Bri-Chem Corp.
First Quarter Interim Report

March 31, 2011

(unaudited)

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Bri-Chem Corp.
Consolidated Statements of Operations and Comprehensive Income
(Canadian dollars)
(unaudited)

For the three months ended		**March 31 2011**		March 31 2010
				(Note 25)
Sales	**$**	**50,647,489**	$	43,964,826
Cost of sales		**42,972,379**		37,613,528
Gross margin		**7,675,110**		6,351,298
Gross margin (%)		**15.2%**		14.4%
Expenses				
Salaries and benefits		**1,658,626**		1,602,362
Selling, general and administration		**1,636,063**		1,048,080
Foreign exchange gain		**(5,390)**		(587,595)
Interest on short-term operating debt		**451,402**		247,122
Interest on long-term debt		**146,962**		165,837
Amortization on property and equipment		**110,078**		120,255
Amortization on intangible assets		**85,340**		81,848
Interest on obligations under capital lease		**2,024**		1,023
		4,085,104		2,678,932
Earnings before income taxes		**3,590,006**		3,672,366
Income tax expense				
Current		**1,068,994**		1,009,199
Deferred		**(111,441)**		(18,416)
		957,553		990,783
Net earnings and comprehensive income	**$**	**2,632,453**	$	2,681,583
Earnings attributable to:				
Shareholders of the Company	**$**	**2,715,674**	$	2,681,583
Non-controlling interest (Note 19)		**(83,221)**		-
	$	**2,632,453**	$	2,681,583
Earnings per share (Note 20)				
Basic	**$**	**0.19**	$	0.19
Diluted	**$**	**0.18**	$	0.19

See accompanying notes to the interim consolidated financial statements.

Bri-Chem Corp.
Consolidated Balance Sheets
(Canadian dollars)
(unaudited)

	March 31 2011	December 31 2010	January 1 2010
Assets		(Note 25)	(Note 25)
Current			
Accounts receivable (Note 6)	**$ 54,111,298**	$ 46,727,925	$ 31,172,888
Inventories (Note 7)	**43,586,661**	42,414,115	40,063,075
Prepaid expenses and deposits	**5,685,524**	5,025,888	1,139,783
Income taxes receivable	**-**	-	1,381,443
	103,383,483	94,167,928	73,757,189
Non-current			
Property and equipment (Note 8)	**4,851,074**	3,684,771	3,657,582
Intangible assets (Note 9)	**532,366**	614,109	906,517
Deferred tax assets	**531,157**	299,631	140,938
	$ 109,298,080	$ 98,766,439	$ 78,462,226
Liabilities			
Current			
Bank indebtedness	**$ 42,328,605**	$ 39,552,948	$ 27,652,949
Accounts payable and accrued liabilities (Note 10)	**27,363,359**	25,053,083	23,391,873
Customer deposits	**-**	294,638	525,486
Current portion of promissory notes payable (Note 11)	**1,223,460**	2,391,625	325,696
Current portion of long-term debt (Note 12)	**1,588,641**	866,913	872,045
Current portion of obligations under finance lease (Note 13)	**79,270**	26,722	177,040
Income taxes payable	**905,631**	2,455,289	-
	73,488,966	70,641,218	52,945,089
Non-current			
Promissory notes payable (Note 11)	**2,000,000**	1,994,082	5,200,000
Long-term debt (Note 12)	**1,230,643**	2,151,281	2,922,439
Obligations under finance lease (Note 13)	**353,981**	65,849	11,161
Deferred tax liabilities	**219,341**	236,955	392,732
	77,292,931	75,089,385	61,471,421
Equity			
Share capital (Note 15)	**20,095,535**	14,451,480	15,156,254
Contributed surplus (Note 16)	**1,131,075**	1,079,488	826,124
Warrants (Note 17)	**229,950**	229,950	188,050
Non-controlling interest (Note 19)	**(116,632)**	(33,411)	-
Retained earnings	**10,665,221**	7,949,547	820,377
	32,005,149	23,677,054	16,990,805
	$ 109,298,080	$ 98,766,439	$ 78,462,226

Post-reporting date events (Note 26)

See accompanying notes to the interim consolidated financial statements.

Bri-Chem Corp.

Consolidated Statements of Changes in Equity

(Canadian dollars)
(unaudited)

	Share capital	Contributed surplus	Warrants	Retained earnings	Total attributed to: The Company	Total attributed to: Non-controlling interest	Total equity
Balance at January 1, 2011	$ 14,451,480	$ 1,079,488	$ 229,950	$ 7,949,547	$ 23,710,465	$ (33,411)	**$ 23,677,054**
Issue of share capital under share-based payment	155,608	(64,888)		-	90,720	-	**90,720**
Employee share-based payment options	-	10,976		-	10,976	-	**10,976**
Consultant share-based payment options	-	105,499		-	105,499	-	**105,499**
Issue of share capital under financing, net of tax	5,488,447	-		-	5,488,447	-	**5,488,447**
Net earnings	-	-	-	2,715,674	2,715,674	(83,221)	**2,632,453**
Balance at March 31, 2011	$ 20,095,535	$ 1,131,075	$ 229,950	$ 10,665,221	$ 32,121,781	$ (116,632)	**$ 32,005,149**

	Share capital	Contributed surplus	Warrants	Retained earnings	Total attributed to: The Company	Total attributed to: Non-controlling interest	Total equity
Balance at January 1, 2010	$ 15,156,254	$ 826,124	$ 188,050	$ 820,377	$ 16,990,805	$ -	**$ 16,990,805**
Repurchase of share capital under NCIB (Note 15)	(365,400)	80,020	-	-	(285,380)	-	**(285,380)**
Employee share-based payment options	-	46,950	-	-	46,950	-	**46,950**
Net earnings	-	-	-	2,681,583	2,681,583	-	**2,681,583**
Balance at March 31, 2010	$ 14,790,854	$ 953,094	$ 188,050	$ 3,501,960	$ 19,433,958	$ -	**$ 19,433,958**

See accompanying notes to the interim consolidated financial statements.

Bri-Chem Corp.
Consolidated Statements of Cash Flows
(Canadian dollars)
(unaudited)

For the three months ended	March 31 2011	March 31 2010 (Note 25)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Net earnings	**$ 2,632,453**	$ 2,681,583
Non-cash items:		
Amortization on property and equipment	**110,078**	120,255
Amortization on intangible assets	**85,340**	81,848
Amortization of debt related transaction costs	**17,419**	22,628
Future income tax recovery	**(110,045)**	(18,416)
Stock-based compensation (Note 17)	**13,976**	46,949
Loss on sale of property and equipment	**-**	4,982
	2,749,221	2,939,829
Change in non-cash working capital (Note 22)	**(8,749,574)**	(7,311,783)
	(6,000,353)	(4,371,954)
Financing activities		
Advances on promissory notes payable	**66,647**	77,383
Advances of operating line	**2,775,657**	5,209,210
Repayment of promissory notes payable	**(1,228,894)**	(244,356)
Repayment of long-term debt	**(216,329)**	(217,673)
Proceeds on issuance of shares (Note 15)	**5,546,472**	-
Repayment of obligations under finance lease	**(12,720)**	(36,200)
Repurchase of common shares (Note 15)	**-**	(285,380)
	6,930,833	4,502,984
Investing activities		
Purchase of property and equipment	**(926,881)**	(125,530)
Purchase of intangible assets	**(3,599)**	(20,000)
Proceeds on disposal of property and equipment	**-**	14,500
	(930,480)	(131,030)
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 (Note 22)

See accompanying notes to the interim consolidated financial statements.

1. Nature of operations

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 and services to the energy, construction and industrial sectors.

2. Basis of presentation

The Company is required to present the annual audited Consolidated Financial Statements for the year ended December 31, 2011 under International Financial Reporting Standards ("IFRS"). In conjunction with this, these interim Consolidated Financial Statements present the Company's initial financial results of operations and financial position under IFRS as at and for the three months ended March 31, 2011, including 2010 comparative periods. They have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These interim Consolidated Financial Statements do not include all the necessary annual disclosures in accordance with IFRS.

The consolidated financial statements are presented in accordance with IAS 1 - Presentation of Financial Statements. Two comparative periods are presented for the consolidated balance sheets to comply with initial adoption of IFRS standards.

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized in Note 4 below. These accounting policies have been used throughout all periods presented in the consolidated financial statements except where the Company has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Company and the effects of transition to IFRS are presented in Note 25.

3. Changes in accounting policies

Inventory costing

Effective January 1, 2011, the Company converted its cost measurement method for the steel distribution segment from a first-in first-out method to a weighted average cost method. This method is more consistent with industry practices and will provide a more accurate representation of the cost of materials sold at any given point in time by reducing the effects of commodity price risk.

The change in inventory costing method was applied retrospectively to increase (decrease) the following line items below and further disclosed in Note 25:

	Opening balance January 1, 2010	Period ended March 31, 2010	Year ended December 31, 2010
Retained earnings	$ (115,960)	$ (115,960)	$ (115,960)
Cost of sales	-	(122,326)	88,279
Inventory	(115,960)	6,366	(27,682)

4. Summary of significant accounting policies

IFRS pronouncements adopted

The Company's first interim reporting period under IFRS is March 31, 2011. Accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS.

