BRI-CHEM

Right product. Right place. Right time.

First Quarter 2018 Interim Condensed Report (unaudited)

Q1 2018

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Notice of No Auditor Review of Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company is disclosing that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the three months periods ended March 31, 2018 and 2017.

Interim Condensed Consolidated Statements of Operations

(Canadian dollars)

(unaudited)

		(three months ended)	
		March 31	March 31
	Note	**2018**	2017
Sales		**$ 35,317,529**	$ 33,989,547
Cost of sales		**29,870,183**	28,597,214
		5,447,346	5,392,333
Expenses			
Salaries and benefits		**2,359,480**	1,849,153
Selling and administration		**1,857,567**	1,458,637
Depreciation on property and equipment		**260,051**	235,885
		4,477,098	3,543,675
Operating earnings		**970,248**	1,848,658
Financing costs		**680,381**	823,892
Foreign exchange loss		**305,564**	81,310
		985,945	905,202
(Loss) earnings before income taxes		**(15,697)**	943,456
Income tax expense			
Current		**21,470**	217,803
Deferred		**68,924**	44,891
		90,394	262,694
Net (loss) earnings		**$ (106,091)**	$ 680,762
(Loss) earnings per share	**5**		
Basic		**$ (0.00)**	$ 0.03
Diluted		**$ (0.00)**	$ 0.03

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

Interim Condensed Consolidated Statements of Comprehensive Income

(Canadian dollars)
(unaudited)

	(three months ended)	
	March 31 2018	March 31 2017
Net (loss) earnings	**$ (106,091)**	$ 680,762
Other comprehensive income, net of tax of $nil (2017-$nil)		
Foreign currency translation adjustment	**305,339**	12,925
Total comprehensive income	**$ 199,248**	$ 693,687

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

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Interim Condensed Consolidated Statements of Financial Position

(Canadian dollars)

(unaudited)

	Note	March 31 2018	December 31 2017
Assets			
Current			
Accounts receivable		**$ 28,936,777**	$ 26,017,283
Inventories		**42,852,379**	39,409,723
Prepaid expenses and deposits		**2,761,418**	2,191,477
Income taxes receivable		**335,633**	199,229
		74,886,207	67,817,712
Non-current			
Property and equipment		**11,552,039**	11,093,568
Deferred tax assets		**2,100,662**	2,169,586
Other long-term assets		**155,520**	151,167
		$ 88,694,428	$ 81,232,033
Liabilities			
Current			
Bank indebtedness		**$ 32,145,587**	$ 25,963,575
Accounts payable and accrued liabilities		**17,814,176**	16,693,066
Current portion of long-term debt		**800,000**	800,000
Current portion of obligations under finance lease		**18,196**	25,085
Income taxes payable		**158,378**	—
		50,936,337	43,481,726
Non-current			
Long-term debt		**8,637,500**	8,825,000
Obligations under finance lease		**33,611**	37,575
Deferred tax liabilities		**113,526**	113,526
Other long-term liabilities		**18,100**	18,100
		59,739,074	52,475,927
Equity			
Share capital		**33,537,199**	33,537,199
Contributed surplus		**4,035,160**	4,035,160
Deficit		**(5,402,398)**	(5,296,307)
Accumulated other comprehensive loss		**(3,214,607)**	(3,519,946)
		28,955,354	28,756,106
		$ 88,694,428	$ 81,232,033

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

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Interim Condensed Consolidated Statements of Changes in Equity

(Canadian dollars)

(unaudited)

	Share capital	Contributed surplus	Warrants	Accumulated other comprehensive loss	Retained loss	Total equity
Balance at January 1, 2018	$ 33,537,199	$ 4,035,160	$ —	$ (3,519,946)	$ (5,296,307)	$ 28,756,106
Net loss	—	—	—	—	(106,091)	(106,091)
Total comprehensive income	—	—	—	305,339	—	305,339
Balance at March 31, 2018	$ 33,537,199	$ 4,035,160	$ —	$ (3,214,607)	$ (5,402,398)	$ 28,955,354

