First Quarter Interim Report

March 31, 2013

(unaudited)

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BRI-CHEM CORP

Interim Consolidated Statements of Operations

(Canadian dollars)
(unaudited)

For the three months ended	Note	March 31 2013	March 31 2012
			(Note 2)
Sales		**$ 49,695,536**	$ 52,706,137
Cost of sales		**41,011,713**	44,292,768
Gross margin		**8,683,823**	8,413,369
Expenses			
Salaries and benefits		**2,835,944**	2,226,483
Selling, general and administration		**1,998,835**	1,731,231
Interest on short-term operating debt		**512,937**	715,108
Interest on long-term debt		**290,891**	4,955
Amortization on property and equipment		**155,183**	162,202
Amortization on intangible assets		**181,116**	116,459
Foreign exchange loss (gain)		**46,698**	(467,077)
Interest on obligations under finance lease		**6,528**	16,010
		6,028,132	4,505,371
Earnings before income taxes		**2,655,691**	3,907,998
Income tax expense (recovery)			
Current		**779,120**	1,171,155
Deferred		**41,867**	(156,761)
		820,987	1,014,394
Net earnings		**$ 1,834,704**	$ 2,893,604
Earnings attributable to:			
Shareholders of the Company		**$ 1,859,851**	$ 3,061,478
Non-controlling interest	**7**	**(25,147)**	(167,874)
		$ 1,834,704	$ 2,893,604
Earnings per share	**8**		
Basic		**$ 0.11**	$ 0.18
Diluted		**$ 0.11**	$ 0.18

The accompanying notes are an integral part of the interim consolidated financial statements

Interim Consolidated Statements of Comprehensive Income

(Canadian dollars)
(unaudited)

For the three months ended	Note		March 31 2013		March 31 2012
Net earnings		$	1,834,704	$	2,893,604
Other comprehensive loss, net of tax of $nil (2012 - $nil)					
Foreign currency translation adjustment			(497,838)		(11,419)
Comprehensive income		$	1,336,866	$	2,882,185
Comprehensive income attributable to:					
Shareholders of the Company		$	1,362,013	$	3,050,059
Non-controlling interest	7		(25,147)		(167,874)
		$	1,336,866	$	2,882,185

The accompanying notes are an integral part of the interim consolidated financial statements

Interim Consolidated Balance Sheets
(Canadian dollars)
(unaudited)

	Note	March 31 2013	December 31 2012
Assets			
Current			
Accounts receivable		**$ 44,636,383**	$ 37,594,701
Inventories		**71,602,197**	70,286,639
Prepaid expenses and deposits		**3,716,803**	2,711,738
Income taxes receivable		**152,131**	—
		120,107,514	110,593,078
Non-current			
Property, plant and equipment		**13,235,318**	13,006,408
Intangible assets		**2,532,897**	2,688,623
Goodwill		**1,654,379**	1,619,307
Deferred tax assets		**1,316,069**	1,347,643
		$ 138,846,177	$ 129,255,059
Liabilities			
Current			
Bank indebtedness		**$ 53,117,352**	$ 44,398,833
Accounts payable and accrued liabilities		**20,924,105**	21,753,134
Unearned revenue		**167,234**	52,859
Current portion of promissory notes payable		**256,356**	—
Current portion of long-term debt		**346,945**	—
Current portion of obligations under finance lease		**162,743**	164,401
Income taxes payable		**—**	377,622
		74,974,735	66,746,849
Non-current			
Promissory notes payable		**—**	248,731
Long-term debt		**9,383,212**	9,457,350
Obligations under finance lease		**267,220**	307,670
Deferred tax liabilities		**558,270**	512,333
Other long-term liabilities		**263,132**	252,765
		85,446,569	77,525,698
Equity			
Share capital	5	**24,390,465**	24,396,817
Contributed surplus		**1,695,210**	1,355,350
Warrants		**209,226**	209,226
Non-controlling interest	7	**2,387,078**	2,412,225
Retained earnings		**25,272,747**	23,413,023
Accumulated other comprehensive loss		**(555,118)**	(57,280)
		53,399,608	51,729,361
		$ 138,846,177	$ 129,255,059

