Bri-Chem Corp.
First Quarter Interim Report
March 31, 2010

Contents

Bri-Chem Corp.
Interim Consolidated Balance Sheets

		March 31 2010 (unaudited)		December 31 2009 (audited)
Assets				
Current				
Accounts receivable	**$**	**41,578,627**	$	31,172,888
Inventory		**37,349,064**		40,179,035
Prepaid expenses and deposits		**1,866,535**		1,139,783
Income taxes receivable		**372,244**		1,381,443
Future income tax assets		**27,427**		27,427
		81,193,897		73,900,576
Property and equipment		**3,664,793**		3,676,600
Intangible assets		**1,156,442**		1,241,100
Future income tax assets		**113,511**		113,511
	$	**86,128,643**	$	78,931,787
Liabilities				
Current				
Bank indebtedness	**$**	**32,862,159**	$	27,652,949
Accounts payable and accrued liabilities		**23,259,258**		23,391,873
Customer deposits		**761,964**		525,486
Current portion of promissory notes payable		**158,723**		325,696
Current portion of long-term debt		**945,943**		872,045
Current portion of obligations under capital lease		**142,025**		177,040
		58,130,072		52,945,089
Promissory notes payable		**5,200,000**		5,200,000
Long-term debt		**2,653,496**		2,922,439
Obligations under capital lease		**9,976**		11,161
Future income tax liabilities		**457,962**		476,378
		66,451,506		61,555,067
Shareholders' Equity				
Share capital (Note 4)		**14,790,854**		15,156,254
Contributed surplus (Note 5)		**1,141,144**		1,014,175
Retained earnings		**3,745,139**		1,206,291
		19,677,137		17,376,720
	$	**86,128,643**	$	78,931,787

Commitments (Note 9)

On behalf of the Board

(signed) "Don Caron"
Don Caron, Director

(signed) "Eric Sauze"
Eric Sauze, Director

See accompanying notes to the interim consolidated financial statements.

Bri-Chem Corp.

Interim Consolidated Statements of Operations, Comprehensive Income and Retained Earnings

(Unaudited)

For the three months ended March 31		2010		2009
Sales	**$**	**43,964,826**	$	30,337,102
Cost of sales (Note 7)		**37,735,854**		25,520,185
Gross margin		**6,228,972**		4,816,917
Gross margin (%)		**14.2%**		15.9%
Expenses				
Salaries and benefits		**1,602,362**		1,688,682
Selling, general and administration (Note 8)		**1,044,875**		1,017,453
Foreign exchange (gain)		**(587,595)**		(295,756)
Interest on short-term operating debt		**247,122**		500,741
Interest on long-term debt (Note 8)		**165,837**		177,445
Amortization on property and equipment		**121,057**		125,637
Amortization on intangible assets		**104,660**		393,232
Interest on obligations under capital lease		**1,023**		3,715
		2,699,341		3,611,149
Earnings before income taxes		**3,529,631**		1,205,768
Income tax expense		**990,783**		345,786
Net earnings and comprehensive income	**$**	**2,538,848**	$	859,982
Earnings per share				
Basic	**$**	**0.18**	$	0.06
Weighted average number of shares		**14,220,258**		14,513,408
Diluted	**$**	**0.18**	$	0.06
Weighted average number of shares		**14,222,480**		14,513,408
Retained earnings, beginning of period	**$**	**1,206,291**	$	9,653,629
Net earnings and comprehensive income		**2,538,848**		859,982
Retained earnings, end of period	**$**	**3,745,139**	$	10,513,611

Bri-Chem Corp.
Interim Consolidated Statements of Cash Flows
(Unaudited)

