Second Quarter Interim Condensed Report

(unaudited)

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Interim Consolidated Statements of Operations

(Canadian dollars), (unaudited)

	Note	(three months ended) June 30 2014	June 30 2013	(six months ended) June 30 2014	June 30 2013
			(Note 2)		*(Note 2)*
Sales		**$ 35,185,988**	$ 20,291,424	**$ 81,133,207**	$ 61,816,983
Cost of sales		**29,131,434**	16,471,589	**67,610,419**	50,890,534
Gross margin		**6,054,554**	3,819,835	**13,522,788**	10,926,449
Expenses					
Salaries and benefits		**2,883,934**	2,073,068	**5,586,424**	4,478,427
Selling, general and administration		**1,872,018**	1,230,809	**3,328,340**	2,281,214
Interest on short-term operating debt		**406,802**	225,635	**836,554**	536,990
Interest on long-term debt		**310,156**	320,117	**625,815**	637,594
Amortization on intangible assets		**312,348**	177,624	**626,443**	355,549
Depreciation on property and equipment		**212,489**	125,563	**407,060**	238,215
Interest on obligations under finance lease		**887**	902	**1,773**	1,773
Foreign exchange loss (gain)		**596,894**	(142,636)	**194,510**	8,973
		6,595,528	4,011,082	**11,606,919**	8,538,735
(Loss) earnings before income taxes		**(540,974)**	(191,247)	**1,915,869**	2,387,714
Income tax expense					
Current		**13,046**	33,494	**705,797**	774,462
Deferred		**42,495**	41,776	**85,386**	83,643
		55,541	75,270	**791,183**	858,105
Net (loss) earnings from continued operations		**(596,515)**	(266,517)	**1,124,686**	1,529,609
Discontinued operations					
Net loss from discontinued operations	8	**(2,579,502)**	(777,296)	**(12,268,345)**	(738,718)
Net (loss) earnings		**(3,176,017)**	(1,043,813)	**(11,143,659)**	790,891
(Loss) earnings from continued operations attributable to:					
Shareholders of the Company		**(596,515)**	(266,517)	**1,124,686**	1,529,609
Non-controlling interest		—	—	—	—
(Loss) earnings from discontinued operations attributable to:					
Shareholders of the Company		**(2,621,616)**	(625,705)	**(9,427,346)**	(561,980)
Non-controlling interest		**42,114**	(151,591)	**(2,840,999)**	(176,738)
Total (loss) earnings attributable to:					
Shareholders of the Company		**(3,218,131)**	(892,222)	**(8,302,660)**	967,629
Non-controlling interest		**42,114**	(151,591)	**(2,840,999)**	(176,738)
		(3,176,017)	(1,043,813)	**(11,143,659)**	790,891
(Loss) earnings per share from continued and discontinued operations	7				
Basic from continued operations		**$ (0.02)**	$ (0.02)	**$ 0.05**	$ 0.09
Basic from discontinued operations		**(0.11)**	(0.04)	**(0.39)**	(0.03)
From net (loss) earnings		**(0.13)**	(0.05)	**(0.35)**	0.06
Diluted from continued operations		**(0.02)**	(0.02)	**0.05**	0.09
Diluted from discontinued operations		**(0.11)**	(0.04)	**(0.39)**	(0.03)
From net (loss) earnings		**$ (0.13)**	$ (0.05)	**$ (0.35)**	$ 0.06

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

Interim Consolidated Statements of Comprehensive Loss

(Canadian dollars)

(unaudited)