Principles of consolidation

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the Company, its wholly-owned subsidiaries, Bri-Chem Supply Ltd., Sodium Solutions Inc., Bri-Chem Steel Corporation, and its 70% owned subsidiary Bri-Steel Manufacturing Inc. All inter-company transactions and balances have been appropriately eliminated. A non-controlling interest is presented as part of equity for the portion of the subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the Company and the non-controlling interest based on their respective ownership interests. The Company has applied uniform accounting policies throughout all consolidated entities and reporting dates of the subsidiaries are all consistent with the parent.

Business combinations

The assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies are measured at their fair values as of the date of acquisition. All identifiable assets acquired and liabilities assumed are recognized, regardless of whether they have been previously recognized in the acquiree's prior financial statements. Acquisition related and restructuring costs are recognized separately from the business combination and included in the statement of operations.

Goodwill is calculated as the excess of the sum of the fair value of consideration, the recognized amount of any non-controlling interests, and the acquisition date fair value of any existing equity interest in the acquiree, over the acquisition date fair value of the identifiable net assets. If the acquisition date fair value of the identifiable net assets exceeds the sum above, the difference is recognized in net income immediately.

Foreign currency translation

Monetary items denominated in foreign currencies are translated to Canadian dollars (the presentation and functional currency) at the rate of exchange in effect at the balance sheet date. All revenue and expenses denominated in foreign currencies are translated at the monthly average rate in effect at the time of the transaction to approximate the rate on the transaction date. Gains or losses on translation are included in earnings. Non-monetary items denominated in foreign currencies are translated to Canadian dollars at the applicable historical rate.

4. Summary of significant accounting policies (cont'd)

Segmented reporting

Operating segments are defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief decision makers in allocating resources and assessing performance. The Company operates in three business segments based on type of products produced or sold. The fluids segment includes the sale of fluids and chemical additives to the resource and industrial markets. The steel distribution segment includes the sale of tubular steel products to the resource, industrial and construction industries. The steel manufacturing segment produces seamless steel pipe through a thermal expansion process for sale to steel pipe distributors in North America.

General and administrative expenses directly related to the operating segments are included as operating expenses for those segments. No asymmetrical allocations have been applied between the segments.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns based on the Company's informal policy for product returns. An allowance for the sales returns is netted against total accounts receivable outstanding.

Revenue is recognized when the Company has transferred the significant risks and rewards of ownership to the customer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and the Company maintains no continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

There are instances when customers will request that the Company bill and hold their shipments until such time as the customers are prepared to receive the goods. Revenue on bill and hold arrangements is recognized when the customer is invoiced for the goods that have been purchased and made ready for shipment as the risk of ownership of the goods has been assumed by the customer. The terms and collections experienced on the related billings are consistent with all other sales.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized during the period of time necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

Intangible assets

Intangible assets include acquired software used in administration, customer relationships and non-compete agreements that qualify for recognition as an intangible asset in a business combination. They are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date.

4. Summary of significant accounting policies (cont'd)

Intangible assets (cont'd)

The following estimated useful lives are applied:

Customer relationships	5 years straight-line
Non-competition agreements	3 to 5 years straight-line
Computer software	7 years straight-line

Amortization has been recognized in profit or loss for the period. Costs associated with maintaining computer software 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.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization and impairment losses. Amortization is calculated as cost less the residual value over the life of the asset. Material residual values and estimates of useful life are reviewed and updated as required and at least annually. Rates and bases of amortization applied to write-off the cost of property and equipment over their estimated useful lives are as follows:

Buildings	4 to 10% declining-balance
Motor vehicles	30% declining-balance
Manufacturing and other equipment	20 to 30% declining-balance
Office equipment	20% declining-balance
Computer equipment	20 to 100% declining-balance
Pavement and landscaping	8% declining-balance
Leasehold improvements	1 to 5 years straight-line
Equipment under finance lease	3 to 5 years straight-line

Leased assets

The Company as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. Assets held under finance leases are initially recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a financing lease obligation.

Assets acquired under finance leases are amortized over the lease term or if the lease contains terms that allow ownership to pass to the Company or a bargain purchase option, assets are amortized over their estimated useful lives consistent with other property and equipment rates determined. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of borrowing costs. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

4. Summary of significant accounting policies (cont'd)

Leased assets (cont'd)

Lease payments are portioned between finance expenses and reduction of the lease liability in order to achieve a constant rate of interest on the outstanding balance of the liability.

All other leases are classified as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Impairment testing of intangible assets and property and equipment

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 and some are tested at the cash-generating unit level. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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. 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 on a pro-rata basis. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled, or expire.

All financial instruments and certain non-financial derivatives are initially measured at fair value. Financial assets and financial liabilities are measured subsequently as described below.

4. Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

The Company categorizes its fair value measurements for financial asset and financial liabilities measured at fair value 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.

Financial assets

The Company's financial assets are comprised of accounts receivable and have been classified as loans and receivables for initial recognition. Loans and receivables are subsequently measured at amortized cost using the effective interest method.

Financial assets measured at amortized cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Accounts receivable are also assessed for impairment on a collective basis. This is determined by reference to industry and past experience, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the accounts receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit and loss.

Financial liabilities

The Company's financial liabilities include debt and accounts payable and accrued liabilities, and have been classified as other financial liabilities. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

4. Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Derivative financial instruments

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss. The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in income. 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 Company purchases foreign exchange forward contracts to mitigate the exposure to purchases and the related payable to suppliers denominated in US dollars. The Company does not designate its foreign exchange forward contracts as a hedge of underlying assets, liabilities, firm commitments or anticipated transactions.

Inventories

Inventories held for sale are measured at the lower of cost and net realizable value. Net realizable value approximates the estimated selling price less all estimated costs of completion and necessary costs to complete the sale. Costs of ordinarily interchangeable items in the fluids segment are assigned using the first-in first-out cost formula. Costs associated with freight transportation and handling fees are determined using a combination of actual rates and the weighted average cost method and are applied consistently by product line and location. Costs of ordinarily interchangeable items in the steel distribution and steel manufacturing segments are assigned using a weighted average cost method. Raw materials items are assigned costs using the first-in first-out cost formula.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with bank and short term deposits with original maturities of three months or less.

Income taxes

Tax expense comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

4. Summary of significant accounting policies (cont'd)

Income taxes (cont'd)

Deferred income taxes are calculated using the liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on the differences between the accounting and income tax bases of an asset or liability. These are measured based on the tax jurisdictions' substantively enacted income tax rates that will be in effect when the differences are expected to reverse. The effect on deferred income tax assets and liabilities of a change in rates is included in the period during which the change is considered substantially enacted. Deferred income tax assets are recorded in the financial statements if realization is considered probable.

Share-based payments

The Company has established a stock option plan for the Executive and Board of Directors, consultants, and employees as described in Note 17. The Company uses the fair value method of accounting for stock options. The fair value of the option grants is calculated on the grant date for employees using the Black-Scholes Option Pricing Model and recognized as compensation expense over the vesting period of those granted options, adjusted for estimated forfeitures. The corresponding adjustment is recorded to contributed surplus. The fair value of the option grants to non-employees is calculated based on the value of the services provided in exchange for the option issue. When the options are exercised the proceeds received by the Company, together with the related amount in contributed surplus, are added to share capital. Forfeited or expired options are put back into the pool of available stock options for future grants. No adjustment is recorded for stock options that expire unexercised. Compensation expense related to forfeited options is reversed on the forfeiture date provided the options have not vested.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will most likely lead to an outflow of economic resources from the Company that can be estimated reliably. The timing or amount of the liability may still be uncertain. Provisions are measured at the estimated amount required to settle the present obligation, taking into consideration the most reliable evidence available at the reporting date. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

When a business combination is undertaken, the Company initially measures any of the acquired company's contingent liabilities at the acquisition date fair value. The contingent liabilities are subsequently measured at the higher of the amount that would be recognized above, and the amount initially recorded.

In the normal course of business, the Company enters into agreements that include indemnities in favour of third parties, such as engagement letters with advisors and consultants. The Company has also agreed to indemnify its directors and officers in accordance with the Company's corporate bylaws. Certain agreements do not contain any limits on the Company's liability and therefore it is not possible to estimate the Company's potential liability under these circumstances. In certain cases, the Company has recourse against third parties with respect to these indemnities. The Company maintains insurance policies that may provide coverage against certain claims under these indemnities.

4. Summary of significant accounting policies (cont'd)

Critical accounting judgments in applying accounting policies

The following are significant management judgments, apart from those involving estimation uncertainty, in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Leases
Management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards of ownership. Management evaluates the lease terms and in some cases the lease transaction is not always conclusive in its classification as a finance lease.

Deferred tax assets
Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company's forecasted budget. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific circumstances.

Estimation uncertainty

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The actual results may differ from the estimates and assumptions made by management.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairments
An impairment loss is recognized when the amount of an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and the value in use. Management estimates expected future cash flows from each asset or cash-generating unit when determining the value in use. Management makes assumptions about future operating results in the process of measuring expected future cash flows which are based on future events and circumstances. Actual results may vary from these estimates and may cause significant adjustments to the Company's assets in following years.

4. Summary of significant accounting policies (cont'd)

Estimation uncertainty (cont'd)

Sales returns provision
The Company has an informal policy whereby it accepts product returns from customers in one of its subsidiaries. Provisions recorded for estimated product returns are based on historical experience, market conditions, and drilling activities. Actual sales returns experienced may differ from this estimate. The provision is presented as part of the total accounts receivable and is disclosed in Note 6.