For the three months ended March 31		**2010**		2009
Increase (decrease) in cash and cash equivalents				
Operating activities				
Net earnings	**$**	**2,538,848**	$	859,983
Non-cash items:				
Amortization on intangible assets		**104,660**		393,232
Amortization on property and equipment		**121,057**		125,637
Amortization of debt related transaction costs		**22,628**		13,580
Future income tax recovery		**(18,416)**		-
Stock-based compensation		**46,949**		36,500
Loss on sale of property and equipment		**4,982**		-
		2,820,708		1,428,932
Net change in non-cash working capital		**(7,189,457)**		3,595,592
		(4,368,749)		5,024,524
Financing activities				
Advances on promissory notes payables		**77,383**		77,384
Advances (repayments) of operating line		**5,209,210**		(4,447,244)
Repurchase of common shares (Note 4)		**(285,380)**		(7,700)
Repayment of promissory notes payable		**(244,356)**		-
Repayment of long-term debt		**(217,673)**		(156,975)
Repayment of obligations under capital lease		**(36,200)**		(36,074)
		4,502,984		(4,570,609)
Investing activities				
Purchase of property and equipment		**(128,735)**		(453,915)
Proceeds on disposal of property and equipment		**14,500**		-
Purchase of intangible assets		**(20,000)**		-
		(134,235)		(453,915)
Net increase in cash and cash equivalents		-		-
Cash and cash equivalents, beginning of period		**-**		-
Cash and cash equivalents, end of period	**$**	**-**	$	-
Supplemental cash flow information:				
Interest paid	**$**	**580,955**	$	604,517
Income taxes paid		**-**		385,516

See accompanying notes to the interim consolidated financial statements.

1. Basis of presentation

Bri-Chem Corp.'s ("the Company") shares are publicly traded on the TSX Venture Exchange under the symbol BRY. The Company is a wholesale distributor of industrial drilling fluids, steel products and services to the energy, construction and industrial sectors.

These unaudited interim consolidated financial statements, in all material respects, follow the same accounting policies and method of application as the annual audited consolidated financial statements of the preceding fiscal year, except as outlined in Note 2.

These interim consolidated financial statements do not contain all disclosures required by Canadian generally accepted accounting principles ("GAAP") for annual financial statements, and accordingly, the financial statements should be read in conjunction with the most recent annual financial statements of the Company.

2. New accounting policy

Derivative financial instruments

Derivative financial instruments are utilized by the Company in the management of its foreign currency exposure on certain committed and anticipated transactions. The Company does not designate its foreign exchange forward contracts as a hedge of underlying assets, liabilities, firm commitments or anticipated transactions in accordance with CICA Handbook Section 3865, *Hedges*, and accordingly does not use hedge accounting. As a result of this, the foreign exchange forward contracts are recorded on the consolidated balance sheet at fair value in receivables when the contracts are in a gain position and in accrued liabilities when the contracts are in a loss position. The difference between nominal value and fair value is recorded in selling, general and administrative expense in the period. The Company purchases foreign exchange forward contracts to mitigate the exposure to purchases and the related payable to suppliers denominated in U.S. dollars.

3. Seasonality of operations

Weather conditions can affect the sale of the Company's products and services. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As a result, spring months in Western Canada and the duration of the spring break-up has a direct impact on the Company's activity levels. In addition, many exploration and production areas in the northern Western Canadian Sedimentary Basin ("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.

4. Share capital

Authorized

Unlimited number of voting common shares
Unlimited number of preferred shares, issuable in series

Issued and outstanding common shares	Number		Amount
Balance, December 31, 2009	14,381,786	$	15,156,254
Shares repurchased and cancelled	(348,000)		(365,400)
Balance, March 31, 2010	**14,033,786**	**$**	**14,790,854**

On December 17, 2009, the Company renewed its Normal Course Issuer Bid ("NCIB"), whereby the Company is permitted to repurchase, for cancellation, up to 807,000 of its outstanding common shares. The NCIB commenced on December 18, 2009 and will terminate on December 17, 2010, or earlier if the number of shares sought has been obtained. At March 31, 2010, 348,000 shares had been repurchased for cancellation under the renewed NCIB for cash consideration of $285,380. The excess of the carrying amount over the repurchase price has been credited to contributed surplus.

Options to employees and directors

	Number of options		Weighted average exercise price	Weighted average contractual life (years)
Outstanding, December 31, 2009	**1,286,000**	$	1.97	4.00
Forfeitures	**(16,000)**		2.10	4.00
Outstanding, March 31, 2010	**1,270,000**	$	1.96	1.96
Options exercisable, March 31, 2010	**1,158,331**	$	2.00	1.88

During the period, 16,000 options were forfeited under the Plan at a total fair value of $7,327.

