



Bri-Chem Corp.
Third Quarter Interim Report
September 30, 2010

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Bri-Chem Corp.
Interim Consolidated Balance Sheets

	September 30 2010 (unaudited)	December 31 2009 (audited)
Assets		
Current		
Accounts receivable	\$ 37,981,186	\$ 31,172,888
Inventory (Note 7)	43,767,385	40,179,035
Prepaid expenses and deposits	2,519,762	1,139,783
Income taxes receivable	-	1,381,443
Future income tax assets	27,427	27,427
	<u>84,295,760</u>	<u>73,900,576</u>
Property and equipment	3,527,782	3,676,600
Intangible assets	951,353	1,241,100
Future income tax assets	352,147	113,511
	<u>\$ 89,127,042</u>	<u>\$ 78,931,787</u>
Liabilities		
Current		
Bank indebtedness	\$ 30,179,995	\$ 27,652,949
Accounts payable and accrued liabilities	26,245,226	23,391,873
Income taxes payable	1,638,257	-
Customer deposits	118,343	525,486
Current portion of promissory notes payable	1,182,759	325,696
Current portion of long-term debt	941,185	872,045
Current portion of obligations under capital lease	82,975	177,040
	<u>60,388,740</u>	<u>52,945,089</u>
Promissory notes payable	4,200,000	5,200,000
Long-term debt	2,341,858	2,922,439
Obligations under capital lease	5,722	11,161
Future income tax liabilities	402,714	476,378
	<u>67,339,034</u>	<u>61,555,067</u>
Shareholders' Equity		
Share capital (Note 4)	14,439,209	15,156,254
Contributed surplus (Note 5)	1,298,040	1,014,175
Retained earnings	6,050,759	1,206,291
	<u>21,788,008</u>	<u>17,376,720</u>
	<u>\$ 89,127,042</u>	<u>\$ 78,931,787</u>

Commitments (Note 9)

On behalf of the Board

(signed) "Don Caron"
Don Caron, Director

(signed) "Eric Sauze"
Eric Sauze, Director

Bri-Chem Corp.
Interim Consolidated Statements of Operations,
Comprehensive Income (Loss) and Retained Earnings
(Unaudited)

	September 30 (3 months ended)		September 30 (9 months ended)	
	2010	2009	2010	2009
Sales	\$ 38,484,673	\$ 23,965,481	\$ 104,643,132	\$ 64,421,050
Cost of sales (Note 7)	32,765,124	21,318,278	89,385,095	55,087,543
Gross margin	5,719,549	2,647,203	15,258,037	9,333,507
Gross margin (%)	14.9%	11.0%	14.6%	14.5%
Expenses				
Salaries and benefits	1,505,713	1,430,685	4,555,044	4,560,231
Selling, general and administration (Note 8)	1,014,645	1,252,552	3,077,044	3,296,055
Interest on short-term operating debt	241,039	90,898	719,111	914,654
Interest on long-term debt (Note 8)	156,929	156,856	489,347	500,077
Foreign exchange (gain)	(532,267)	(351,945)	(960,408)	(948,845)
Amortization on property and equipment	93,577	167,263	338,121	438,712
Amortization on intangible assets	104,454	203,211	313,499	853,009
Interest on capital lease obligations	1,822	3,377	4,783	8,051
Impairment charge	-	6,884,132	-	6,884,132
	2,585,912	9,837,029	8,536,541	16,506,076
Earnings (loss) before income taxes	3,133,637	(7,189,826)	6,721,496	(7,172,569)
Income taxes (recovery)	869,938	(606,953)	1,877,028	(602,036)
Net earnings (loss) and comprehensive income (loss)	\$ 2,263,699	\$ (6,582,873)	\$ 4,844,468	\$ (6,570,533)
Earnings (loss) per share				
Basic	\$ 0.16	\$ (0.45)	\$ 0.35	\$ (0.45)
Weighted average number of shares	13,719,622	14,499,131	13,934,162	14,505,523
Diluted	\$ 0.16	\$ (0.45)	\$ 0.35	\$ (0.45)
Weighted average number of shares	13,806,836	14,499,131	13,937,572	14,505,523
Retained earnings, beginning of period	\$ 3,787,060	\$ 9,665,969	\$ 1,206,291	\$ 9,653,629
Net earnings (loss) and comprehensive income (loss)	2,263,699	(6,582,873)	4,844,468	(6,570,533)
Retained earnings, end of period	\$ 6,050,759	\$ 3,083,096	\$ 6,050,759	\$ 3,083,096