The accompanying notes are an integral part of the interim consolidated financial statements

Interim Consolidated Statements of Changes in Equity

(Canadian dollars)
(unaudited)

	Note	Share capital	Contributed surplus	Warrants	Accumulated other comprehensive loss	Retained earnings	The Company	Non-controlling interest	Total equity
Balance at January 1, 2013		$ 24,396,817	$ 1,355,350	$ 209,226	$ (57,280)	$ 23,413,023	$ 49,317,136	$ 2,412,225	**$ 51,729,361**
Repurchase of shares under Normal Course Issuer Bid	**5**	(6,352)	—	—	—	(127)	(6,479)	—	**(6,479)**
Employee share-based payment options		—	339,860	—	—	—	339,860	—	**339,860**
Net earnings		—	—	—	—	1,859,851	1,859,851	(25,147)	**1,834,704**
Other comprehensive loss		—	—	—	(497,838)	—	(497,838)	—	**(497,838)**
Balance at March 31, 2013		$ 24,390,465	$ 1,695,210	$ 209,226	$ (555,118)	$ 25,272,747	$ 51,012,530	$ 2,387,078	**$ 53,399,608**

	Share capital	Contributed surplus	Warrants	Accumulated other comprehensive income (loss)	Retained earnings	The Company	Non-controlling interest	Total equity
Balance at January 1, 2012	$ 23,727,210	$ 613,004	$ 88,200	$ 6,997	$ 18,047,188	$ 42,482,599	$ 1,466,882	$ 43,949,481
Issuance of shares upon exercise of options	86,044	(7,915)	—	—	—	78,129	—	78,129
Employee share-based payment options	—	97,735	—	—	—	97,735	—	97,735
Consultant share-based payment options	—	(13,386)	—	—	—	(13,386)	—	(13,386)
Net earnings (loss)	—	—	—	—	3,061,478	3,061,478	(167,874)	2,893,604
Other comprehensive loss	—	—	—	(11,419)	—	(11,419)	—	(11,419)
Balance at March 31, 2012	$ 23,813,254	$ 689,438	$ 88,200	$ (4,422)	$ 21,108,666	$ 45,695,136	$ 1,299,008	$ 46,994,144

The accompanying notes are an integral part of the interim consolidated financial statements

Interim Consolidated Statements of Cash Flows

(Canadian dollars)
(unaudited)

For the three months ended	March 31 2013	March 31 2012
Increase (decrease) in cash and cash equivalents		
Operating activities		
Net earnings	**$ 1,834,704**	$ 2,893,604
Adjustments for:		
Amortization on property, plant and equipment	**402,941**	442,181
Amortization on intangible assets	**180,041**	116,459
Amortization of debt related transaction costs	**100,346**	107,559
Deferred tax expense (recovery)	**41,867**	(165,612)
Share-based payments	**339,860**	97,734
Foreign exchange loss (gain) on debt	**420,502**	(549,964)
Unrealized foreign exchange (gain) loss	**(365,817)**	113,822
Interest paid on debt and finance leases	**810,356**	714,966
Lease inducement	**11,586**	3,681
Loss on sale of property, plant and equipment	**3,572**	201
Cash from operating activities before change in non-cash working capital	**3,779,958**	3,774,631
Change in non-cash working capital	**(10,403,588)**	(15,896,984)
Cash used in operating activities	**(6,623,630)**	(12,122,353)
Financing activities		
Advances on long-term debt	**253,120**	—
Interest paid on debt and finance leases	**(810,356)**	(714,966)
Advances on promissory notes payable	**—**	5,179
Advances on operating line	**7,707,817**	13,475,389
(Repurchase) proceeds on issuance of shares	**(6,479)**	64,744
Repayments of obligations under finance lease	**(54,099)**	(42,693)
Cash provided by financing activities	**7,090,003**	12,787,653
Investing activities		
Purchase of property, plant and equipment	**(504,565)**	(731,161)
Purchase of intangible assets	**—**	(3,597)
Proceeds on disposal of property, plant and equipment	**38,192**	69,458
Cash used in investing activities	**(466,373)**	(665,300)
Net increase in cash and cash equivalents	**—**	—
Cash and cash equivalents, beginning of year	**—**	—
Cash and cash equivalents, end of year	**$ —**	$ —
Supplemental cash flow information		
Interest paid	**$ 810,356**	$ 714,996
Income taxes paid	**$ 1,308,873**	$ 918,789