	(three months ended)		(six months ended)	
	June 30 2014	June 30 2013	**June 30 2014**	June30 2013
Net (loss) earnings	**$ (3,176,017)**	$ (1,043,813)	**$ (11,143,659)**	$ 790,891
Other comprehensive income (loss), net of tax of $nil (2013-$nil)				
Foreign currency translation adjustment	**909,886**	(844,390)	**(69,582)**	(1,342,228)
Comprehensive loss	**$ (2,266,131)**	$ (1,888,203)	**$ (11,213,241)**	$ (551,337)
Comprehensive income (loss) attributable to:				
Shareholders of the Company	**$ (2,308,245)**	$ (1,736,612)	**$ (8,372,242)**	$ (374,599)
Non-controlling interest	**42,114**	(151,591)	**(2,480,999)**	(176,738)
	$ (2,266,131)	$ (1,888,203)	**$ (10,853,241)**	$ (551,337)

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

Interim Consolidated Statements of Financial Position
(Canadian dollars)
(unaudited)

	Note	June 30 2014	December 31 2013
Assets			
Current			
Accounts receivable		$ 29,187,883	$ 45,877,585
Inventories		51,564,727	74,735,083
Prepaid expenses and deposits		1,623,511	3,234,769
Income taxes receivable		2,056,418	1,797,255
		84,432,539	125,644,692
Assets held for sale	8	21,981,221	—
		106,413,760	125,644,692
Non-current			
Property and equipment		9,044,291	15,596,330
Intangible assets		4,538,460	5,214,729
Goodwill		4,085,066	4,072,357
Deferred tax assets		6,205,980	2,564,187
Other long-term assets		135,432	119,365
		$ 130,422,989	$ 153,211,660
Liabilities			
Current			
Bank indebtedness		$ 50,750,624	$ 53,495,254
Accounts payable and accrued liabilities		16,973,525	27,187,839
Current portion of promissory notes payable		252,393	490,039
Current portion of long-term debt		1,252,090	1,250,714
Current portion of obligations under finance lease		17,359	136,004
Income taxes payable		178,469	1,153,634
		69,424,460	83,713,484
Liabilities held for sale	8	3,151,597	—
		72,576,057	83,713,484
Non-current			
Long-term debt		7,975,528	8,542,649
Obligations under finance lease		36,781	187,166
Deferred tax liabilities		292,876	208,296
Other long-term liabilities		104,329	382,199
		80,985,571	93,033,794
Equity			
Share capital	6	33,647,907	33,647,907
Contributed surplus		3,005,154	2,532,361
Warrants		209,226	209,226
Non-controlling interest		(915,981)	1,925,018
Retained earnings		15,219,844	23,522,504
Accumulated other comprehensive loss		(1,728,732)	(1,659,150)
		49,437,418	60,177,866
		$ 130,422,989	$ 153,211,660

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

Interim Consolidated Statements of Changes in Equity

(Canadian dollars)
(unaudited)

	Share capital	Contributed surplus	Warrants	Accumulated other comprehensive loss	Retained earnings	The Company	Non-controlling interest	Total equity
Balance at January 1, 2014	$ 33,647,907	$ 2,532,361	$ 209,226	$ (1,659,150)	$ 23,522,504	$ 58,252,848	$ 1,925,018	**$ 60,177,866**
Employee share-based payment options	—	472,793	—	—	—	472,793	—	**472,793**
Net earnings (loss)	—	—	—	—	(8,302,660)	(8,302,660)	(2,840,999)	**(11,143,659)**
Other comprehensive loss	—	—	—	(69,582)	—	(69,582)	—	**(69,582)**
Balance at June 30, 2014	$ 33,647,907	$ 3,005,154	$ 209,226	$ (1,728,732)	$ 15,219,844	$ 50,353,399	$ (915,981)	**$ 49,437,418**

	Share capital	Contributed surplus	Warrants	Accumulated other comprehensive income (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	(86,335)	(127)	—	—	—	(86,462)	—	(86,462)
Employee share-based payment options	—	679,722	—	—	—	679,722	—	679,722
Net earnings (loss)	—	—	—	—	967,629	967,629	(176,738)	790,891
Other comprehensive loss	—	—	—	(1,342,228)	—	(1,342,228)	—	(1,342,228)
Balance at June 30, 2013	$ 24,310,482	$ 2,034,945	$ 209,226	$ (1,399,508)	$ 24,380,652	$ 49,535,797	$ 2,235,487	$ 51,771,284