Useful lives of depreciable assets
Management reviews the useful lives of depreciable assets at each reporting date to determine that the useful lives represent the expected utility of the assets to the Company. Actual useful lives may vary.

Inventories
Inventories are measured at the lower of cost and net realizable value. Management uses the most reliable evidence, such as current sales prices and vendor price lists, available at the time in determining the net realizable values of the inventories.

Stock-based compensation
The Company uses the Black-Scholes Option Pricing Model for valuing its stock options to employees and directors at the date of issue. Management uses estimates of the expected life, the risk-free rate, expected volatility, and expected forfeiture rate when calculating the value of the options issued. These estimates may vary from the actual expense incurred and are updated at each reporting period based on information available at that time. The Company values options issued to consultants based on available evidence of the value the transaction represents to the Company based on services provided in exchange for the option.

Fair value of financial instruments
Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4. Summary of significant accounting policies (cont'd)

Recent pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

The Company will be required to adopt the first phase of IFRS 9 – Financial Instruments as of January 1, 2013. The new standard was issued as part of the IASB plan to replace IAS 39 – Financial Instruments with a more robust set of standards for the reporting of financial instruments used by the Company. The first phase addresses the accounting for financial assets and financial liabilities. The second phase will address the impairment of financial instruments, and the third phase will address hedge accounting. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

5. 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 Basis ("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.

6. Accounts receivable

Accounts receivable recognized in the consolidated balance sheets can be analyzed as follows:

	March 31 2011	December 31 2010	January 1 2010
Accounts receivable, gross	**$ 56,928,441**	$ 49,592,182	$ 32,852,286
Allowance for doubtful accounts	**(184,576)**	(92,000)	(169,491)
Accounts receivable, net	**56,743,865**	49,500,182	32,682,795
Allowance for sales returns	**(2,632,667)**	(2,781,109)	(1,437,321)
Other receivable	**100**	8,852	(72,586)
Accounts receivable	**$ 54,111,298**	$ 46,727,925	$ 31,172,888

Amounts are all short-term. The net carrying value of accounts receivable is considered a reasonable approximation of fair value.

6. **Accounts receivable** (cont'd)

The Company's accounts receivable have been reviewed for indicators of impairment. Certain accounts receivable were found to be impaired and an allowance for doubtful accounts of $184,576 (December 31, 2010 - $92,000) has been recorded. The change in allowance for doubtful accounts for the period is recorded in selling, general and administration expenses.

The change in the allowance for doubtful accounts can be reconciled as follows:

	March 31 2011	December 31 2010
Balance, beginning of period	**$ 92,000**	$ 169,491
Bad debt expense	**92,576**	202,456
Receivables written off	**-**	(223,173)
Recovery of receivables	**-**	(56,774)
Balance, end of period	**$ 184,576**	$ 92,000

7. **Inventories**

In the first quarter of 2011, a total of $39,849,018 of inventories was included in profit and loss as an expense (March 31, 2010 - $31,214,297). Previous write-downs recognized as a reduction of expense in prior periods were reversed in the amount of $nil (March 31, 2010 - $170,671).

The inventories held at period end are comprised of the following:

	March 31 2011	December 31 2010	January 1 2010
Distribution goods	**$ 43,531,539**	$ 42,414,115	$ 40,063,075
Raw materials	**55,122**	-	-
	$ 43,586,661	$ 42,414,115	$ 40,063,075

8. Property and equipment

Property and equipment recognized in the consolidated balance sheets can be analyzed as follows:

	March 31, 2011		
	Cost	**Accumulated Amortization**	**Net Book Value**
Land	**$ 402,792**	**$ -**	**$ 402,792**
Buildings	**1,772,552**	**473,295**	**1,299,257**
Motor vehicles	**794,745**	**236,639**	**558,106**
Manufacturing and other equipment	**2,040,274**	**1,073,650**	**966,624**
Office equipment	**328,217**	**201,504**	**126,713**
Computer equipment	**480,630**	**300,300**	**180,330**
Pavement and landscaping	**174,663**	**37,972**	**136,691**
Leasehold improvements	**1,212,545**	**481,584**	**730,961**
Equipment under finance lease	**453,500**	**3,900**	**449,600**
	$ 7,659,918	**$ 2,808,844**	**$ 4,851,074**

	December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 402,792	$ -	$ 402,792
Buildings	1,759,152	461,774	1,297,378
Motor vehicles	790,845	212,498	578,347
Manufacturing and other equipment	1,632,495	1,035,430	597,065
Office equipment	309,311	195,684	113,627
Computer equipment	449,085	288,115	160,970
Pavement and landscaping	174,663	35,183	139,480
Leasehold improvements	761,194	470,082	291,112
Equipment under finance lease	104,000	-	104,000
	$ 6,383,537	$ 2,698,766	$ 3,684,771

8. Property and equipment (cont'd)

	January 1, 2010		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 402,792	$ -	$ 402,792
Buildings	1,680,409	426,430	1,253,979
Motor vehicles	494,195	153,517	340,678
Manufacturing and other equipment	1,572,602	892,658	679,944
Office equipment	235,914	134,078	101,836
Computer equipment	412,936	231,039	181,897
Pavement and landscaping	147,465	24,842	122,623
Leasehold improvements	575,031	422,569	152,462
Equipment under finance lease	489,137	67,766	421,371
	$ 6,010,481	$ 2,352,899	$ 3,657,582

8. Property and equipment *(cont'd)*

	Land	Buildings	Motor Vehicles	Manufacturing and Other Equipment	Office Equipment	Computer Equipment	Pavement and landscaping	Leasehold improvements	Equipment under finance lease	Total
Cost or deemed cost										
Balance at January 1, 2010	$ 402,792	$ 1,680,409	$ 494,195	$ 1,572,602	$ 235,914	$ 412,936	$ 147,465	$ 575,031	$ 489,137	$ 6,010,481
Additions	-	78,743	74,610	59,893	73,397	36,149	27,198	186,163	-	536,153
Transfer of purchased lease equipment	-	-	345,637	-	-	-	-	-	(345,637)	-
Disposals	-	-	(123,597)	-	-	-	-	-	(39,500)	(163,097)
Balance at December 31, 2010	402,792	1,759,152	790,845	1,632,495	309,311	449,085	174,663	761,194	104,000	6,383,537
Balance at January 1, 2011	402,792	1,759,152	790,845	1,632,495	309,311	449,085	174,663	761,194	104,000	6,383,537
Additions	-	13,400	3,900	407,779	18,906	31,545	-	451,351	349,500	1,276,381
Disposals	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2011	$ 402,792	$ 1,772,552	$ 794,745	$ 2,040,274	$ 328,217	$ 480,630	$ 174,663	$ 1,212,545	$ 453,500	$ 7,659,918
Accumulated amortization and impairment										
Balance at January 1, 2010	$ -	$ 426,430	$ 153,517	$ 892,658	$ 134,078	$ 231,039	$ 24,842	$ 422,569	$ 67,766	$ 2,352,899
Amortization for the year	-	35,344	76,929	142,772	61,606	57,076	10,341	47,513	-	431,581
Transfer of purchased lease equipment	-	-	62,170	-	-	-	-	-	(62,170)	-
Disposals	-	-	(80,118)	-	-	-	-	-	(5,596)	(85,714)
Balance at December 31, 2010		461,774	212,498	1,035,430	195,684	288,115	35,183	470,082	-	2,698,766
Balance at January 1, 2011	-	461,774	212,498	1,035,430	195,684	288,115	35,183	470,082	-	2,698,766
Amortization for the year	-	11,521	24,141	38,220	5,820	12,185	2,789	11,502	3,900	110,078
Disposals	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2011	$ -	$ 473,295	$ 236,639	$ 1,073,650	$ 201,504	$ 300,300	$ 37,972	$ 481,584	$ 3,900	$ 2,808,844

9. Intangible assets

Intangible assets having finite lives consist of the following:

March 31, 2011

	Cost	Accumulated Amortization	Impairment Charge	Net Book Value
Customer relationships	**$ 1,923,985**	**$ 1,611,270**	**$ -**	**$ 312,715**
Non-compete agreement	**372,639**	**333,667**	**-**	**38,972**
Computer software	**284,101**	**103,422**	**-**	**180,679**
	$ 2,580,725	**$ 2,048,359**	**$ -**	**$ 532,366**

December 31, 2010

	Cost	Accumulated Amortization	Impairment Charge	Net Book Value
Customer relationships	$ 1,923,985	$ 1,545,108	$ -	$ 378,877
Non-compete agreement	372,639	326,140	-	46,499
Computer software	280,504	91,771	-	188,733
	$ 2,577,128	$ 1,963,019	$ -	$ 614,109

January 1, 2010

	Cost	Accumulated Amortization	Impairment Charge	Net Book Value
Customer relationships	$ 1,923,985	$ 1,280,455	$ -	$ 643,530
Non-compete agreement	372,639	296,032	-	76,607
Computer software	243,796	57,416	-	186,380
	$ 2,540,420	$ 1,633,903	$ -	$ 906,517

9. Intangible assets (cont'd)

Changes in intangible asset balances in the period can be reconciled as follows:

	Customer relationships	Non-compete agreements	Computer software	Total
Cost				
Balance, January 1, 2010	$ 1,923,985	$ 372,639	$ 243,796	$ 2,540,420
Additions	-	-	36,708	36,708
Disposals	-	-	-	-
Impairments	-	-	-	-
Balance, December 31, 2010	$ 1,923,985	$ 372,639	$ 280,504	$ 2,577,128
Additions	-	-	3,597	3,597
Disposals	-	-	-	-
Balance, March 31, 2011	$ 1,923,985	$ 372,639	$ 284,101	$ 2,580,725
Accumulated amortization				
Balance, January 1, 2010	$ 1,280,455	$ 296,032	$ 57,416	$ 1,633,903
Amortization expense	264,653	30,108	34,355	329,116
Disposals	-	-	-	-
Impairments	-	-	-	-
Balance, December 31, 2010	$ 1,545,108	$ 326,140	$ 91,771	$ 1,963,019
Amortization expense	66,162	7,527	11,651	85,340
Disposals	-	-	-	-
Balance, March 31, 2011	$ 1,611,270	$ 333,667	$ 103,423	$ 2,048,359

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities recognized in the consolidated balance sheets can be analyzed as follows:

	March 31 2011	December 31 2010	January 1 2010
Accounts payable	**$ 24,796,987**	$ 22,465,211	$ 21,321,737
Accrued liabilities	**1,390,363**	597,808	897,452
Accrued purchase orders	**413,638**	1,060,177	678,194
Accrued compensation expense	**665,562**	733,493	547,254
Other accrued liabilities	**96,809**	196,394	(52,764)
	$ 27,363,359	$ 25,053,083	$ 23,391,873

11. Promissory notes payable

	March 31 2011	December 31 2010	January 1 2010
Promissory notes payable, bearing interest at 6% per annum, repayable in installments as follows: $1,000,000 plus interest on October 29, 2009, $1,000,000 plus interest on October 29, 2010, and $1,000,000 plus interest on October 29, 2011, secured by a general security agreement covering all the assets of the Company.	**$ 2,000,000**	$ 3,180,000	$ 3,244,356
Promissory note payable, bearing interest at 6% per annum, repayable in installments as follows: $11,000,000 plus interest on completion of the amalgamation, $1,000,000 plus interest on May 19, 2008, $1,000,000 plus interest on May 20, 2009, and $1,200,000 plus interest on May 20, 2010, secured by a general security agreement covering all the assets of the Company.	**1,223,460**	1,205,707	2,281,340
	3,223,460	4,385,707	5,525,696
Less: current portion	**1,223,460**	2,391,625	325,696
	$ 2,000,000	$ 1,994,082	$ 5,200,000

The $1,000,000 promissory note principal payments due in October 2010 and in October 2011 have been postponed at the request of the Company's lender and therefore the principal has been reclassified to long-term as these amounts will not be paid within the next year. $1,000,000 promissory note principal due in May 2010 is expected to be paid in the next year and has been recorded as current. The $1,000,000 promissory note principal due in October 2009 was paid out March 31, 2011, including accrued interests. The interest on the promissory notes will be paid within the next year and has been recorded as a current liability.

Expected principal repayments over the next two years are as follows:

2011	$ 1,223,460
2012	2,000,000
	$ 3,223,460

12. Long-term debt

Long-term debt - at amortized cost	March 31 2011	December 31 2010	January 1 2010
HSBC Capital subordinated debenture, bearing interest at prime, repayable monthly from February 2007 to January 2009 interest only, February 2009 to December 2011 monthly installments of $60,000 plus interest with the remaining balance of $900,000 due January 30, 2012. In addition, the Company pays 1% on a monthly basis for total of 12% per annum to guarantor of this debt. The loan security is described below.	**$ 1,440,000**	$ 1,620,000	$ 2,340,000
HSBC committed non-revolving loan, payable in monthly installments of $18,000 including interest at prime plus 1.75% per annum, maturing June 30, 2012 (December 31, 2010 - maturing June 30, 2011). The loan is secured by the same security as the bank indebtedness.	**1,484,329**	1,520,658	1,667,461
	2,924,329	3,140,658	4,007,461
Less: transaction costs	**105,045**	122,464	212,977
	2,819,284	3,018,194	3,794,484
Less: current portion	**1,588,641**	866,913	872,045
	$ 1,230,643	$ 2,151,281	$ 2,922,439

The HSBC subordinated debenture is secured by the following: a general security agreement creating a fixed and floating charge over all assets of the Borrower subordinated only to a prior charge in favor of the Bank; an unlimited corporate guarantee supported by a general security agreement from Bri-Chem Supply Ltd. and Sodium Solutions Inc. and from all other material entities within the group determined by the Lender subordinated only to a prior charge from the Bank; second demand collateral land mortgage and assignment of rents from Bri-Chem Corp. creating a second fixed and specific mortgage charge over all lands and premises located at 15, 53016 Highway 60, Acheson, Alberta and 4420 – 37th Street in Camrose, Alberta; assignment by Bri-Chem Corp. to HSBC of all risk insurance in amounts and from an insurer acceptable to HSBC, on all Bri-Chem Corp. real and personal property, without limitation, lands, buildings, equipment and inventory owned by Bri-Chem Corp., showing HSBC as first loss payee, including business interruption and public liability insurance; and assignment and postponement by Alan Campbell, Brian Campbell, Roy Rasmussen, Neil Rasmussen and Roger Boisvert of all present and future amounts outstanding to them by Bri-Chem Corp.

12. Long-term debt (cont'd)

Principal repayments over the next two years are as follows:

2011	$ 1,588,641
2012	1,230,643
	$ 2,819,284

The borrowings contain financial covenants including, but not limited to, a minimum debt service coverage ratio among others that are calculated on a quarterly basis. As at March 31, 2011, the Company was in compliance all covenants.

13. Obligations under finance lease

The Company's future minimum finance lease payments are as follows:

	Minimum lease payments due			
	Within one year	One to five years	After five years	Total
March 31, 2011				
Lease payments	$ 106,433	$ 361,742	$ 45,102	$ 513,277
Finance charges	27,163	51,845	1,018	80,026
Net present value	$ 79,270	$ 309,897	$ 44,084	$ 433,251
December 31, 2010				
Lease payments	$ 31,997	$ 70,981	$ -	$ 102,978
Finance charges	5,275	5,132	-	10,407
Net present value	$ 26,722	$ 65,849	$ -	$ 92,571
January 1, 2010				
Lease payments	$ 195,653	$ 12,426	$ -	$ 208,079
Finance charges	18,613	1,265	-	19,878
Net present value	$ 177,040	$ 11,161	$ -	$ 188,201

The Company enters into financing lease arrangements for certain of its operating equipment. The average term of the finance lease entered into is 4.3 years. Finance lease liabilities are secured by the related assets held under finance leases. The fair value of the finance lease liabilities is approximately equal to their carrying amount.

14. Obligations under operating lease

14.1 The Company as Lessee

The Company's future minimum operating lease payments are as follows:

	Minimum lease payments due			
	Within one year	Two to five years	After five years	Total
March 31, 2011	$ 1,661,417	4,951,899	2,085,480	$ 8,698,796
December 31, 2010	$ 1,694,932	5,114,953	2,317,200	$ 9,127,085
January 1, 2010	$ 1,090,366	3,828,475	3,244,080	$ 8,162,921

The Company leases a number of warehouse locations and office equipment under operating leases. Lease payments recognized as an expense during the period amounted to $515,814 (March 31, 2010 - $347,934). This amount consists of minimum lease payments.

The warehouse and land lease entered into in 2009 was a combined lease of land and building. Since the land title does not pass, the rent paid to the landlord of the building is increased to market rent at intervals, and the Company does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building and land are with the landlord. As such, the Company determined that the lease is an operating lease.

The office and warehouse sub-lease agreement entered into November 1, 2010, with a two month free-rent period at the commencement of the lease, was a combined lease of building and a small portion of land for the parking lot. Since the land title does not pass, the rent paid to the landlord of the building is fixed for the three years and four months term of the lease, and the Company does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building and land are with the landlord. As such, the Company determined that the lease is an operating lease.

The Company's operating lease agreements do not contain any contingent rent clauses, renewal or purchase options, or restrictions regarding further leasing or additional debt.

14.2 The Company as Lessor

The Company has leased property owned with a term of 2 years expiring December 31, 2011. The lessee does not have an option to purchase the property at the expiry of the lease term.

Non-cancellable operating lease income is as follows:

	Minimum lease income receivable			
	Within one year	One to five years	After five years	Total
March 31, 2011	$ 9,000	-	-	$ 9,000
December 31, 2010	$ 12,000	-	-	$ 12,000
January 1, 2010	$ -	-	-	$ -

15. Share capital

Authorized

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

Issued and outstanding	Number		Amount
Common Shares			
Balance, January 1, 2010	**14,381,786**	**$**	**15,156,254**
Shares issued under stock options	**6,000**		**12,270**
Share repurchased and cancelled	**(682,900)**		**(717,044)**
Balance, December 31, 2010	**13,704,886**	**$**	**14,451,480**
Issuance of shares upon exercise of options	**81,000**		**155,608**
Issuance of shares under financing, net of tax	**2,000,000**		**5,488,447**
Balance, March 31, 2011	**15,785,886**	**$**	**20,095,535**

a) On August 29, 2008, the Company issued 1,304,348 shares with a fair value of $2,260,000 for the purchase of shares of Bri-Chem Steel Corporation. The following resale restrictions exist on the following shares:

434,782 common shares with resale restrictions expiring August 30, 2011

b) On February 23, 2011, the Company issued 2,000,000 common shares for gross proceeds of $6,000,000 under an equity financing arrangement. In consideration for services related to the offering, the Company paid Macquarie Private Wealth Inc. ("the Agent") a fee equal to 6% of the gross proceeds of the offering, totalling an aggregate commission of $360,000, plus a corporate finance fee of $30,000 plus tax. The Agent also received non-transferrable agent options equal to 7% of the number of shares sold under the offering. Upon closing of the offering, 140,000 non-transferable agent options were issued to the Agent at a fair value of $105,000, entitling the agent to purchase one Bri-Chem common share, at a price of $3.00 per share, with an expiry date of August 22, 2012.