The accompanying notes are an integral part of the interim consolidated financial statements

1. Nature of operations

Bri-Chem Corp.'s ("the Company"or "Bri-Chem") shares are publicly traded on the Toronto Stock Exchange under the symbol BRY. Since 1985, Bri-Chem has established two primary segments of business through a combination of internal growth and acquisitions: Bri-Chem's Drilling Fluid Division is North America's largest independent wholesale supplier of drilling fluids for the oil and gas industry. The Company provides critical drilling fluid products, cementing, acidizing and stimulation additives from multiple strategically located warehouses throughout Canada and the United States; Bri-Chem's Steel Pipe Division is a wholesale distributor of carbon steel pipe and a manufacturer of large diameter seamless steel pipe for the energy industry.

2. Basis of presentation

These unaudited interim consolidated financial statements are prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". They do not contain all the necessary annual disclosures in accordance with IFRS. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012.

These unaudited interim consolidated financial statements, in all material respects, follow the same accounting policies and method of application as the annual consolidated financial statements of the preceding fiscal year, except as noted in Note 3.

The Company reclassified amounts in the Statement of Operations relating to sublease revenue and production costs for its manufacturing facility to categorize production overheads consistently. The 2012 comparatives have been reclassified as a result. Sales increased by $139,689, cost of sales increased by $907,422, salaries decreased by $134,990, selling, general and administration decreased by $352,764 and amortization on property and equipment decreased by $279,979. There was no impact on the net earnings of the Company.

The unaudited interim consolidated financial statements for the quarter ended March 31, 2013 were authorized for issue by the Board of Directors on May 9, 2013.

3. New accounting policies

These interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Company's annual financial statements for the year ended December 31, 2012, except for the following:

Consolidated Financial Statements
In January 2013, the Company adopted IFRS 10 "Consolidated Financial Statements". IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Company controls the investee on the basis of de facto circumstances.

In accordance with the transitional provisions of IFRS 10, the Company re-assessed the control conclusion for its investees at January 1, 2013. The Company has made no changes as a result of this process in the current or comparative period.

Fair Value Measurement
In January 2013, the Company adopted IFRS 13 "Fair Value Measurements". IFRS 13 replaces the fair value measurement guidance contained in individual IFRS's with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the

(Canadian dollars)

3. New accounting policies *(cont'd)*

Fair Value Measurement (cont'd)

effect of the measurements on profit or loss or other comprehensive income. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRS.

IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Company has adopted IFRS 13 prospectively in its financial statements for the annual period beginning January 1, 2013. The Company has made no changes in the current or comparative period.

4. 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.

5. Share capital

Issued and outstanding **Common shares**	**Number**	**Amount**
Balance, January 1, 2012	**17,180,627**	**$ 23,727,210**
Issuance of shares upon exercise of options	**119,167**	**323,015**
Issuance of shares upon exercise of warrants	**66,667**	**198,800**
Issuance of shares for acquisition	**95,451**	**147,792**
Balance, December 31, 2012	**17,461,912**	**$ 24,396,817**
Shares repurchased and cancelled	**(3,176)**	**(6,352)**
Share capital balance, March 31, 2013	**17,458,736**	**$ 24,390,465**

The Company has entered into a Normal Course Issuer Bid ("NCIB") with the Toronto Stock Exchange. Under the NCIB, the Company is permitted to acquire up to 1,103,327 of its common shares during the period December 17, 2012 to December 17, 2013. All common shares purchased through the bid will be cancelled. At March 31, 2013, 3,176 shares had been repurchased for cancellation under the NCIB for cash consideration of $6,479. The excess of the repurchase price over the carrying value has been charged to retained earnings.