See accompanying notes to the interim consolidated financial statements.

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

	September 30 (3 months ended)		September 30 (9 months ended)	
	2010	2009	2010	2009
Increase (decrease) in cash and cash equivalents				
Operating activities				
Net earnings (loss)	\$ 2,263,699	\$ (6,582,873)	\$ 4,844,468	\$ (6,570,533)
Non-cash items:				
Amortization on intangible assets	104,454	203,211	313,499	853,009
Amortization on property and equipment	93,577	167,263	338,121	438,712
Amortization of debt related transaction costs	22,628	13,580	67,884	40,740
Future income tax recovery	(164,554)	(577,972)	(312,300)	(577,972)
Impairment charge	-	6,884,132	-	6,884,132
Stock-based compensation	88,090	32,315	151,749	105,539
(Gain) loss on sale of property and equipment	(11,453)	16,498	(6,468)	21,074
	<u>2,396,441</u>	<u>156,154</u>	<u>5,396,953</u>	<u>1,194,701</u>
Net change in non-cash operating working capital	<u>(12,682,144)</u>	<u>975,691</u>	<u>(6,282,822)</u>	<u>11,012,187</u>
	<u>(10,285,703)</u>	<u>1,131,845</u>	<u>(885,869)</u>	<u>12,206,888</u>
Financing activities				
Advances on promissory notes payables	78,370	78,370	233,419	233,631
Net advances (repayments) of operating line	10,587,965	(887,616)	2,525,869	(11,073,556)
Repurchase of common shares (Note 4)	(67,125)	(26,484)	(584,929)	(34,184)
Repayment of promissory notes payable	-	-	(376,356)	(132,211)
Repayment of long-term debt	(216,510)	(219,211)	(579,325)	(522,566)
Repayment of capital lease obligations	(26,660)	(47,267)	(99,504)	(119,839)
	<u>10,356,040</u>	<u>(1,102,208)</u>	<u>1,119,174</u>	<u>(11,648,725)</u>
Investing activities				
Purchase of property and equipment	(98,509)	(61,637)	(255,974)	(618,163)
Proceeds on disposal of property and equipment	31,922	32,000	46,422	60,000
Purchase of intangible assets	(3,750)	-	(23,753)	-
	<u>(70,337)</u>	<u>(29,637)</u>	<u>(233,305)</u>	<u>(558,163)</u>
Net increase in cash and cash equivalents	-	-	-	-
Cash and cash equivalents, beginning of period	-	-	-	-
Cash and cash equivalents, end of period	\$ -	\$ -	\$ -	\$ -
Non-cash transactions:				
Interest paid	\$ 354,473	\$ 175,464	\$ 1,375,416	\$ 1,389,168
Income taxes paid	152,304	352,088	521,897	808,205

See accompanying notes to the interim consolidated financial statements.

Bri-Chem Corp.
Notes to the Interim Consolidated Financial Statements
(Unaudited)
September 30, 2010

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, and steel products 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 policies

Financial instruments

The Company categorizes its fair value measurements according to a three level hierarchy which prioritizes the inputs used in the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the overall fair value measurement. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

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.

Bri-Chem Corp.
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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	<u>Number</u>	<u>Amount</u>
Balance, December 31, 2009	14,381,786	\$ 15,156,254
Shares repurchased and cancelled	(682,900)	(717,045)
Balance, September 30, 2010	13,698,886	\$ 14,439,209

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 September 30, 2010, 682,900 shares had been repurchased for cancellation under the renewed NCIB for cash consideration of \$584,929. The excess of the carrying amount over the repurchase price has been credited to contributed surplus.