16. Contributed surplus

		Three months ended March 31 2011		Year ended December 31 2010
Balance, beginning of period	**$**	**1,079,488**	$	826,125
Fair value of repriced stock options		**-**		76,661
Fair value of share based payments to employees and directors		**10,976**		39,077
Fair value of share based payments to consultants		**105,499**		11,060
Fair value of stock options exercised		**(64,888)**		(5,551)
Repurchase of common shares		**-**		132,116
Balance, end of period	**$**	**1,131,075**	$	1,079,488

17. Share-based payments

17.1 Share-based payment plan

The Company's Stock Option Plan (the "Plan") provides for the granting of stock options to directors, officers, consultants and employees of the Company and its affiliates. The expiry date and price payable upon the exercise of any option granted are fixed by the Board of Directors at the time of grant, subject to regulatory requirements. Options granted under the plan are vested under such times as determined by the Board of Directors, subject to regulatory requirements. As at March 31, 2011, the Plan permits the authorization to grant stock options up to a maximum of 1,400,000 common shares of the Company. All share-based employee remuneration will be settled in equity.

A summary of transactions during the period is outlined below.

17.2 Options to employees and directors

March 31, 2011	Number of options		Weighed average exercise price	Weighted average contractual live (years)
Outstanding, January 1, 2011	1,288,000	$	1.96	3.15
Exercised	(81,000)		1.12	1.00
Outstanding, March 31, 2011	1,207,000	$	1.58	2.75
Options exercisable, March 31, 2011	1,207,000	$	1.58	2.75

17. Share-based payments (cont'd)

17.2 Options to employees and directors (cont'd)

December 31, 2010	Number of options	Weighed average exercise price		Weighted average contractual live (years)
Outstanding, January 1, 2010	1,286,000	$	1.97	4.00
Granted	30,000		1.30	4.65
Exercised	(6,000)		1.12	1.00
Forfeited	(22,000)		1.83	4.00
Outstanding, December 31, 2010	1,288,000	$	1.96	3.15
Options exercisable, December 31, 2010	1,240,000	$	1.96	3.00

The fair value of the employee and directors options granted during 2010 is estimated on the date of grant using the Black-Scholes Option Pricing Model based on the following weighted average assumptions:

Expected life	4 years
Risk-free rate	2.52%
Expected volatility	22.37%
Expected dividend yield	0.00%
Expected forfeiture rate	0.00%

Expected volatility was calculated using historical data of the Company's shares over a period of time since its flotation on the TSX Venture.

During the period ended March 31, 2011, $10,976 (March 31, 2010 - $9,965) was expensed in relation to the stock option plan.

17.3 Options to consultants

March 31, 2011	Number of options	Weighed average exercise price		Weighted average contractual live (years)
Outstanding, January 1, 2011	25,000	$	2.05	1.59
Granted	140,000		3.00	1.34
Outstanding, March 31, 2011	165,000	$	2.86	1.38
Options exercisable, March 31, 2011	165,000	$	2.86	1.38

The fair value of the consultant options granted during the period were estimated to be $105,000, based on the value of services provided in return for the options issued. The options have an expected life of one and a half years and no forfeitures are expected to occur.

17. Share-based payments (cont'd)

17.3 Options to consultants (cont'd)

December 31, 2010	Number of options		Weighed average exercise price	Weighted average contractual live (years)
Outstanding, January 1, 2010	-	$	-	-
Granted	25,000		2.05	2.00
Outstanding, December 31, 2010	25,000	$	2.05	1.59
Options exercisable, December 31, 2010	8,330	$	2.05	1.59

17.4 Warrants

a) 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.

   In July 2010, the Company extended the 100,000 share purchase warrants for an additional two years. The warrants were extended at an exercise price of $2.10 per common share with an incremental increase in the fair value of the warrants as a result of the extension of $41,900.

b) Pursuant to the terms of the loan agreement with HSBC Capital, the Company issued 250,000 share purchase warrants with a fair value of $141,706 to the lender. Each share purchase warrant entitles the lender to purchase one common share of the Company at a price of $2.00 per common share from January 30, 2007, expiring January 30, 2010. In December 2009, the Company extended the 250,000 share purchase warrants for an additional two years. The warrants were extended at an exercise price of $2.00 with an immaterial change in the fair value of the warrants as a result of the extension.

The following is a summary of the warrant activities during the period:

	Number of warrants		Weighted average exercise price	Weighted average contractual life (years)
Outstanding, January 1, 2010	350,000	$	2.03	2.56
Outstanding, December 31, 2010	350,000		2.03	1.21
Outstanding, March 31, 2011	350,000	$	2.03	0.97
Exercisable, March 31, 2011	350,000	$	2.03	0.97

18. Segment reporting

The measurement policies the Company uses for segment reporting are the same as those used in its financial statements. General and administrative expenses directly related to the segments are included as operating expenses for those segments. There are no significant inter-segment revenues in the period.

In addition to these three segments, the Other segment represents all remaining costs not directly attributable to an operating segment, such as corporate overhead.

Selected financial information by reportable segment is disclosed as follows:

March 31, 2011	Fluids	Steel Distribution	Steel Manufacturing	Other	Consolidated
Revenues from external customers	$ 43,336,837	$ 7,310,652	$ -	$ -	**$ 50,647,489**
Cost of sales	36,562,908	6,409,471	-	-	**42,972,379**
Segment earnings (loss) from operations	5,165,124	(62,406)	(372,370)	(344,538)	**4,385,810**
Amortization	150,041	36,205	5,307	3,865	**195,418**
Interest expense (income)	1,094,134	(70,333)	2,379	(425,793)	**600,387**
Income tax expense (recovery)	1,068,586	(1,448)	(124,372)	14,787	**957,553**
Segment (loss) profit	$ 2,852,363	$ (26,830)	$ (255,684)	$ 62,603	**$ 2,632,453**
Segment assets	$ 86,019,449	$ 20,625,121	$ 1,962,776	$ 690,734	**$ 109,298,080**
Capital expenditures	$ 19,437	$ 30,425	$ 1,213,119	$ 13,400	**$ 1,276,381**

March 31, 2010	Fluids	Steel Distribution	Other	Consolidated
Segment revenues	$ 33,122,071	$ 10,842,755	$ -	**$ 43,964,826**
Cost of sales	27,978,640	9,634,888	-	**37,613,528**
Segment earnings (loss) from operations	3,832,946	478,022	(22,517)	**4,288,451**
Amortization	156,749	38,445	6,909	**202,103**
Interest expense (income)	393,121	129,853	(108,992)	**413,982**
Income taxes (recovery)	951,515	52,482	(13,214)	**990,783**
Segment profit	$ 2,331,561	$ 257,242	$ 92,780	**$ 2,681,583**
Segment assets, March 31, 2010	$ 61,441,383	$ 22,150,544	$ 2,209,890	**$ 85,801,817**
Capital expenditures	$ 82,399	$ 43,131	$ -	**$ 125,530**

The Steel Manufacturing segment did not exist at March 31, 2010, thus no comparatives are provided at that date. There are no significant inter-segment revenues for the periods ended March 31, 2011 or March 31, 2010.

18. Segment reporting (cont'd)

The Company's operations are conducted in the following geographic locations:

		March 31 2011		March 31 2010
Revenue				
Canada and International	**$**	**49,680,169**	$	42,010,183
United States		**967,320**		1,954,643
	$	**50,647,489**	$	43,964,826

Revenues from external customers in Canada, as well as other markets, have been identified on the basis of the customer's geographical location. Total non-current assets related to United States and International operations were not significant and therefore have been included in Canadian operations.

During the period ending March 31, 2011, the Company had significant revenues from single customers totalling $26,253,572 or 51.8% (March 31, 2010 - $18,722,391 or 42.6%) of total revenues in the Fluids segment.

19. Non-controlling interest

On October 13, 2010, the Company acquired 70 common shares of Bri-Steel Manufacturing Inc. ("Manufacturing") upon incorporation for $1 per share. The jointly established new operating company is a result of an agreement ratified with Wuxi Huayou Special Steel Co., Ltd, ("Wuxi") of the People's Republic of China, and will provide value-added manufacturing of large diameter seamless steel pipe located in Edmonton, Alberta, Canada. Manufacturing is 70% owned by the Company, which did not arise as a result of a business combination, and 30% owned by Wuxi, who acquired their 30 common shares on October 13, 2010. Non-controlling interests have been recorded for Wuxi's share of Manufacturing's net operations for the period.

Non-controlling interest		**March 31, 2011**		March 31, 2010
Balance, beginning of period	**$**	**(33,411)**	$	-
Net loss and comprehensive loss		**(83,221)**		-
Balance, end of period	**$**	**(116,632)**	$	-

20. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company as the numerator, i.e. no adjustments to profit were necessary in 2011 or 2010.