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

Interim Consolidated Statements of Cash Flows
(Canadian dollars)
(unaudited)

For the six months ended	June 30, 2014	June 30, 2013
Operating activities		
Net earnings	**$ 1,124,686**	$ 1,529,609
Adjustments for:		
Depreciation on property and equipment	**407,060**	238,215
Amortization on intangible assets	**626,443**	355,549
Amortization of debt related transaction costs	**193,820**	86,119
Deferred tax expense	**85,386**	83,643
Share-based payments	**472,793**	679,722
Foreign exchange loss on debt	**263,988**	870,118
Unrealized foreign exchange loss (gain)	**11,095**	(966,871)
Interest paid on debt and finance leases	**1,272,592**	1,037,512
Fair value amortization on promissory note	**6,668**	—
Loss on sale of property and equipment	**—**	31,486
Cash from operating activities before change in non-cash working capital	**4,464,531**	3,945,102
Change in non-cash working capital	**6,710,158**	10,322,320
Cash provided by operating activities from continued operations	**11,174,689**	14,267,422
Cash used in operating activities in discontinued operations	**(3,214,162)**	(6,477,881)
Total cash provided by operating activities	**7,960,527**	7,789,541
Financing activities		
Advances on long-term debt	**—**	255,006
Interest paid on debt and finance leases	**(1,296,806)**	(1,037,512)
(Repayments) advances on promissory notes payable	**(261,465)**	5,123
Repayments on operating line	**(7,620,908)**	(13,311,188)
Repayment of long-term debt	**(626,058)**	(22,928)
Repurchase of shares	**—**	(86,462)
Repayments of obligations under finance lease	**(3,089)**	(23,101)
Cash used in financing activities in continued operations	**(9,808,326)**	(14,221,062)
Cash provided by financing activities in discontinued operations	**3,439,464**	7,237,118
Total cash used in financing activities	**(6,368,862)**	(6,983,944)
Investing activities		
Purchase of property and equipment	**(1,392,728)**	(676,971)
Purchase of intangible assets	**(13,756)**	—
Proceeds on disposal of property and equipment	**—**	33,440
Cash used in investing activities in continued operations	**(1,406,484)**	(643,531)
Cash used in investing activities in discontinued operations	**(185,181)**	(162,066)
Total cash used in investing activities	**(1,591,665)**	(805,597)
Net increase in cash and cash equivalents	**—**	—
Cash and cash equivalents, beginning of the period	**—**	—
Cash and cash equivalents, end of the period	**$ —**	$ —

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 is North America's largest independent wholesale supplier of drilling fluids for the oil and gas industry. The Company provides drilling fluid products, cementing, acidizing and stimulation additives from multiple strategically located warehouses throughout Canada and the United States. On July 15, 2014 the Company closed the sale transaction of assets and ongoing business operations of its steel pipe manufacturing division and steel pipe distribution division (Note 8 and 12). Bri-Chem Corp., the Company's parent, is incorporated and located in Canada. Its registered and primary place of business is 2125 - 64 Avenue, Edmonton, Alberta, T6P 1Z4.

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, 2013.

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 in connection with sales of assets and business operations of its Steel Pipe Manufacturing and Steel Pipe Distribution operating segments. The Company reclassified the associated assets and liabilities of these segments to assets and liabilities held for sale and operations are reflected as discontinued operations for all periods presented. In addition, the Company reclassified amounts related to transaction costs of financial liabilities measured at amortized cost, sublease sales and lease expenses to categorize interest expenses, sales, and cost of sales consistently.

The unaudited interim consolidated financial statements for the quarter ended June 30, 2014 were authorized for issue by the Board of Directors on August 7, 2014.

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, 2013, except for the following:

Amendments to IAS 32 - Financial Instruments: Presentation

In January 2014, the Company adopted amendments to IAS 32, which relate to the application guidance in IAS 32, and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The Company assessed the impact of the amendment on its consolidated financial statements. The Company has made no changes as a result of this process in the current or comparative period.