Bri-Chem Corp.
Notes to the Interim Consolidated Financial Statements
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4. Share capital (cont'd)

Options

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	2.17
Granted	30,000	1.30	4.62
Forfeitures	(22,000)	1.83	2.15
Outstanding, September 30, 2010	1,294,000	\$ 1.74	1.55
Options exercisable, September 30, 2010	1,264,000	\$ 1.75	1.46
Options to consultants			
Outstanding, December 31, 2009	-	\$ -	-
Granted	25,000	2.05	1.81
Exercised	-	-	-
Forfeitures	-	-	-
Outstanding, September 30, 2010	25,000	\$ 2.05	1.81
Options exercisable, September 30, 2010	2,082	\$ 2.05	0.80
Total outstanding, September 30, 2010	1,319,000	\$ 1.74	1.55
Total options exercisable, September 30, 2010	1,266,082	\$ 1.75	1.46

The fair value of the directors and consultant options granted is estimated on the date of grant using the Black-Scholes option pricing model based on the following weighted average assumptions respectively:

Expected life	5 and 2 years
Risk-free rate	0.23% and 1.45%
Expected volatility	155% and 78%
Expected dividend yield	0.00% and 0.00%

During the nine month period ended September 30, 2010, 55,000 options were granted (September 30, 2009 – 30,000), and 22,000 options were forfeited (September 30, 2009 – 91,000) under the Plan at a total fair value of \$12,920 (September 30, 2009 - \$19,500).

Warrants

As part of the consideration given for the acquisition of Spirit Mountain Holdings Ltd., the Company issued 100,000 share purchase warrants with a fair value of \$46,344. Each share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$2.10 per common share, as negotiated between the parties to the transaction from July 17, 2007, expiring July 17, 2010.

Bri-Chem Corp.
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4. Share capital (cont'd)

Warrants (cont'd)

In July 2010, the Company extended the 100,000 share purchase warrants for an additional two years, expiring July 16, 2012. The warrants were extended at an exercise price of \$2.10 with an incremental increase in the fair value of the warrants as a result of the extension of \$41,000.

5. Contributed surplus

	September 30	December 31
	2010	2009
Balance, beginning of period	\$ 1,014,175	\$ 855,454
Repurchase of common shares	132,116	28,707
Fair value of stock options granted to employees and directors	151,749	130,014
Balance, end of period	\$ 1,298,040	\$ 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 \$88,090 was recognized during the three month period ended September 30, 2010 (September 30, 2009 – \$32,315) and totalled \$151,749 for the nine month period ended September 30, 2010 (September 30, 2009 - \$130,014). Included in this amount is \$76,661 relating to the repricing of 335,000 employee stock options having exercise prices between \$1.50 and \$2.10 to \$1.12 effective July 2, 2010. The expense was recorded in salaries and 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 and nine month periods ended September 30, 2010, the Company reversed previously recorded inventory provisions in the amount of \$150,796 and \$1,015,658 respectively (September 30, 2009 - \$nil and \$nil). Due to continued volatile commodity prices on steel, the Company did not adjust all inventories previously written down.

Bri-Chem Corp.
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8. Related party transactions

The related party transactions 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 and nine 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 and \$90,000 respectively (September 30, 2009 – \$30,000 and \$90,000).
- b) Accounting, administrative and corporate expenses of \$9,156 and \$27,468 (September 30, 2009 – \$9,150 and \$29,945).

The Company expensed interest of \$33,000 and \$99,000 respectively (September 30, 2009 - \$33,000 and \$99,000) 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 \$45,370 and \$134,631 (September 30, 2009 - \$45,370 and \$134,631) 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	\$ 1,079,652
2012	929,445
2013	926,880
2014	926,880
2015	926,880
	<hr/>
	\$ 4,789,737

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 to 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.