		March 31 2011		March 31 2010
Net earnings	$	**2,715,674**	$	2,681,583
Basic weighted average number of ordinary shares		**14,550,108**		14,220,258
Dilutive options issued and outstanding		**788,788**		-
Diluted weighted average number of ordinary shares		**15,338,896**		14,220,258
Basic earnings per share	$	**0.19**	$	0.19
Diluted earnings per share	$	**0.18**	$	0.19

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	March 31 2011	March 31 2010
Options issued and outstanding	**-**	1,270,000
Warrants issued and outstanding	**-**	350,000

21. Financial instruments

21.1 Categories of financial instruments

The carrying amounts presented in the balance sheet relate to the following categories of asset and liabilities:

	March 31 2011	December 31 2010	January 1 2010
Financial Assets			
Loans and receivables			
Accounts receivable	$ 54,111,298	$ 46,727,925	$ 31,172,888
Financial Liabilities			
Other financial liabilities			
Long-term debt	$ 2,819,284	$ 3,018,194	$ 3,794,484
Promissory notes payable	3,223,460	4,385,707	5,525,695
Bank indebtedness	42,328,605	39,552,948	27,652,949
Accounts payable and accrued liabilities (1)	27,363,359	25,053,083	23,391,873
	$ 75,734,708	$ 72,009,932	$ 60,365,001

(1) December 31, 2010 includes derivative on foreign exchange forward contract of $169,790

21.2 Financial risk management objectives

The Company is exposed to various risks in relation to financial instruments. These risks include currency risk, credit risk, interest rate risk, and liquidity risk. The Company's risk management function is performed by management, with input from the board of directors. The Company seeks to minimize the effects of the identified risks by focusing on actively securing short to medium-term cash flows and minimizing exposures to capital markets. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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 three customers accounted for approximately 24%, 14% and 14% respectively (March 31, 2010 – 19%, 16%, 9%) of total revenue during the period and 27%, 16% and 16% respectively (March 31, 2010 – 24%, 21%, 10%) of total accounts receivable at period end.

21. Financial instruments (cont'd)

Credit risk (cont'd)

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date as follows:

	March 31 2011	December 31 2010	January 1 2010
Trade and other receivables	$ 54,111,298	$ 46,727,925	$ 31,172,888

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.

The aging of accounts receivable was as follows:

March 31, 2011	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable
Current	$ 14,045,306	$ -	$ 14,045,306
31 to 60 days	14,606,720	-	14,606,720
61 to 90 days	18,354,597	-	18,354,597
91 to 120 days	4,650,841		4,650,841
Over 120 days	2,638,410	(184,576)	2,453,834
Total	$ 54,295,874	$ (184,576)	$ 54,111,298

December 31, 2010	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable
Current	$ 15,520,997	$ -	$ 15,520,997
31 to 60 days	13,587,845	-	$ 13,587,845
61 to 90 days	12,708,104	-	$ 12,708,104
91 to 120 days	4,199,489	-	$ 4,199,489
Over 120 days	803,490	(92,000)	$ 711,490
Total	$ 46,819,925	$ (92,000)	$ 46,727,925

21. Financial instruments (cont'd)

The Company held $nil (December 31, 2010 - $294,638) 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.

The credit risk for derivative financial instruments is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Interest rate risk

Long-term debt, obligations under finance 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. The interest on promissory notes is at a fixed rate. It is management's opinion that interest rate risk is not significant.

The effective interest rate on the bank indebtedness at March 31, 2011 was Canadian bank prime interest rate plus 100 basis points (4.00%). The long-term debt bears interest at bank prime plus a fixed increment. As at March 31, 2011, 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 $83,152 (March 31, 2010 – $65,973).

Currency risk

The Company is subject to foreign currency risk due to its accounts receivable, accounts payable and accrued liabilities 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 mitigates currency risk through purchases of fixed-rate forward exchange contracts to offset future payable in foreign currencies.

Accounts receivable in foreign currency was $1,481,719 as at March 31, 2011 (March 31, 2010 - $1,470,286) and accounts payable in foreign currency outstanding as at March 31, 2011 is $3,362,456 (March 31, 2010 - $10,020,062). The Company realized a foreign exchange gain of $5,390 (March 31, 2010 - $587,595) during the fiscal year. Based on the monetary assets and liabilities held in the United States ("US") at March 31, 2010 a 5% increase in exchange rates would impact the Company's net earnings negatively by approximately $63,822 (March 31, 2010 – $297,781).

21. Financial instruments (cont'd)

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 repricing 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.

Contractual obligations related to financial liabilities at March 31, 2011 are as follows:

	Bank credit facility	Accounts payable	Long-term debt *	Promissory notes payable *	Finance leases*	Total
2011	$ 42,328,605	$ 27,363,359	$ 1,657,727	$ 1,277,706	$ 79,825	$ 72,707,222
2012	-	-	1,292,597	2,121,490	106,434	3,520,521
2013	-	-	-	-	106,434	106,434
2014	-	-	-	-	74,437	74,437
2015	-	-	-	-	74,437	74,437
Thereafter	-	-	-	-	65,416	65,416
Total	$ 42,328,605	$ 27,363,359	$ 2,950,324	$ 3,399,196	$ 506,983	$ 76,548,467

* includes interest calculated to be paid

Contractual obligations related to financial liabilities at December 31, 2010 are as follows:

	Bank credit facility	Accounts payable	Long-term debt *	Promissory notes payable *	Finance leases*	Total
2011	$ 39,552,948	$ 25,053,083	$ 1,056,297	$ 2,391,625	$ 31,997	$ 68,085,950
2012	-	-	2,305,404	1,994,082	31,997	4,331,483
2013	-	-	-	-	38,864	38,864
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
Total	$ 39,552,948	$ 25,053,083	$ 3,361,701	$ 4,385,707	$ 102,858	$ 72,456,297

* includes interest calculated to be paid

21. Financial instruments (cont'd)

Derivative financial instruments

The carrying amount for the Company's derivative financial instrument is as follows:

	March 31 2011	December 31 2010	January 1 2010
Forward contracts	$ -	$ 169,790	$ -

The derivative is measured at fair value. A foreign exchange loss of $114,926 (March 31, 2010 - $nil) was realized on settlement of these forward contracts in the quarter and was included in foreign exchange expense.

21.3 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 non 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 carrying amount of the Company's long-term debt approximates the fair value as its interest rates are similar to the current market rate for similar debt. The promissory notes payable have a fair value of $3,556,584 (December 31, 2010 - $4,287,750). The fair value of the forward exchange contracts using Level 2 fair value measurements is $nil (December 31, 2010 - $169,790).

22. Supplemental cash flow information

	March 31 2011	March 31 2010
Accounts receivable	**$ (7,383,372)**	$ (10,405,739)
Inventory	**(1,172,546)**	2,707,648
Prepaids and deposits	**(659,636)**	(726,752)
Accounts payable and accrued liabilities	**2,310,276**	(132,617)
Customer deposits	**(294,638)**	236,478
Income taxes payable	**(1,549,658)**	1,009,199
	$ (8,749,574)	$ (7,311,783)
Interest paid	$ 756,865	$ 580,955
Income tax paid	-	-
Non-cash transactions:		
Share capital issued on excercise of stock options (Note 15)	64,888	-
Equipment purchased under finance lease	349,500	-

23. 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.

23.1 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the period includes the following expenses:

	March 31 2011	March 31 2010
Salaries including bonuses	**$ 130,926**	$ 126,069
Director's fees	**10,500**	9,000
Benefits	**7,830**	3,312
	$ 149,256	$ 138,381

The remuneration of directors and key executives is determined by the executive compensation committee having regard to the performance of individuals and market trends.

23. Related party transactions (cont'd)

23.2 Transactions with related entities

During the period ended March 31, 2011, the Company incurred selling, general and administration expenses in the normal course of operations with affiliated companies, which certain directors have significant influence, and are as follows:

a) Management and other advisory services of $30,000 (March 31, 2010 – $30,000) were paid to a company over which a director has significant influence.

b) Accounting, administrative and corporate expenses of $7,405 (March 31, 2010 – $9,156) were paid to a company over which a director has significant influence.

23.3 Other related party transactions

The Company expensed interest of $17,753 (March 31, 2010 - $33,000) on promissory notes payable issued in the prior year which are held by two of the Company's directors, senior management and significant shareholders. This entire amount is included in promissory notes payable at period end of each respective period. In addition, the Company expensed interest of $48,894 (March 31, 2010 - $44,384) on promissory notes payable issued on the acquisition of Bri-Chem Steel which are held by three of the former owners of Bri-Chem Steel. The expense has been included in interest on long term debt and was paid out on March 31, 2011 (March 31, 2010 - $44,384 remained in promissory notes payable).

24. Capital management policies and procedures

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 the following in the definition of capital:

	March 31 2011	December 31 2010
Bank indebtedness	$ 42,328,605	$ 39,552,948
Long-term debt	2,819,284	3,018,194
Promissory notes payable	3,223,460	4,385,707
Obligations under capital lease	433,251	92,571
Shareholders' equity	32,005,149	23,677,054
Total Capital	$ 80,809,749	$ 70,726,474

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 subject to capital requirements imposed by a regulator.

24. Capital management policies and procedures (cont'd)

The bank indebtedness and long-term debt require the Company to maintain certain financial covenants. The Company monitors these requirements on a monthly basis. Changes in certain key ratios are as follows:

	March 31 2011	December 31 2010
Current ratio	**1.41**	1.33
Debt service ratio	**1.47**	2.78
Total debt to tangible net worth	**2.28**	2.80

As at March 31, 2011 and December 31, 2010, the Company was in compliance with all financial convenants.