Amendment to IAS 36 - Impairment of assets

In January 2014, the Company adopted the amendment to IAS 36, which includes the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment does not have an impact on the Company's financial statements.

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

IFRIC 21 - Levies

In January 2014, the Company adopted IFRIC 21, which is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligation event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This amendment does not have a material impact on the Company's financial statements.

4. Recent pronouncements not yet effective and that have not been adopted early

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the interim financial statements for the quarter ended June 30, 2014. The standards issued that are applicable to the Company are as follows:

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard includes guidance on recognition and de recognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, with early adoption permitted and is to be applied retrospectively.

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.

(Canadian dollars)

6. Share capital

Issued and outstanding		
Common shares	**Number**	**Amount**
Balance, January 1, 2013	**17,461,912**	**$ 24,396,817**
Issuance of shares under financing, net of tax and share issue costs	**6,667,000**	**9,416,366**
Shares repurchased and cancelled	**(118,176)**	**(165,276)**
Balance, December 31, 2013	**24,010,736**	**$ 33,647,907**
Shares repurchased and cancelled	—	—
Issuance of shares under financing, net of tax and share issue costs	—	—
Share capital balance, June 30, 2014	**24,010,736**	**$ 33,647,907**

7. (Loss) earnings per share

Both the basic and diluted (loss) earnings per share have been calculated using the profit attributable to shareholders of the Company as the numerator.

(three months ended)	**June 30, 2014**	June 30, 2013
Net loss from continued operations attributable to the shareholders of the Company	**$ (596,515)**	$ (266,516)
Net loss from discontinued operations attributable to the shareholders of the Company	**(2,621,616)**	(625,705)
Total loss attributable to the shareholders of the Company	**(3,218,131)**	(892,222)
Basic weighted average number of ordinary shares	**24,010,736**	17,443,636
Dilutive options issued and outstanding	—	—
Diluted weighted average number of ordinary shares	**24,010,736**	17,443,636
Basic loss from continued operations per share	**$ (0.02)**	$ (0.02)
Diluted loss from continued operations per share	**(0.02)**	(0.02)
Basic loss from discontinued operations per share	**(0.11)**	(0.04)
Diluted loss from discontinued operations per share	**(0.11)**	(0.04)
Basic loss per share	**(0.13)**	(0.05)
Diluted loss per share	$ **(0.13)**	$ (0.05)

(Canadian dollars)

7. (Loss) earnings per share *(cont'd)*

(six months ended)		**June 30, 2014**		June 30, 2013
Net income from continued operations attributable to the shareholders of the Company	$	**1,124,686**	$	1,529,609
Net loss from discontinued operations attributable to the shareholders of the Company		**(9,427,346)**		(561,980)
Total (loss) income attributable to the shareholders of the Company		**(8,302,660)**		967,629
Basic weighted average number of ordinary shares		**24,010,736**		17,452,673
Dilutive options issued and outstanding		**20,010**		28,954
Diluted weighted average number of ordinary shares		**24,030,746**		17,481,627
Basic income from continued operations per share	$	**0.05**	$	0.09
Diluted income from continued operations per share		**0.05**		0.09
Basic loss from discontinued operations per share		**(0.39)**		(0.03)
Diluted loss from discontinued operations per share		**(0.39)**		(0.03)
Basic (loss) income per share		**(0.35)**		0.06
Diluted (loss) income per share	$	**(0.35)**	$	0.06

8. Non-current assets held for sale and discontinued operations

The assets and liabilities related to the Steel Pipe Distribution and Steel Pipe Manufacturing segments (together "Steel Pipe division" or “Disposal Group”) have been presented as held for sale following the approval of the Company's management and Board of Directors in April 2014 to sell the Steel Pipe division, and the determination of meeting the IFRS 5 requirements. The associated business operations of assets and liabilities held for sale are presented as discontinued operations for all periods presented. During the three and six months ended June 30 2014 the Company recorded impairment and re-measurement expenses of $4,336,245 and $15,434,501 to reflect the net assets at their estimated fair values, less costs to sell, which is recorded in expenses and loss recognized on the re-measurement of disposal group. The transaction was closed July 15, 2014 (Note 12).