5. Contributed surplus

		March 31 2010		December 31 2009
Balance, beginning of period	**$**	**1,014,175**	$	855,454
Repurchase of common shares		**80,020**		28,707
Fair value of stock options granted to employees and directors		**46,949**		130,014
Balance, end of period	**$**	**1,141,144**	$	1,014,175

6. Stock based compensation

Compensation expense arising from the options granted in the period is recognized over the vesting period. Stock-based employee compensation expense of $46,949 was recognized during the three month period ended March 31, 2010 (March 31, 2009 – $36,500). The expense was recorded in salaries and employee benefits expense with a corresponding increase to contributed surplus.

7. Inventory write-up

Under CICA Handbook Section 3031, the Company is permitted to adjust inventory up to lower of net realizable value or original cost on previously written down inventory. The reversal of any write down of inventory arising from an increase in net realizable value shall be recognized as a reduction in cost of sales in the period in which the reversal occurred. During the three month period, the Company reversed previously recorded inventory provisions in the amount of $170,670 (March 31, 2009 - $nil). Due to continued volatile commodity prices on steel, the Company did not adjust all inventories previously written down.

8. Related party transactions

The related party transactions, except for advances on promissory notes payable, are conducted on the terms and conditions agreed to by the related parties and are recorded at their exchange amounts. Interest on the promissory notes payable is recorded at the exchange amount.

During the three month period, the Company incurred selling, general and administration expenses in the normal course of operations with an affiliated company, which a certain director and officer has significant influence, as follows:

a) Management and other advisory services of $30,000 (March 31, 2009 – $30,000).

b) Accounting, administrative and corporate expenses of $9,156 (March 31, 2009 – $9,150).

The Company expensed interest of $33,000 (March 31, 2009 - $33,000) on promissory notes payable issued in 2006 which are held by two of the Company's directors, officers and significant shareholders. In addition, the Company expensed $44,384 (March 31, 2009 - $44,384) on promissory notes payable issued on the fiscal 2008 acquisition of Bri-Chem Steel Corporation ("Bri-Chem Steel"), which are held by three of the former owners of Bri-Chem Steel. These expenses have been included in interest on long term debt and added to the balance of the promissory notes payable.

9. Commitments

The Company has committed to numerous operating lease arrangements for property and equipment. The minimum lease payments under the leases are as follows:

2011	$ 1,082,845
2012	996,960
2013	954,135
2014	926,880
2015	926,880
	$ 4,887,700

10. Capital risk management

Management's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to provide an adequate return to shareholders, to meet external capital requirements on the Company's debt and credit facilities and preserve financial flexibility in order to benefit from potential opportunities that may arise. The Company includes bank indebtedness, long-term debt, promissory notes payable, obligations under capital lease and shareholders' equity in the definition of capital. The Company uses a combination of debt and equity financings to help it achieve its objectives. The percentage levels of each capital component may change as the entity attempts to take advantage of prevailing market conditions.

The Company is not subjected to capital requirements imposed by a regulator.

For the three months ended March 31, 2010, the Company was in compliance with all financial debt covenants. The Company monitors these requirements on a monthly basis. Changes in certain key ratios are as follows:

	March 31 2010	December 31 2009
Current ratio	1.40	1.40
Debt service ratio	2.80	1.35
Total debt to tangible net worth	2.14	2.11

Current ratio is defined as current assets divided by current liabilities.

Debt service ratio is defined as the ratio of adjusted EBITDA less cash income taxes and unfunded capital expenditures for the trailing four quarters divided by the principal, interest and other fixed obligations, including EBITDA bonuses and any payments owed under promissory notes payable for the same trailing four quarters. Normalized Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") is EBITDA plus non-cash items and is a measure that does not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures by other companies.

10. Capital risk management (cont'd)

Total debt to tangible net worth ratio is defined as the ratio of total liabilities of the Company less postponement of long term portion of the promissory notes payable and long term portion of subordinated debt divided by total equity of the Company less intangible assets and goodwill plus any postponement of promissory notes payable and long term portion of subordinated debt.

