**	-	N/A	2,256,935	N/A
Total	**$ 16,532,402**	**9.0%**	$ -	0.0%	$ 16,532,402	9.0%

* As a percentage of divisional revenues

* * Other includes corporate overhead costs

Cash interest expense

Cash interest expense represents interest expense under IFRS adjusted to exclude non-cash interest expense related to the amortization of deferred financing costs on both the ABL Facility and Fulcrum debt. Management believes that this metric assists in determining the cash interest expense of the Company. Cash interest expense is calculated as follows:

Interest	For the three months ended December 31 2015	2014	Change $	%
Interest on short-term operating debt	**$ 416,243**	$ 618,823	$ (202,580)	(32.7%)
Interest on long-term debt	**662,095**	314,199	347,896	110.7%
Interest on obligations under finance lease	**5,064**	955	4,109	430.3%
Total interest expense	**$ 1,083,402**	$ 933,977	$ 149,425	16.0%
Deduct non-cash interest expense:				
Amortization of capitalized deferred financing costs	**$ 314,481**	$ 160,800	$ 153,681	95.6%
Cash interest expense	**$ 768,921**	$ 773,177	$ (4,256)	(0.6%)

Interest	For the year ended December 31 2015	2014	Change $	%
Interest on short-term operating debt	**$ 1,700,171**	$ 1,980,462	$ (280,291)	(14.2%)
Interest on long-term debt	**1,592,186**	1,257,952	334,234	26.6%
Interest on obligations under finance lease	**15,475**	3,544	11,931	336.7%
Total interest expense	**$ 3,307,832**	$ 3,241,958	$ 65,874	2.0%
Deduct non-cash interest expense:				
Amortization of capitalized deferred financing costs	**$ 520,004**	$ 480,091	$ 39,913	8.3%
Cash interest expense	**$ 2,787,828**	$ 2,761,867	$ 25,961	0.9%

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, 2015 and, based on that evaluation, have concluded that these controls and procedures are effective in providing such reasonable assurance.

Internal controls over financial reporting

The CEO and CFO, together with management, are also responsible for establishing and maintaining internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO, together with management, have evaluated the design and operating effectiveness of the Company's ICFR as of December 31, 2015 and, based on that evaluation, have concluded that the controls are effective in providing such reasonable assurance.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred in 2015 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, 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.

Corporate Information

Officers and Directors

Don Caron(2)
Chairman, President, CEO and Director
Edmonton, Alberta

Brian Campbell(1)
Director
Edmonton, Alberta

Jason Theiss, CA
CFO
Edmonton, Alberta

Trent Abraham
President, Fluids Division
Denver, Colorado

Albert Sharp(1) (2)
Director
Spruce Grove, Alberta

Eric Sauze, CA(1) (2)
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HSBC Bank Canada
10250 – 101 Street
Edmonton, Alberta T5J 3P4

Lenders
CIBC Asset Based Lending Inc.
199 Bay Street, 4th Floor
Toronto, Ontario M5L 1A2

Transfer Agent
Computershare Investor Services
530 – 8th Avenue SW, #600
Calgary, Alberta T2P 3S8

Share Capital
Issued: 23,632,981

Corporate Office
#15, 53016 Highway 60
Acheson, Alberta T7X 5A7
Ph: 780.92.9490
Fax: 780.962.9875

(1) Member of Audit Committee
(2) Member of Compensation Committee

Web Site
www.brichem.com