	Share capital	Contributed surplus	Warrants	Accumulated other comprehensive loss	Retained loss	Total equity
Balance at January 1, 2017	$ 33,263,473	$ 3,983,488	$ 209,226	$ (2,178,410)	$ (7,004,335)	$ 28,273,442
Employee share-based payment options	—	31,734	—	—	—	31,734
Net earnings	—	—	—	—	680,762	680,762
Total comprehensive income	—	—	—	12,925	—	12,925
Balance at March 31, 2017	$ 33,263,473	$ 4,015,222	$ 209,226	$ (2,165,485)	$ (6,323,573)	$ 28,998,863

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

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

For the three months ended	**March 31 2018**	March 31 2017
Operating activities		
Net (loss) earnings	**$ (106,091)**	$ 680,762
Adjustments for items not affecting cash:		
Depreciation on property and equipment	**260,051**	235,885
Amortization of debt related transaction costs	**22,159**	70,382
Deferred tax expense	**68,924**	44,891
Share-based payments	**—**	31,732
Foreign exchange loss on debt	**270,990**	104,486
Unrealized foreign exchange loss	**83,523**	19,901
Interest on debt and finance leases	**658,757**	554,139
Loss on disposal of equipment	**691**	67,335
Other gain	**—**	(1,372)
	1,259,004	1,808,141
Change in non-cash working capital	**(5,234,309)**	(4,589,654)
Total cash used in operating activities	**(3,975,305)**	(2,781,513)
Financing activities		
Interest paid on debt and finance leases	**(628,328)**	(571,387)
Repayments on promissory notes payable	**—**	(274,374)
Advances on operating line	**5,360,528**	3,366,318
Advances on long-term debt	**—**	192,427
Repayments on long-term debt	**(200,000)**	—
Repayments of obligations under finance lease	**(12,315)**	(10,460)
Total cash generated in financing activities	**4,519,885**	2,702,524
Investing activities		
Purchase of property and equipment	**(544,580)**	(44,094)
Proceeds on disposal of equipment	**—**	123,083
Total cash (used) generated in investing activities	**(544,580)**	78,989
Net change in cash and cash equivalents	**—**	—
Cash and cash equivalents, beginning of the period	**—**	—
Cash and cash equivalents, end of the period	**$ —**	$ —

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. Bri-Chem is an 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. Bri-Chem Corp. was incorporated on January 1, 2007 as part of the amalgamation of Mbase Commerce Inc. and Gwelan Supply Ltd. and its head office is located in Canada. Its registered and primary place of business is 27075 Acheson Road, Acheson, Alberta T7X 6B1.

2. Basis of presentation

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". They do not contain all the necessary annual disclosures in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

These interim condensed 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 interim condensed consolidated financial statements for the quarter ended March 31, 2018 were authorized for issue by the Board of Directors on May 10, 2018.

3. Newly adopted accounting standards

The Company adopted IFRS 15, "Revenue from Contracts with Customers", on January 1, 2018 using the modified retrospective method. As a result of applying the requirements of IFRS 15, including the application of certain practical expedients, no changes or adjustments to the Company's comparative consolidated financial statements were required. There was no impact to the Company's financial position, results of operations, or cash flows as the result of the adoption. The company recognizes revenue as it satisfies the performance obligations with its customers over time as they consume our oilfield fluids and chemicals. The Company has elected the practical expedient as permitted under IFRS 15 to measure progress towards satisfaction of its performance obligations based the value of the Company's performance completed to date at each reporting period. Transaction prices are determined based upon agreed prices with customers at the time transactions are entered. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust any of the transaction prices for the time value of money, and the expenses any incremental costs of obtaining contracts with customers as incurred. The nature and timing of revenue recognised during the period has not changed as compared to amounts presented in the annual consolidated financial statements for the year ended December 31, 2017 and prior. The Company disaggregates revenue by geographies in which it operates, namely Canada and the US.