(Canadian dollars)

6. Share-based payments

A summary of transactions during the quarter is outlined below.

6.1 Options to employees and directors

	Number of options		Weighted average exercise price	Weighted average contractual life (years)
Outstanding, January 1, 2013	1,115,000	$	2.73	8.73
Outstanding, March 31, 2013	1,115,000	$	2.73	8.48
Options exercisable, March 31, 2013	206,666	$	2.36	5.62

	Number of options		Weighted average exercise price	Weighted average contractual life (years)
Outstanding, January 1, 2012	595,000	$	2.35	7.94
Issued	695,000		2.77	9.61
Exercised	(47,200)		1.12	3.40
Expired	(127,800)		1.79	—
Outstanding, December 31, 2012	1,115,000	$	2.73	8.73
Options exercisable, December 31, 2012	206,666	$	2.36	5.87

6.2 Options to consultants

There were no options to consultants outstanding as at March 31, 2013.

	Number of options		Weighted average exercise price	Weighted average contractual life (years)
Outstanding, January 1, 2012	153,688	$	2.85	1.58
Exercised	(71,968)		2.67	0.29
Expired	(81,720)		3.00	—
Outstanding, December 31, 2012	—	$	—	—

During the three month period ended March 31, 2013, $339,860 (March 31, 2012 - $97,735) was expensed in relation to the share based payment plan to employees and directors.

6.3 Warrants

On November 30, 2012, pursuant to the terms of the loan agreement with Fulcrum Capital Partners Inc., the Company issued 300,000 share purchase warrants with a fair value of $209,226 to the lender. Each share purchase warrant entitles the lender to purchase one common share of the Company at a price of $1.77 per common share from December 6, 2012, expiring December 5, 2016. The warrants include an option to June 5, 2014 for the Company to purchase for cancellation any of the warrants for a 30% premium of the exercise price.

(Canadian dollars)

6. Share-based payments *(cont'd)*

6.3 Warrants (cont'd)

	Number of warrants	Weighted average exercise price	Weighted average contractual life (years)
Outstanding, January 1, 2013	300,000	$ 1.77	3.93
Outstanding, March 31, 2013	300,000	1.77	3.68
Exercisable	300,000	$ 1.77	3.68

	Number of warrants	Weighted average exercise price	Weighted average contractual life (years)
Outstanding, January 1, 2012	100,000	$ 2.10	0.79
Issued	300,000	1.77	3.93
Exercised	(66,667)	2.10	0.20
Expired	(33,333)	2.10	—
Outstanding, December 31, 2012	300,000	$ 1.77	3.93
Exercisable	300,000	$ 1.77	3.93

7. Non-controlling interest

Bri-Steel Manufacturing Inc. (“Manufacturing”) is 70% owned by the Company and 30% owned by Wuxi Huayou Special Steel Co. Ltd, ("Wuxi") of the People's Republic of China. Non-controlling interests have been recorded for Wuxi’s share of Manufacturing’s net operations for the period.

On December 31, 2011, the Company issued 2,100,000 Preferred, Series 1 non-puttable shares with a fair value of $2,135,666 to Wuxi in exchange for equipment and technical knowledge contributed to the subsidiary. Upon redemption of the preferred shares by the subsidiary, the Company has an option to repurchase the outstanding common shares of the subsidiary, to which no value has been attached at March 31, 2013 (December 31, 2012 - $nil).

During 2012, the increase of partner investment of $1,418,658 includes raw materials inventory of $1,059,450 and equipment of $359,208.

	March 31, 2013	December 31, 2012
Balance, beginning of period	**$ 2,412,225**	$ 1,466,882
Inventory investment by partner	**—**	1,059,450
Equipment investment by partner	**—**	359,208
Net loss and comprehensive loss	**(25,147)**	(473,315)
Balance, end of period	**$ 2,387,078**	$ 2,412,225

(Canadian dollars)

8. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Company as the numerator, i.e. no adjustments to profit were necessary in 2013 or 2012.