11. Financial instruments

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

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 trade accounts receivable are with customers in the oil and gas industry. Revenue from the Company's three largest customers accounted for approximately 19%, 16% and 9% respectively of revenue for the three month period ended March 31, 2010 (14%, 9% and 7% for the twelve months ended December 31, 2009) and 24%, 21% and 10% respectively (December 31, 2009 – 19%, 13%, 11%) of total accounts receivable.

The Company manages its credit risk through the credit application process and through an extensive collections process. The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based on the best assessment of the collectability of the related receivable balances based, in part, on the age of the outstanding accounts receivable and on the Company's historical collection and loss experience and other economic information. For the three months ended March 31, 2010, the Company has recorded an allowance for doubtful accounts of $34,290 (December 31, 2009 - $169,491). The allowance is an estimate of the March 31, 2010 trade receivable balances that are considered uncollectible. Changes to the allowance during the three months ended March 31, 2010 consisted of trade accounts receivable balances written off of $160,282 and bad debt recovery of $37,726.

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 105 days of invoice date.

11. Financial instruments (cont'd)

The aging of accounts receivable was as follows:

March 31, 2010	**Gross accounts receivable**	**Allowance for doubtful accounts**	**Net accounts receivable**
Current	$ 6,368,309	$ -	$ 6,368,309
31 to 60 days	14,395,622	-	14,395,622
61 to 90 days	16,650,125	-	16,650,125
91 to 120 days	3,480,587	-	3,480,587
Over 120 days	718,274	34,290	683,984
Total	$ 41,612,917	$ 34,290	$ 41,578,627

The Company held $761,964 (December 31, 2009 - $525,486) of customer deposits for the purpose of mitigating the credit risk associated with accounts receivable. The maximum amount of credit risk exposure is limited to the carrying amount of the balance in the financial statements.

Interest rate risk

Demand loans, obligations under capital lease and bank indebtedness are subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. It is management's opinion that interest rate risk is not significant.

The effective interest rate on the bank indebtedness balance at March 31, 2010 was Canadian bank prime interest rate plus 100 basis points (3.25%). The demand loan bears interest at bank prime plus a fixed increment. As at March 31, 2010, with 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 $65,973 (March 31, 2009 - $67,713).

Currency risk

The Company is subject to foreign currency risk due to its accounts receivable and accounts payable and accrued liabilities denominated in foreign currencies. Therefore, there is 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 continues to expand its operations outside Canada, which increases its exposure to foreign currency risk. Accounts receivable in foreign currency was $1,470,286 as at March 31, 2010 (December 31, 2009 - $1,580,209) and accounts payable in foreign currency outstanding as at March 31, 2010 is $10,020,062 (December 31, 2009 - $8,281,171).

The Company entered into two foreign exchange forward contracts in the quarter, both maturing in April 2010, with a contractual nominal value of US $2 million. At March 31, 2010, the fair value of the foreign exchange contracts includes a $19,000 loss recorded in foreign exchange gain.

11. Financial instruments (cont'd)

Currency risk (cont'd)

For the three months ended March 31, 2010, the Company realized a foreign exchange gain of $587,595 (March 31, 2009 $211,465). Based on the monetary assets and liabilities held in the United States ("US") at March 31, 2010, a five percent increase or decrease in exchange rates would impact the Company's net earnings by approximately $297,781 (March 31, 2009 - $66,447).

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 and cash equivalents to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost. Global financial markets and economic conditions have been disrupted and volatile. The debt and equity markets have been distressed. These factors, together with the re-pricing of credit risk and the current weak economic conditions have made, and will likely continue to make it difficult to obtain financing. In addition, the cost of obtaining money from the credit market has generally increased as many lenders have increased interest rates, enacted tighter lending standards, and are not refinancing existing debt at maturity on terms similar to current debt and, in some cases, ceased to provide funding. Due to these factors, the Company cannot be certain that financing will be available when needed and to the extent required, on acceptable terms.

If financing 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.

Commodity risk

Commodity risk arises from the effect the fluctuations of future commodity prices of steel and certain chemicals 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.