(Canadian dollars)

3. Newly adopted accounting standards *(cont'd)*

The Company retrospectively adopted IFRS 9 "Financial Instruments", on January 1, 2018. The adoption of the standard has not resulted in any changes to the Company's financial statements and the classification and measurement of financial instruments has been conformed to IFRS 9. In addition, the IFRS 9 expected credit loss model which replaces the incurred loss impairment model for financial assets has not resulted in any material changes to the valuation of the Company's financial assets. The primary input the Company's expected credit loss model on trade receivables is historical credit losses incurred. The Company continues to monitor historical credit losses each period in determining its lifetime expected credit losses on trade receivables. The Company does not currently apply hedge accounting to its risk management contracts and has not applied hedge accounting to any of its existing risk management contracts on adoption of IFRS 9.

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 Basin ("WCSB") are accessible only in winter months when the ground is frozen hard enough to support the weight of heavy equipment. The timing of freeze-up and spring break-up affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company's slowest period.

5. (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)		**March 31, 2018**		March 31, 2017
Net (loss) earnings attributable to the shareholders of the Company	**$**	**(106,091)**	$	680,762
Basic weighted average number of ordinary shares		**23,932,981**		23,632,981
Dilutive options/warrants issued and outstanding		**8,600**		300,000
Diluted weighted average number of ordinary shares		**23,941,581**		23,932,981
Basic (loss) earnings per share	**$**	**(0.00)**	$	0.03
Diluted (loss) earnings per share	**$**	**(0.00)**	$	0.03

6. 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 fluids distribution, and fluids 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, amortization and depreciation, and the effect of equity-settled share based payments. Corporate overhead costs, interest income and expenditure, excluding interest expense on finance leases, 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.

The amounts provided to the chief operating decision-makers 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.

Revenues between Fluids Blending & Packaging Canada and Fluids Distribution Canada are recorded on the same basis as an equivalent arm's length transaction. 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 annual consolidated statement of operations.

For the three months ended March 31, 2018 (Canadian dollars) (Unaudited)

6. Segment reporting *(cont'd)*

Selected financial information by reportable segment is disclosed as follows:

For 3 months ended March 31, 2018	Fluids Distribution Canada	Fluids Distribution USA	Total Fluids Distribution	Fluids Blending & Packaging	Fluids Blending & Packaging USA	Total Fluids Blending & Packaging	Other*	Consolidated
Total revenues	$ 11,819,547	$ 17,931,331	$ 29,750,878	$ 4,652,217	$ 1,495,380	$ 6,147,597	$ -	$ 35,898,475
Revenues from internal customers	36,582	-	36,582	542,275	2,089	544,364	-	580,946
Revenues from external customers	11,782,965	17,931,331	29,714,296	4,109,942	1,493,291	5,603,233	-	35,317,529
Cost of sales	10,011,559	15,639,533	25,651,092	3,266,791	952,300	4,219,091	-	29,870,183
EBITDA	1,048,961	(153,171)	895,790	83,967	227,408	311,375	(282,430)	924,735
Depreciation	16,602	105,474	122,076	27,245	79,896	107,141	30,834	260,051
Interest	35	890	925	-	-	-	679,456	680,381
Share based compensation	-	-	-	-	-	-	-	-
Income tax expense (recovery)	278,726	-	278,726	15,315	30,978	46,293	(234,625)	90,394
Segment profit (loss)	$ 753,598	$ (259,535)	$ 494,063	$ 41,407	$ 116,534	$ 157,941	$ (758,095)	$ (106,091)
Segment assets	$ 30,827,869	$ 40,682,432	$ 71,510,301	$ 6,089,254	$ 2,952,320	$ 9,041,574	$ 8,142,553	$ 88,694,428
Capital expenditures	$ 8,149	$ 524,337	$ 532,486	$ 4,829	$ 4,118	$ 8,947	$ 3,147	$ 544,580

* Other includes corporate overhead costs.