(three months ended)	March 31, 2013	March 31, 2012
Net earnings attributable to the shareholders of the Company	$ 1,859,851	$ 3,061,478
Basic weighted average number of ordinary shares	17,461,806	17,193,631
Dilutive options issued and outstanding	65,817	220,681
Diluted weighted average number of ordinary shares	17,527,623	17,414,312
Basic earnings per share	$ 0.11	$ 0.18
Diluted earnings per share	$ 0.11	$ 0.18

9. Segment reporting

The measurement policies the Company uses for segment reporting are the same as those used in its annual and interim financial statements. General and administrative expenses directly related to the segments are included as operating expenses for those segments.

The Company has six reportable segments: Fluids Distribution Canada, Fluids Distribution USA, Fluids Packaging, Steel Distribution, Steel Manufacturing and Other. The Other segment represents insignificant segments and all remaining costs not directly attributable to an operating segment, such as corporate overhead.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions. As at December 31, 2012, the Company identified two additional operating segments for its fluids packaging segment and its fluids distributions USA segment. As a result, comparative information has been reclassified.

Revenues between divisions are recognized at cost.

Selected financial information by reportable segment is disclosed as follows:

(Canadian dollars)

9. Segment reporting *(cont'd)*

March 31, 2013	Fluid Distribution Canada	Fluid Distribution USA	Total Fluid Distribution	Fluid Packaging	Steel Distribution	Steel Manufacturing	Other*	Consolidated
Total revenues	$ 29,510,796	$ 7,824,927	$ 37,335,723	$ 7,940,638	$ 3,838,471	$ 4,333,685	$ —	**$ 53,448,517**
Revenues from internal customers	69,452	82,327	151,779	3,599,023	2,179	—	—	**3,752,981**
Revenues from external customers	29,441,344	7,742,600	37,183,944	4,341,615	3,836,292	4,333,685	—	**49,695,536**
Cost of sales	24,976,945	5,940,521	30,917,466	3,489,369	2,718,413	3,874,356	12,109	**41,011,713**
Segment earnings (loss) from operations	2,646,413	624,794	3,271,207	844,812	168,003	120,720	(602,396)	**3,802,346**
Amortization	38,390	99,025	137,415	141,197	43,965	1,760	11,962	**336,299**
Interest expense (income)	(1,032)	2,458	1,426	(182)	2,131	5,657	801,324	**810,356**
Income tax expense (recovery)	579,492	197,498	776,990	194,607	7,972	30,180	(188,762)	**820,987**
Segment profit (loss)	$ 2,029,563	$ 325,813	$ 2,355,376	$ 509,190	$ 113,935	$ 83,123	$ (1,226,920)	**$ 1,834,704**
Segment assets	$ 62,560,296	$ 16,841,196	$ 79,401,492	$ 10,392,631	$ 13,533,029	$ 29,265,421	$ 6,253,604	**$ 138,846,177**
Capital expenditures	$ 21,329	$ 444,439	$ 465,768	$ 6,502	$ —	$ 21,095	$ 11,200	**$ 504,565**

* Other includes fluids transportation and corporate overhead costs.

(Canadian dollars)