(a) Assets of disposal group classified as held for sale		**June 30, 2014**
Accounts receivable	$	**4,351,614**
Inventory		**11,986,880**
Prepaid expenses and deposits		**2,324,290**
Property and equipment		**3,192,079**
Intangible assets		**126,358**
Total	$	**21,981,221**

(Canadian dollars)

8. Non-current assets held for sale and discontinued operations *(cont'd)*

(b) Liabilities of disposal group classified as held for sale		June 30, 2014
Accounts payable and accrued liabilities	$	**2,636,681**
Obligation under finance lease		**220,316**
Other long-term liabilities		**294,600**
Total	$	**3,151,597**

Analysis of the results of discontinued operations, and the result recognized on the re-measurement of assets of the disposal group is as follows:

	(three months ended)		(six months ended)	
	June 30 2014	June 30 2013	**June 30 2014**	June 30 2013
Sales	**$ 7,521,550**	$ 7,669,804	**$ 14,428,592**	$ 15,530,435
Cost of sales	**5,148,176**	7,166,409	**11,796,908**	13,759,178
Expenses	**2,263,493**	1,555,321	**14,709,768**	2,746,458
Earnings (loss) before tax of discontinued operations	**109,881**	(1,051,926)	**(12,078,084)**	(975,201)
Income tax recovery	**(562,802)**	(274,630)	**(3,061,924)**	(236,483)
After tax earnings (loss) of discontinued operations before re-measurement	**672,683**	(777,296)	**(9,016,160)**	(738,718)
Pre tax loss recognized on the re-measurement of disposal group	**4,336,245**	—	**4,336,245**	—
Income tax recovery	**(1,084,060)**	—	**(1,084,060)**	—
After tax loss recognized on the re-measurement of disposal group	**3,252,185**	—	**3,252,185**	—
Net loss for the period from discontinued operations	**$ 2,579,502**	$ 777,296	**$ 12,268,345**	$ 738,718

9. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chief Executive Officer and Chief Financial Officer who make strategic decisions.

The chief operating decision-makers consider the business from both a geographic and a product perspective. Geographically, management considers the performance in Canada and the USA. From a product perspective, management separately considers the fluid distribution, and fluid blending & packaging in these geographies.

The chief operating decision-makers assess the performance of the operating segments based on a measure of EBITDA. This measurement basis excludes from net earnings the effects of interest, taxes, and amortization and depreciation. The EBITDA also excludes the effect of equity-settled share based payments. Corporate overhead costs, interest income and expenditure, excluding interest expense on finance lease, are not allocated to segments, as these types of activity are driven by the central treasury function, which manages the cash position of the Company.

9. Segment reporting *(cont'd)*

The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The Company has five reportable segments: Fluids Distribution Canada, Fluids Distribution USA, Fluids Blending & Packaging Canada, Fluids Blending & Packaging USA, and Other. The Other segment represents insignificant segments and all remaining costs not directly attributable to an operating segment, such as corporate overhead. Steel Pipe Distribution and Steel Pipe Manufacturing segments have been presented as discontinued operations following the approval of the Company's management and Board of Directors in April 2014 to sell the Steel Pipe division in Canada, and meeting the IFRS 5 requirements. The transaction was closed July 15, 2014 (Note 8 and 12). As a result of the sales transaction Steel Pipe division ceased being considered by the management as a reportable segment of the Company. This transaction in addition to other changes in presentation, have resulted in comparative information being reclassified.

Revenues between Fluids Blending & Packaging Canada and Fluids Distribution Canada are carried out at arm's length. Revenue between the remaining divisions are recognized at cost. The revenue from external parties reported to the chief operating decision-makers is measured in a manner consistent with that in the consolidated statement of operations.