Fair value of financial instruments

The carrying value of the financial instruments of the Company approximates their fair values. The estimated fair value 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 cash and cash equivalents, forward contracts, 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 long-term debt approximates the carrying value as the interest rate is similar to current market rate for similar debt, while the fair value of promissory notes payable reflects the incremental cost of borrowing given current market risks and interest rates for similar debt.

11. Financial instruments (cont'd)

	March 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables;				
Accounts receivable	**41,578,627**	**41,578,627**	31,172,888	31,172,888
Other financial liabilities:				
Bank indebtedness	**32,862,159**	**32,862,159**	27,652,949	27,652,949
Accounts payable and accrued liabilities	**23,259,258**	**23,259,258**	23,917,359	23,917,359
Derivatives	**19,000**	**19,000**	-	-
Long-term debt*	**3,599,442**	**3,599,442**	3,794,484	3,794,484
Promissory notes payable*	**5,358,723**	**5,211,693**	5,525,695	5,353,135
Obligations under capital lease*	**152,001**	**152,001**	188,201	188,201

12. Segmented information

Operating segments are defined as components of the Company for which separate financial information is available that is evaluated regularly by the chief decision makers in allocating resources and assessing performance. The Company operates in two business segments based on type of products sold. The fluids segment includes the sale of fluids and chemical additives to the resource and industrial markets. The steel product segment includes the sale of tubular steel products to the resource, industrial and construction industries.

Accounting policies for each of these business segments are the same as those disclosed in the Company's annual consolidated financial statements. General and administrative expenses directly related to the operating segments are included as operating expenses for those segments. There are no significant inter-segment revenues.

12. Segmented information (cont'd)

Selected financial information by reportable segment is disclosed as follows:

Three months ended March 31, 2010	**Fluids**	**Steel**	**Corporate**	**Consolidated**
Sales	$ 33,122,071	$ 10,842,755	$ -	**$ 43,964,826**
Segment earnings (loss) from operations	3,873,090	355,740	(59,500)	**4,169,330**
Amortization	157,551	61,257	6,909	**225,717**
Interest expense (income)	393,121	129,853	(108,992)	**413,982**
Earnings before income taxes	3,322,418	164,630	42,583	**3,529,631**
Income taxes (recovery)	951,515	52,482	(13,214)	**990,783**
Segment profit	$ 2,370,903	$ 112,148	$ 55,797	**$ 2,538,848**
Intangible assets	$ 817,460	$ 338,982	$ -	**$ 1,156,442**
Total assets	61,442,481	22,476,272	2,209,890	**86,128,643**
Capital expenditures (excluding business acquisitions)	85,604	43,131	-	**128,735**

Three months ended March 31, 2009	**Fluids**	**Steel**	**Corporate**	**Consolidated**
Sales	$ 16,202,752	$ 14,134,350	$ -	**$ 30,337,102**
Segment earnings (loss) from operations	1,323,655	1,554,912	(472,028)	**2,406,539**
Amortization	353,363	156,060	9,446	**518,869**
Interest expense (income)	1,235,423	688,391	(1,241,913)	**681,901**
(Loss) earnings before income taxes	(265,131)	710,461	760,439	**1,205,769**
Income taxes (recovery)	(111,549)	240,681	216,654	**345,786**
Segment (loss) profit	$ (153,582)	$ 469,780	$ 543,785	**$ 859,983**
Intangible assets	$ 1,344,730	$ 2,422,101	$ -	**$ 3,766,831**
Goodwill	1,081,445	3,646,855	-	**4,728,300**
Total assets	53,947,742	34,822,227	73,585	**88,843,554**
Capital expenditures (excluding business acquisitions)	190,018	263,897	-	**453,915**

12. Segmented information (cont'd)

For the three months ended March 31		2010		2009
Sales				
Canada and International	**$**	**42,010,183**	$	26,851,791
United States		**1,954,643**		3,485,311
	$	**43,964,826**	$	30,337,102

Total assets, property and equipment, intangibles and goodwill related to United States operations were not significant and therefore have been included in Canada operations.

13. Comparative figures

Certain of the prior period's figures have been reclassified to conform to the current period consolidated financial statement presentation.