9. Segment reporting *(cont'd)*

March 31, 2012	Fluid Distribution Canada	Fluid Distribution USA	Total Fluid Distribution	Fluid Packaging	Steel Distribution	Steel Manufacturing	Other*	Consolidated
Total revenues	$ 38,802,771	$ 2,859,615	$ 41,662,386	$ 6,165,365	$ 7,115,801	$ 2,259,716	$ 332,030	**$ 57,535,298**
Revenues from internal customers	805,935	61,512	867,447	3,534,394	—	225,469	201,851	**4,829,161**
Revenues from external customers	37,996,836	2,798,103	40,794,939	2,630,971	7,115,801	2,034,247	130,179	**52,706,137**
Cost of sales	31,838,917	2,154,659	33,993,576	2,067,517	5,921,364	2,229,276	81,035	**44,292,768**
Segment earnings (loss) from operations	5,131,268	74,023	5,205,291	203,515	151,106	(303,469)	(333,711)	**4,922,732**
Amortization	42,468	70,076	112,544	28,897	40,820	10,198	86,202	**278,661**
Interest expense (income)	4,177	7,921	12,098	(392)	228	6,223	717,916	**736,073**
Income taxes (recovery)	1,319,817	(954)	1,318,863	45,349	28,568	(177,416)	(200,970)	**1,014,394**
Segment profit (loss)	$ 3,764,806	$ (3,020)	$ 3,761,786	$ 129,661	$ 81,490	$ (142,474)	$ (936,859)	**$ 2,893,604**
Segment assets	$ 80,291,077	$ 12,428,891	$ 92,719,968	$ 6,116,334	$ 19,056,967	$ 13,784,613	$ 795,444	**$ 132,473,326**
Capital expenditures	$ 19,117	$ 527,490	$ 546,607	$ 33,796	$ 46,033	$ 104,725	$ —	**$ 731,161**

* Other includes fluids transportation and corporate overhead costs.

(Canadian dollars)

9. Segment reporting *(cont'd)*

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

		March 31, 2013		March 31, 2012
Revenue				
Canada and International	$	37,957,301	$	45,590,584
United States		11,738,235		7,115,553
	$	49,695,536	$	52,706,137
Non-current assets				
Canada and International	$	13,691,774	$	8,481,679
United States		5,046,889		4,370,170
	$	18,738,663	$	12,851,849

Revenues from external customers in Canada, as well as other markets, have been identified on the basis of the customer's geographical location.

10. 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.

During the quarter ended March 31, 2013, the Company incurred office sharing costs of $15,000 (March 31, 2012 – $15,750) that were paid to a company over which a director has control.

11. 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 2013		December 31 2012
Bank indebtedness	$	53,117,352	$	44,398,833
Long-term debt		9,730,157		9,457,350
Promissory notes payable		256,356		248,731
Obligations under finance lease		429,963		472,071
Equity		53,399,608		51,729,361
Total capital	$	116,933,436	$	106,306,346

(Canadian dollars)

11. Capital management policies and procedures *(cont'd)*

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.

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

	March 31 2013	**Minimum required**	December 31 2012	Minimum required
Adjusted tangible net worth	**$ 48,494,179**	**To exceed $27,105,000**	$ 46,586,121	To exceed $27,105,000
Eligible capital expenditures	**$ 504,565**	**Not to exceed $4,262,700**	$ 3,463,991	Not to exceed $3,630,600
Funded term debt to EBITDA	**0.94**	**Not to exceed 1.5:1**	0.91	Not to exceed 1.5:1

The minimum covenants are noted in the above table. The Company monitors its covenants on an ongoing basis and reports on its compliance to its lender on a monthly basis. As at March 31, 2013, the Company was in compliance with all financial covenants.

The Company has credit facilities which contain three financial covenants being a minimum tangible net worth, maximum annual capital expenditures and maximum funded term debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). Failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, would permit acceleration of the relevant indebtedness.

Adjusted tangible net worth is set at a minimum and defined, on a consolidated basis, as total assets, less intangibles and goodwill, excluding deferred tax assets less total liabilities, excluding deferred tax liabilities. Capital expenditures limit is set at a maximum of 120% of the consolidated budgeted yearly expenditures. Funded term debt is any term debt without limitation the loan and any finance lease obligation. EBITDA is net income before interest on debt, taxes on net income and depreciation and amortization and non-recurring charges (including transaction and acquisition expenses) and extraordinary items and share based payments during any of its recently completed four fiscal quarters.

12. Post-reporting date events

On April 30, 2013, the Company entered into a letter of intent to acquire assets and ongoing operations of a California, USA based specialty cement chemical blending and packaging company. The transaction is expected to be completed on or about May 31, 2013, subject to certain closing conditions.

(signed) "Don Caron"
Don Caron, Director

(signed) "Eric Sauze"
Eric Sauze, Director