For the three and six months ended June 30, 2014 (Canadian dollars)

9. Segment reporting *(cont'd)*

Selected financial information by reportable segment is disclosed as follows:

For 3 months ending June 30, 2014	Fluid Distribution Canada	Fluid Distribution USA	Total Fluid Distribution	Fluids Blending & Packaging Canada	Fluids Blending & Packaging USA	Total Fluids Blending & Packaging	Other*	Consolidated
Total revenues	$ 12,077,488	$ 18,179,869	$30,257,357	$ 3,922,481	$ 2,311,032	$ 6,233,513	$ -	$ 36,490,870
Revenues from internal customers	158,145	(5,197)	152,948	1,138,624	13,310	1,151,934	-	1,304,882
Revenues from external customers	11,919,343	18,185,066	30,104,409	2,783,857	2,297,722	5,081,579	-	35,185,988
Cost of sales	10,498,656	14,984,114	25,482,770	2,311,158	1,337,506	3,648,664	-	29,131,434
EBITDA	479,638	777,533	1,257,171	39,900	409,303	449,203	(774,086)	932,288
Amortization and depreciation	38,628	125,127	163,755	139,330	215,291	354,621	6,461	524,837
Interest	500	2,877	3,377	-	-	-	714,468	717,845
Share based compensation	-	-	-	-	-	-	230,580	230,580
Income tax expense (recovery)	89,304	100,971	190,275	(5,385)	65,759	60,374	(195,108)	55,541
Segment profit (loss)	$ 351,206	$ 548,558	$ 899,764	$ (94,045)	$ 128,253	$ 34,208	$(1,530,487)	$ (596,515)
Segment assets	$ 43,296,965	$ 38,709,211	$ 82,006,176	$ 9,903,656	$ 8,894,636	$ 18,798,292	$ 7,637,299	$ 108,441,768
Capital expenditures	$ 4,738	$ 1,173,904	$ 1,178,642	$ 51,533	$ -	$ 51,533	$ -	$ 1,230,175

* Other includes corporate overhead costs.

For the three and six months ended June 30, 2014 (Canadian dollars)

9. Segment reporting *(cont'd)*

For 6 months ending June 30, 2014	Fluid Distribution Canada	Fluid Distribution USA	Total Fluid Distribution	Fluids Blending & Packaging Canada	Fluids Blending & Packaging USA	Total Fluids Blending & Packaging	Other*	Consolidated
Total revenues	$ 38,528,050	$ 31,174,236	$69,702,286	$ 12,132,192	$ 3,955,977	$ 16,088,169	$ -	$ 85,790,455
Revenues from internal customers	313,926	488,114	802,040	3,838,697	16,511	3,855,208	-	4,657,248
Revenues from external customers	38,214,124	30,686,122	68,900,246	8,293,495	3,939,466	12,232,961	-	81,133,207
Cost of sales	33,396,963	25,047,790	58,444,753	6,848,105	2,317,561	9,165,666	-	67,610,419
EBITDA	2,645,696	1,149,114	3,794,810	700,478	517,208	1,217,686	(126,189)	4,886,307
Amortization and depreciation	76,083	304,058	380,141	277,659	362,780	640,439	12,923	1,033,503
Interest	1,026	5,911	6,937	-	-	-	1,457,205	1,464,142
Share based compensation	-	-	-	-	-	-	472,793	472,793
Income tax expense (recovery)	588,357	42,408	630,765	145,230	(3,357)	141,873	18,545	791,183
Segment profit (loss)	$ 1,980,230	$ 796,737	$ 2,776,967	$ 277,589	$ 157,785	$ 435,374	$(2,087,655)	$ 1,124,686
Segment assets	$ 43,296,965	$ 38,709,211	$ 82,006,176	$ 9,903,656	$ 8,894,636	$ 18,798,292	$ 7,637,299	$108,441,768
Capital expenditures	$ 16,791	$ 1,276,806	$ 1,293,597	$ 56,637	$ 56,637	$ 56,637	$ 62,385	$ 1,412,619

* Other includes corporate overhead costs.