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10. Capital risk management (*cont'd*)

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

For the three and nine months ended September 30, 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:

	September 30	December 31
	2010	2009
Current ratio	1.40	1.40
Debt service ratio	2.11	1.35
Total debt to tangible net worth	2.36	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.

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 21%, 16% and 13% respectively of revenue for the three month period ended September 30, 2010 (14%, 9% and 7% for the twelve months ended December 31, 2009) and 26%, 20% and 14% respectively (December 31, 2009 – 19%, 13%, 11%) of total accounts receivable.

Bri-Chem Corp.
Notes to the Interim Consolidated Financial Statements
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September 30, 2010

11. Financial instruments (cont'd)

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 September 30, 2010, the Company has recorded an allowance for doubtful accounts of \$nil (December 31, 2009 - \$169,491). The allowance is an estimate of the September 30, 2010 trade receivable balances that are considered uncollectible. There was no net change made to this allowance for the three months ended September 30, 2010.

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.

The aging of accounts receivable was as follows:

September 30, 2010	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable
Current	\$ 10,047,188	\$ -	\$ 10,047,188
31 to 60 days	13,187,992	-	13,187,992
61 to 90 days	11,077,104	-	11,077,104
91 to 120 days	2,900,245	-	2,900,245
Over 120 days	768,657	-	768,657
Total	\$ 37,981,186	\$ -	\$ 37,981,186

The Company held \$118,343 (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

Long-term debt, 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 September 30, 2010 was Canadian bank prime interest rate plus 100 basis points (4.0%). The long-term debt bears interest at bank prime plus a fixed increment. As at September 30, 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 \$60,495 (September 30, 2009 - \$55,194).

Bri-Chem Corp.
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11. Financial instruments (cont'd)

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 \$1,390,316 as at September 30, 2010 (December 31, 2009 - \$1,580,209) and accounts payable in foreign currency outstanding as at September 30, 2010 is \$7,321,929 (December 31, 2009 - \$8,281,171).

For the three months ended September 30, 2010, the Company realized a foreign exchange gain of \$532,267 (September 30, 2009 - \$351,945). Based on the monetary assets and liabilities held in the United States ("US") at September 30, 2010, a five percent increase or decrease in exchange rates would impact the Company's net earnings by approximately \$209,271 (September 30, 2009 - \$127,099).

The Company entered into two foreign exchange forward contracts in the nine months ended September 30, 2010, both which matured in April 2010, with a contractual nominal value of US \$2 million. At September 30, 2010, the fair value of the foreign exchange contracts includes a \$19,000 loss recorded in selling, general and administration expenses.

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.

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11. Financial instruments (cont'd)

Fair value of 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 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 and obligations under capital lease approximate the carrying values as the interest rates are similar to the 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.

September 30, 2010	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Other financial liabilities:				
Long-term debt*	\$ 3,283,043	\$ -	\$ 3,283,043	\$ -
Promissory notes payable*	5,382,759	-	5,289,670	-
Obligations under capital lease*	88,697	-	88,697	-

* including current portion

December 31, 2009	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Other financial liabilities:				
Long-term debt*	\$ 3,794,484	\$ -	\$ 3,794,484	\$ -
Promissory notes payable*	5,525,696	-	5,353,135	-
Obligations under capital lease*	188,201	-	188,201	-

* including current portion

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

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.

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12. Segmented information (cont'd)

Selected financial information by reportable segment is disclosed as follows:

Three months ended September 30, 2010	Fluids	Steel	Corporate	Consolidated
Sales	\$ 31,707,155	\$ 6,777,518	\$ -	\$ 38,484,673
Segment earnings (loss) from operations	4,208,821	(299,246)	(178,117)	3,731,458
Amortization	155,188	39,875	2,968	198,031
Interest expense (income)	444,765	149,914	(194,889)	399,789
Earnings (loss) before income taxes	3,608,868	(489,035)	13,804	3,133,637
Income taxes (recovery)	1,023,907	(136,930)	(17,039)	869,938
Segment profit (loss)	\$ 2,584,961	\$ (352,105)	\$ 30,843	\$ 2,263,699
Intangible assets	\$ 660,861	\$ 290,492	\$ -	\$ 951,353
Total assets	69,458,996	18,815,350	852,696	89,127,042
Capital expenditures (excluding business acquisitions)	96,021	2,488	-	98,509
Three months ended September 30, 2009	Fluids	Steel	Corporate	Consolidated
Sales	\$ 16,642,974	\$ 7,322,507	\$ -	\$ 23,965,481
Segment earnings (loss) from operations	1,444,273	(867,152)	(261,210)	315,911
Amortization	199,443	168,331	2,700	370,474
Interest expense (income)	351,014	6,842	(106,725)	251,131
Impairment charge	1,408,677	5,475,455	-	6,884,132
Loss before income taxes	(514,861)	(6,517,780)	(157,185)	(7,189,826)
Income taxes (recovery)	127,036	(686,519)	(47,470)	(606,953)
Segment (loss) profit	\$ (641,897)	\$ (5,831,261)	\$ (109,715)	\$ (6,582,873)
Intangible assets	\$ 793,827	\$ 357,396	\$ -	\$ 1,151,223
Total assets	44,010,132	26,816,285	791,516	71,617,933
Capital expenditures (excluding business acquisitions)	22,137	39,500	-	61,637

Bri-Chem Corp.
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12. Segmented information (cont'd)

Nine months ended				
September 30, 2010	Fluids	Steel	Corporate	Consolidated
Sales	\$ 79,314,144	\$ 25,328,988	\$ -	\$ 104,643,132
Segment earnings (loss) from operations	9,181,809	(308,701)	(286,751)	8,586,357
Amortization	516,639	118,195	16,786	651,620
Interest expense (income)	1,244,680	425,376	(456,815)	1,213,241
Earnings (loss) before income taxes	7,420,490	(852,272)	153,278	6,721,496
Income taxes (recovery)	2,146,411	(238,636)	(30,747)	1,877,028
Segment profit (loss)	\$ 5,274,079	\$ (613,636)	\$ 184,025	\$ 4,844,468
Intangible assets	\$ 660,861	\$ 290,492	\$ -	\$ 951,353
Total assets	69,458,996	18,815,350	852,696	89,127,042
Capital expenditures (excluding business acquisitions)	212,843	43,131	-	255,974
Nine months ended				
September 30, 2009	Fluids	Steel	Corporate	Consolidated
Sales	\$ 39,713,684	\$ 24,707,366	\$ -	\$ 64,421,050
Segment earnings (loss) from operations	3,089,916	397,599	(1,061,449)	2,426,066
Amortization	602,108	668,022	21,591	1,291,721
Interest expense (income)	1,947,375	923,000	(1,447,593)	1,422,782
Impairment charge	1,408,677	5,475,455	-	6,884,132
(Loss) earnings before income taxes	(868,244)	(6,668,878)	364,553	(7,172,569)
Income taxes (recovery)	(94,613)	(611,186)	103,763	(602,036)
Segment (loss) profit	\$ (773,631)	\$ (6,057,692)	\$ 260,790	\$ (6,570,533)
Intangible assets	\$ 793,827	\$ 357,396	\$ -	\$ 1,151,223
Goodwill	-	-	-	-
Total assets	44,010,132	26,816,285	791,516	71,617,933
Capital expenditures (excluding business acquisitions)	219,669	398,494	-	618,163

Bri-Chem Corp.
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12. Segmented information (cont'd)

For the three months ended September 30		2010	2009
Sales			
Canada and International	\$	37,714,257	\$ 22,177,457
United States		770,416	1,788,024
	\$	38,484,673	\$ 23,965,481
For the nine months ended September 30		2010	2009
Sales			
Canada and International	\$	100,033,736	\$ 58,837,392
United States		4,609,396	5,583,658
	\$	104,643,132	\$ 64,421,050

Total assets, property and equipment, and intangibles 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.