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

Debt service ratio is defined as the ratio of normalized 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") plus non-cash items 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.

25. First time adoption of IFRS

As disclosed in Note 2, these statements comprise the Company's first consolidated financial statements prepared in accordance with IFRS 1, "First time adoption of International Financial Reporting Standards" and IAS 34 "Interim Financial Reporting", and in conjunction with the Company's annual consolidated financial statements to be issued under IFRS as at and for the year ended December 31, 2011. The Company previously prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP. The date of transition from previous GAAP to IFRS standards was January 1, 2010.

The financial statements presented for the periods ended March 31, 2011, December 31, 2010, and the comparative information and the opening balance sheet at the date of transition have all been prepared using the Company's IFRS accounting policies as presented in Note 4 above.

The Company has applied IFRS 1 – First time adoption of International Financial Reporting Standards in preparing these first IFRS consolidated financial statements. The effects of the transition on equity, total comprehensive income, and reported cash flows are presented in this section.

25. First time adoption of IFRS (cont'd)

25.1 First-time adoption exemptions applied

Mandatory exemptions applied by the Company:

- The Company's estimates in accordance with IFRS are consistent with estimates used under previous GAAP reporting (with adjustments for accounting policy differences) unless there is objective evidence that those estimates were in error.
- The Company has not recognized any financial assets and liabilities that had been derecognized prior to January 1, 2010 under previous GAAP.

Optional exemptions applied by the Company:

- The Company has elected not to apply IFRS 3 – Business Combinations retrospectively to past business combinations that occurred before the date of transition.
- The Company has elected to apply the transitional provisions in IFRIC 4 – Determining whether an Arrangement contains a Lease in order to use the facts and circumstances existing at the date of transition to determine whether an arrangement contains a lease.
- The Company has elected not to separate out the liability and equity portions of a compound financial instrument as required in IAS 32 – Financial Instruments: Presentation where the liability component was no longer outstanding at the date of transition.
- The Company has elected not to apply IFRS 2 – Share Based Payments to equity instruments granted to employees and non-employees that vested on or before the date of transition. This includes equity instruments granted under the reverse asset acquisition which occurred January 1, 2007.

The remaining IFRS 1 – First-time Adoption of International Financial Reporting Standards exemptions were not applicable or not material to the preparation of the Company's consolidated balance sheet at the date of transition to IFRS on January 1, 2010.

25. First time adoption of IFRS (cont'd)

25.2 Equity reconciliation

	January 1, 2010			
	Previous GAAP	**Effect of transition to IFRS**	**Effect of accounting policy change**	**IFRS**
Assets				
Current				
Accounts receivable	$ 31,172,888	$ -	$ -	$ 31,172,888
Inventories	40,179,035	-	(115,960)	40,063,075
Prepaid expenses and deposits	1,139,783	-	-	1,139,783
Income taxes receivable	1,381,443	-	-	1,381,443
Current assets	73,873,149	-	(115,960)	73,757,189
Non-current				
Property and equipment	3,676,600	(19,018)	-	3,657,582
Intangible assets	1,241,100	(334,583)	-	906,517
Deferred tax assets	140,938	-	-	140,938
Non-current assets	5,058,638	(353,601)	-	4,705,037
Total assets	$ 78,931,787	$ (353,601)	$ (115,960)	$ 78,462,226
Liabilities				
Current				
Bank indebtedness	$ 27,652,949	$ -	$ -	$ 27,652,949
Accounts payable and accrued liabilities	23,391,873	-	-	23,391,873
Income taxes payable			-	
Customer deposits	525,486	-	-	525,486
Promissory notes payable	325,696	-	-	325,696
Long-term debt	872,045	-	-	872,045
Obligations under finance lease	177,040	-	-	177,040
Current liabilities	52,945,089	-	-	52,945,089
Non-current				
Promissory notes payable	5,200,000	-	-	5,200,000
Long-term debt	2,922,439	-	-	2,922,439
Obligations under finance lease	11,161	-	-	11,161
Deferred tax liabilities	476,378	(83,646)	-	392,732
Non-current liabilities	8,609,978	(83,646)	-	8,526,332
Total liabilities	$ 61,555,067	$ (83,646)	$ -	$ 61,471,421

25. First time adoption of IFRS (cont'd)

25.2 Equity reconciliation (cont'd)

	January 1, 2010			
	Previous GAAP	Effect of transition to IFRS	Effect of accounting policy change	IFRS
Equity				
Share capital	$ 15,156,254	$ -	$ -	$ 15,156,254
Contributed surplus	826,125	-	-	826,125
Warrants	188,050	-	-	188,050
Non-controlling interest	-	-	-	-
Retained earnings	1,206,291	(269,955)	(115,960)	820,376
Total Equity	$ 17,376,720	$ (269,955)	$ (115,960)	$ 16,990,805
Total Liabilities and Equity	$ 78,931,787	$ (353,601)	$ (115,960)	$ 78,462,226

25. First time adoption of IFRS (cont'd)

25.2 Equity reconciliation (cont'd)

	March 31, 2010			
	Previous GAAP	Effect of transition to IFRS	Effect of accounting policy change	IFRS
Assets				
Current				
Accounts receivable	$ 41,578,627	$ -	$ -	$ 41,578,627
Inventories	37,349,064	-	6,366	37,355,430
Prepaid expenses and deposits	1,866,535	-	-	1,866,535
Income taxes receivable	372,244	-	-	372,244
Current assets	81,166,470	-	6,366	81,172,836
Non-current				
Property and equipment	3,664,793	(21,421)	-	3,643,372
Intangible assets	1,156,442	(311,771)	-	844,671
Deferred tax assets	140,938	-	-	140,938
Non-current assets	4,962,173	(333,192)	-	4,628,981
Total assets	$ 86,128,643	$ (333,192)	$ 6,366	$ 85,801,817
Liabilities				
Current				
Bank indebtedness	$ 32,862,159	$ -	$ -	$ 32,862,159
Accounts payable and accrued liabilities	23,259,258	-	-	23,259,258
Customer deposits	761,964	-	-	761,964
Promissory notes payable	158,723	-	-	158,723
Long-term debt	945,943	-	-	945,943
Obligations under finance lease	142,025	-	-	142,025
Current liabilities	58,130,072	-	-	58,130,072
Non-current				
Promissory notes payable	5,200,000	-	-	5,200,000
Long-term debt	2,653,496	-	-	2,653,496
Obligations under finance lease	9,976	-	-	9,976
Deferred tax liabilities	457,962	(83,646)	-	374,316
Non-current liabilities	8,321,434	(83,646)	-	8,237,788
Total liabilities	$ 66,451,506	$ (83,646)	$ -	$ 66,367,860

25. First time adoption of IFRS (cont'd)

25.2 Equity reconciliation (cont'd)

	March 31, 2010			
	Previous GAAP	**Effect of transition to IFRS**	**Effect of accounting policy change**	**IFRS**
Equity				
Share capital	$ 14,790,854	$ -	$ -	$ 14,790,854
Contributed surplus	953,094	-	-	953,094
Warrants	188,050	-	-	188,050
Retained earnings	3,745,139	(249,546)	6,366	3,501,959
Total Equity	$ 19,677,137	$ (249,546)	$ 6,366	$ 19,433,957
Total Liabilities and Equity	$ 86,128,643	$ (333,192)	$ 6,366	$ 85,801,817

25. First time adoption of IFRS (cont'd)

25.2 Equity reconciliation (cont'd)

	December 31, 2010			
	Previous GAAP	Effect of transition to IFRS	Effect of accounting policy change	IFRS
Assets				
Current				
Accounts receivable	$ 46,727,925	$ -	$ -	$ 46,727,925
Inventories	42,441,797	-	(27,682)	42,414,115
Prepaid expenses and deposits	5,025,888	-	-	5,025,888
Income taxes receivable	-	-	-	-
Current assets	94,195,610	-	(27,682)	94,167,928
Non-current				
Property and equipment	3,705,757	(20,986)	-	3,684,771
Intangible assets	857,441	(243,332)	-	614,109
Deferred tax assets	299,631	-	-	299,631
Non-current assets	4,862,829	(264,318)	-	4,598,511
Total assets	$ 99,058,439	$ (264,318)	$ (27,682)	$ 98,766,439
Liabilities				
Current				
Bank indebtedness	$ 39,552,948	$ -	$ -	$ 39,552,948
Accounts payable and accrued liabilities	25,053,083	-	-	25,053,083
Income taxes payable	2,455,289	-	-	2,455,289
Customer deposits	294,638	-	-	294,638
Promissory notes payable	2,391,625	-	-	2,391,625
Long-term debt	866,913	-	-	866,913
Obligations under finance lease	26,722	-	-	26,722
Current liabilities	70,641,218	-	-	70,641,218
Non-current				
Promissory notes payable	1,994,082	-	-	1,994,082
Long-term debt	2,151,281	-	-	2,151,281
Obligations under finance lease	65,849	-	-	65,849
Deferred tax liabilities	299,689	(62,734)	-	236,955
Non-current liabilities	4,510,901	(62,734)	-	4,448,167
Total liabilities	$ 75,152,119	$ (62,734)	$ -	$ 75,089,385