For the three and six months ended June 30, 2014 (Canadian dollars)

9. Segment reporting *(cont'd)*

For 3 months ending June 30, 2013	Fluid Distribution Canada	Fluid Distribution USA	Total Fluid Distribution	Fluids Blending & Packaging Canada	Fluids Blending & Packaging USA	Total Fluids Blending & Packaging	Other*	Consolidated
Total revenues	$ 8,185,208	$ 10,336,856	$ 18,522,064	$ 3,054,970	$ -	$ 3,054,970	$ -	$21,577,034
Revenues from internal customers	309,424	13,047	322,471	963,139	-	963,139	-	1,285,610
Revenues from external customers	7,875,784	10,323,809	18,199,593	2,091,831	-	2,091,831	-	20,291,424
Cost of sales	6,854,168	7,955,468	14,809,636	1,661,953	-	1,661,953	-	16,471,589
EBITDA	(214,336)	1,191,074	976,738	25,481	-	25,481	(3,763)	998,456
Amortization and depreciation	41,690	116,629	158,319	141,313	-	141,313	3,555	303,187
Interest	432	6,698	7,130	-	-	-	539,524	546,654
Share based compensation	-	-	-	-	-	-	339,862	339,862
Income tax expense (recovery)	(81,543)	249,654	168,111	(6,957)	-	(6,957)	(85,884)	75,270
Segment profit (loss)	$ (174,915)	$ 818,093	$ 643,178	$ (108,875)	$ -	$ (108,875)	$ (800,820)	$ (266,517)
Segment assets	$ 42,314,054	$ 23,693,044	$ 66,007,098	$ 8,350,208	$ -	$ 8,350,208	$ 5,089,614	$ 79,446,920
Capital expenditures	$ 89,235	$ 120,096	$ 209,331	$ 4,486	$ -	$ 4,486	$ 495	$ 214,311

* Other includes corporate overhead costs.

For the three and six months ended June 30, 2014 (Canadian dollars)

9. Segment reporting *(cont'd)*

For 6 months ending June 30, 2013	Fluid Distribution Canada	Fluid Distribution USA	Total Fluid Distribution	Fluids Blending & Packaging Canada	Fluids Blending & Packaging USA	Total Fluids Blending & Packaging	Other*	Consolidated
Total revenues	$ 37,696,004	$ 18,161,783	$55,857,787	$ 10,995,608	$ -	$ 10,995,608	$ -	$ 66,853,395
Revenues from internal customers	378,876	95,374	474,250	4,562,162	-	4,562,162	-	5,036,412
Revenues from external customers	37,317,128	18,066,409	55,383,537	6,433,446	-	6,433,446	-	61,816,983
Cost of sales	31,831,113	13,908,099	45,739,212	5,151,322	-	5,151,322	-	50,890,534
EBITDA	2,432,077	1,815,868	4,247,945	870,293	-	870,293	(280,681)	4,837,557
Amortization and depreciation	80,080	215,654	295,734	282,510	-	282,510	15,520	593,764
Interest	432	13,319	13,751	-	-	-	1,162,606	1,176,357
Share based compensation	-	-	-	-	-	-	679,722	679,722
Income tax expense (recovery)	497,949	447,152	945,101	187,650	-	187,650	(274,646)	858,105
Segment profit (loss)	$ 1,853,616	$ 1,139,743	$ 2,993,359	$ 400,133	$ -	$ 400,133	$ (1,863,883)	$ 1,529,609
Segment assets	$ 42,314,054	$ 23,693,044	$ 66,007,098	$ 8,350,208	$ -	$ 8,350,208	$ 5,089,614	$ 79,446,920
Capital expenditures	$ 110,564	$ 310,828	$ 421,392	$ 10,988	$ -	$ 10,988	$ 265,402	$ 697,781

* Other includes corporate overhead costs.

(Canadian dollars)

9. Segment reporting *(cont'd)*

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

for the 3 months ended		**June 30, 2014**		June 30, 2013
Revenue				
Canada and International	**$**	**14,703,200**	$	9,967,616
United States		**20,482,788**		10,323,808
	$	**35,185,988**	$	20,291,424
Non-current assets				
Canada and International	**$**	**3,773,365**	$	3,989,911
United States		**14,029,884**		5,446,296
	$	**17,803,249**	$	9,436,207

for the 6 months ended		**June 30, 2014**		June 30, 2013
Revenue				
Canada and International	**$**	**46,507,620**	$	43,748,596
United States		**34,625,587**		18,068,387
	$	**81,133,207**	$	61,816,983
Non-current assets				
Canada and International	**$**	**3,773,365**	$	3,989,911
United States		**14,029,884**		5,446,296
	$	**17,803,249**	$	9,436,207

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 three and six ended June 30, 2014, the Company incurred office sharing costs of $15,000 and $30,000 respectively (June 30, 2013 – $15,000 and $30,000) 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.

(Canadian dollars)

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

The Company includes the following in the definition of capital:

		June 30 2014		December 31 2013
Bank indebtedness	$	50,750,624	$	53,495,254
Long-term debt		9,227,618		9,793,363
Promissory notes payable		252,393		490,039
Obligations under finance lease		54,140		323,170
Equity		49,437,418		60,177,866
Total capital	$	109,722,193	$	124,279,692

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:

		June 30 2014	Minimum required		December 31 2013	Minimum required
Fixed charge coverage ratio		2.1	To exceed 1.1		1.16	To exceed 1.1
Eligible capital expenditures	$	1,570,018	Not to exceed $5,806,980	$	3,277,181	Not to exceed $4,262,700
Funded term debt to EBITDA		0.65	Not to exceed 1.5:1		0.98	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 June 30, 2014, the Company was in compliance with all financial covenants.

On August 30, 2013, the Company revised the terms of the Asset Based Lending (ABL) Facility agreement and changed financial covenants by replacing the minimum adjusted tangible net worth covenant with a minimum fixed charge coverage ratio covenant. Effective August 30, 2013, the Company is required to comply with two financial covenants being a minimum fixed charge coverage ratio and a maximum annual eligible capital expenditures with the asset based lending agreement.

In addition, there is an additional covenant with the subordinated debenture relating to funded term debt to 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.

The fixed charge coverage ratio is set at a minimum of 1.10 to 1 level and defined as the trailing twelve months of EBITDA, less non-funded capital expenditure, to the sum of cash interest paid, plus cash income taxes paid, plus the aggregate of all dividends, distributions and principal repayments, and any amortization in the borrowing base of any eligible real property and/or eligible machinery and equipment. EBITDA is net income before interest on debt, taxes on net income and depreciation and amortization and non-recurring

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

charges (including transaction and acquisition expenses) and extraordinary items and share based payments during any of its recently completed four fiscal quarters. Capital expenditures limit is set at a maximum of 120% of the consolidated budgeted yearly capital expenditures. The funded term debt to EBITDA covenant is set at a maximum of 1.50 to 1. Funded term debt is any term debt including, without limitation, the subordinated debt facility and any finance lease obligations. 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 July 15, 2014 the Company closed the sale transaction of the assets and ongoing business operations of its Steel Pipe Manufacturing division and Steel Pipe Distribution division to a USA based steel pipe company for approximately $18 million, subject to post closing adjustments.

On August 7, 2014 the Company granted 405,000 stock options to certain employees. These stock options vest over the three-year period, are exercisable over term of ten years and have an exercise price of $1.87. The fair value of granted stock options is $687,253, based on the date of grant valuation using Black-Scholes option pricing model.

(signed) "Don Caron"
Don Caron, Director

(signed) "Eric Sauze"
Eric Sauze, Director