25. First time adoption of IFRS (cont'd)

25.2 Equity reconciliation (cont'd)

	December 31, 2010			
	Previous GAAP	**Effect of transition to IFRS**	**Effect of accounting policy change**	**IFRS**
Equity				
Share capital	$ 14,451,480	$ -	$ -	$ 14,451,480
Contributed surplus	1,078,423	1,065	-	1,079,488
Warrants	229,950	-	-	229,950
Non-controlling interest	(33,411)	-	-	(33,411)
Retained earnings	8,179,878	(202,649)	(27,682)	7,949,547
Total Equity	$ 23,906,320	$ (201,584)	$ (27,682)	$ 23,677,054
Total Liabilities and Equity	$ 99,058,439	$ (264,318)	$ (27,682)	$ 98,766,439

The total effect on retained earnings is further analyzed as follows:

	January 1, 2010	**December 31, 2010**
Write-off of website costs, net of amortization	$ 19,018	$ 20,986
Write-off of non-compete intangibles, net of amortization	334,583	243,332
Adjustment to deferred tax liabilities	(83,646)	(62,734)
Adjustment to stock-based compensation	-	1,065
Effect on transition to IFRS	$ 269,955	$ 202,649

25. First time adoption of IFRS (cont'd)

25.3 Total comprehensive income reconciliation

Total comprehensive income for the period ended March 31, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

	Previous GAAP	Effect of transition to IFRS	Effect of accounting policy adjustment	IFRS
Sales	$ 43,964,826	$ -	$ -	$ 43,964,826
Cost of sales	37,735,854	-	(122,326)	37,613,528
Gross margin	**6,228,972**	-	122,326	**6,351,298**
Expenses				
Salaries and benefits	1,602,362	-	-	1,602,362
Selling, general and administration	1,044,875	3,205	-	1,048,080
Foreign exchange (gain)	(587,595)		-	(587,595)
Interest on short-term operating debt	247,122	-	-	247,122
Interest on long-term debt	165,837	-	-	165,837
Amortization on property and equipment	121,057	(802)	-	120,255
Amortization on intangible assets	104,660	(22,812)	-	81,848
Interest on obligations under finance lease	1,023	-	-	1,023
	2,699,341	(20,409)	-	**2,678,932**
Earnings before income taxes	**3,529,631**	20,409	122,326	**3,672,366**
Income tax expense	990,783	-	-	990,783
Net earnings and comprehensive income	**$ 2,538,848**	$ 20,409	$ 122,326	**$ 2,681,583**

Total basic and diluted EPS for the period ended March 31, 2010 are $0.19 and $0.19 respectively under IFRS, an increase of $0.01 and $0.01 respectively from previous GAAP.

25. First time adoption of IFRS (cont'd)

Total comprehensive income for the year ended December 31, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

	Previous GAAP	Effect of transition to IFRS	Effect of accounting policy adjustment	IFRS
Sales	$ 152,495,386	$ -	$ -	$ 152,495,386
Cost of sales	130,260,107	-	(88,279)	130,171,828
Gross margin	**22,235,279**	-	88,279	**22,323,558**
Expenses				
Salaries and benefits	6,110,137	1,065	-	6,111,202
Selling, general and administration	4,341,779	6,406	-	4,348,185
Foreign exchange gain	(646,365)	-	-	(646,365)
Interest on short-term operating debt	1,119,930	-	-	1,119,930
Interest on long-term debt	633,635	-	-	633,635
Amortization on property and equipment	480,522	(4,435)	-	476,087
Amortization on intangible assets	418,115	(91,250)	-	326,865
Interest on obligations under finance lease	6,015	-	-	6,015
	12,463,768	(88,214)	-	**12,375,554**
Loss on sale of property and equipment	(8,119)	-	-	(8,119)
Earnings before income taxes	**9,763,392**	88,214	88,279	**9,939,885**
Income tax expense	2,823,246	20,912	-	2,844,158
Net earnings and comprehensive income	**$ 6,940,146**	$ 67,302	$ 88,279	**$ 7,095,727**
Earnings for the year attributable to:				
Owners of the parent	$ 6,973,587	$ 67,302	$ 88,279	$ 7,129,168
Non-controlling interest	(33,441)	-	-	(33,441)

Total basic and diluted EPS for the year ended December 31, 2010 are $0.51 and $0.51 respectively under IFRS, an increase of $0.01 and $0.01 respectively from previous GAAP.

25. **First time adoption of IFRS** (cont'd)

25.4 Presentation differences

Certain presentation differences between previous GAAP and IFRS have no impact on reported profit or total equity. Some assets and liabilities have been reclassified into another line item under IFRS at the date of transition. Current portion of deferred tax assets have been grouped with long-term assets. Warrants have been reported separately from previous grouping with contributed surplus.

Some line items are described differently (renamed) under IFRS compared to previous GAAP, although the assets and liabilities included in these line items are unaffected. These line items are as follows (with previous GAAP descriptions in brackets):

Deferred taxes (Future income taxes)
Finance lease obligations (Capital lease obligations)
Post-reporting date events (Subsequent events)

25.5 Notes to the reconciliations

Property and equipment

The decrease in property and equipment as at January 1, 2010 and December 31, 2010 is a result of the derecognition of website development costs capitalized under previous GAAP. IFRS does not permit the recognition of website development costs when the site created does not provide directly traceable future earnings potential to the Company. This resulted in costs of $25,935 and accumulated amortization of $6,916 being removed from the balance sheet on transition date. An addition of $3,205 at March 31, 2010, with accumulated amortization of $802 was also removed at the end the first quarter of 2010.

Intangible assets

The decrease in intangible assets as at January 1, 2010 is a result of the impairment test performed over the intangible assets in the Steel cash generating unit ("CGU"). The Company determined that $334,583 of remaining non-competition agreements intangible assets were impaired and were therefore written off on transition to IFRS. March 31, 2010 and December 31, 2010 balances were then adjusted for the accumulated amortization expense recorded in relation to these intangible assets in each period.

Stock-based compensation

At December 31, 2010, the Company recorded an additional $1,065 of expense related to consultant options issued in the period. Previously, these options were valued using the Black Scholes Option Pricing Model, but under IFRS the Company was required to value these options based on the fair value of the services provided in exchange for the option issue.

25. First time adoption of IFRS (cont'd)

25.6 Deferred tax

The deferred tax adjustment at January 1, 2010 of $83,646 relates to the intangible assets write-off which had a corresponding deferred tax liability that required adjustment. The change in corresponding deferred tax liability to December 31, 2010 was also adjusted.

25. First time adoption of IFRS (cont'd)

25.7 Statement of cash flows presentation

The following adjustments were made to the statement of cash flows:

For the period ended March 31, 2010	Previous GAAP	Effect of transition to IFRS	Effect of accounting policy change	IFRS
Increase (decrease) in cash and cash equivalents				
Operating activities				
Net earnings	$ 2,538,848	$ 20,409	$ 122,326	$ 2,681,583
Non-cash items:				
Amortization on property and equipment	121,057	(802)	-	120,255
Amortization on intangible assets	104,660	(22,812)	-	81,848
Amortization of debt related transaction costs	22,628	-	-	22,628
Future income tax recovery	(18,416)	-	-	(18,416)
Stock-based compensation	46,949	-	-	46,949
Loss on sale of property and equipment	4,982	-	-	4,982
	2,820,708	(3,205)	122,326	2,939,829
Change in non-cash working capital	(7,189,457)	-	(122,326)	(7,311,783)
	(4,368,749)	(3,205)	-	(4,371,954)
Financing activities				
Advances on promissory notes payable	77,383	-	-	77,383
Advances of operating line	5,209,210	-	-	5,209,210
Repayment of promissory notes payable	(244,356)	-	-	(244,356)
Repayment of long-term debt	(217,673)	-	-	(217,673)
Repurchase of common shares (Note 16)	(285,380)	-	-	(285,380)
Repayment of obligations under finance lease	(36,200)	-	-	(36,200)
	4,502,984	-	-	4,502,984
Investing activities				
Purchase of property and equipment	(128,735)	3,205	-	(125,530)
Purchase of intangible assets	(20,000)	-	-	(20,000)
Proceeds on disposal of property and equipment	14,500	-	-	14,500
	(134,235)	3,205	-	(131,030)
Net increase in cash and cash equivalents	-	-	-	-
Cash and cash equivalents, beginning of period	-	-	-	-
Cash and cash equivalents, end of period	$ -	$ -	$ -	$ -

26. Post-reporting date events

a) On April 4, 2011 the Company signed an agreement to sublease its Leduc warehouse and 1.5 acres of land to a third party. The arrangement terms are from June 1, 2011 to June 30, 2019 for an average monthly rent payment of $76,644.

b) On April 8, 2011 the Company incorporated a new subsidiary, Bri-Corp USA, Inc., in the state of Delaware, USA. The newly formed, 100% owned subsidiary was created in anticipation of holding the Company's future US operations to be acquired through acquisition.

c) On April 27, 2011, the directors of the Corporation approved, subject to TSX Venture Exchange and shareholder approval, an amendment to the Company's stock option plan ("the Plan") to increase the number of common shares which could be purchased under the Plan, which will take the amended plan ceiling to 1,578,000 Common Shares. The amended plan ceiling will constitute 10% of the Corporation's issued and outstanding share capital, which is 15,785,586 Common Shares.

No adjusting events have occurred between the reporting date and the date of authorization.

27. Authorization of financial statements

The consolidated interim financial statements for the period ended March 31, 2011 (including comparatives) were approved by the board of directors on May 17, 2011.

(signed) Don Caron	*(signed) Eric Sauze*
Don Caron, Director	Eric Sauze, Director