For the three months ended March 31, 2018 (Canadian dollars) (Unaudited)

6. Segment reporting *(cont'd)*

For 3 months ended March 31, 2017	Fluids Distribution Canada	Fluids Distribution USA	Total Fluids Distribution	Fluids Blending & Packaging	Fluids Blending & Packaging USA	Total Fluids Blending & Packaging	Other*	Consolidated
Total revenues	$ 16,320,293	$ 12,210,372	$ 28,530,665	$ 6,832,583	$ 586,145	$ 7,418,728	$ -	$ 35,949,393
Revenues from internal customers	274,180	19,835	294,015	1,665,831	-	1,665,831	-	1,959,846
Revenues from external customers	16,046,113	12,190,537	28,236,650	5,166,752	586,145	5,752,897	-	33,989,547
Cost of sales	14,220,613	9,915,480	24,136,093	4,002,879	458,242	4,461,121	-	28,597,214
EBITDA	1,362,464	718,993	2,081,457	454,858	(198,975)	255,883	(302,374)	2,034,966
Amortization and depreciation	17,682	95,912	113,594	25,317	68,507	93,824	28,467	235,885
Interest	171	1,468	1,639	-	-	-	822,253	823,892
Share based compensation	-	-	-	-	-	-	31,733	31,733
Income tax expense (recovery)	363,045	167,836	530,881	115,976	(72,220)	43,756	(311,943)	262,694
Segment profit (loss)	$ 981,566	$ 453,777	$ 1,435,343	$ 313,565	$ (195,262)	$ 118,303	$ (872,884)	$ 680,762
Segment assets	$ 27,459,810	$ 25,447,032	$ 52,906,842	$ 6,302,223	$ 2,851,819	$ 9,154,042	$ 8,372,627	$ 70,433,511
Capital expenditures	$ -	$ 37,458	$ 37,458	$ 2,910	$ 3,726	$ 6,636	$ -	$ 44,094

(Canadian dollars)

6. Segment reporting *(cont'd)*

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

for the 3 months ended		**March 31, 2018**		March 31, 2017
Revenue				
Canada and International	**$**	**15,892,907**	$	21,212,865
United States		**19,424,622**		12,776,682
	$	**35,317,529**	$	33,989,547
Non-current assets				
Canada and International	**$**	**7,077,166**	$	7,668,607
United States		**6,732,055**		6,512,419
	$	**13,808,221**	$	14,181,026

7. Related party transactions

During the three months ended March 31, 2018, the Company incurred office sharing costs of $9,000 (March 31, 2017 – $9,000), that were paid to a company over which a director has control. These office sharing costs were made on terms equivalent to those that prevail in arm's length transactions.

8. 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 2018		December 31 2017
Bank indebtedness	**$**	**32,145,587**	$	25,963,575
Long-term debt		**9,437,500**		9,625,000
Obligations under finance lease		**51,807**		62,660
Equity		**28,955,354**		28,756,106
Total capital	**$**	**70,590,248**	$	64,407,341

(Canadian dollars)

8. 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 ABL facility and GreyPoint's long term debt require the Company to maintain certain financial covenants. The Company monitors these requirements on a monthly basis.

These covenants are summarized as follows:

	Mar 31 2018	**Requirement**	Dec 31 2017	Requirement
Fixed Charge coverage ratio	**5.75**	**Must exceed 1.00**	10.94	Must exceed 1.00
Eligible capital expenditures	**544,580**	**Not to exceed 2,241,600**	$ 903,714	Not to exceed $ 1,050,000

As a March 31, 2018, the Company was in compliance with all of its financial covenants.

On November 6, 2017 the Company revised the terms of the ABL Facility agreement, replacing the minimum adjusted tangible net worth and adjusted EBITDA covenants with a fixed charge coverage ratio covenant. The eligible capital expenditures covenant continues to apply.

The fixed charge coverage ratio is set at a minimum of 1.00 to 1 level and defined as the trailing twelve months of EBITDA, less non-funded capital expenditures, 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.

EBITDA is defined as net income before interest on debt, taxes on net income and depreciation and amortization and non-recurring charges (including one-time transaction, acquisition and restructuring expenses, share based payments, and foreign exchange gains or losses), and after unfunded capital expenditures.

The capital expenditures limit is set at a maximum of 120% of consolidated budgeted yearly capital expenditures but does not include capital additions by way of finance lease.

On November 6, 2017 the Company refinanced its subordinate debenture with Fulcrum and entered into a 5-year term loan with GreyPoint. The GreyPoint debt has the same covenants as the ABL Facility.

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

On February 8, 2018 the company increased the maximum amount it could borrow under the ABL Facility agreement from $35,000,000 to $40,000,000.

Failure to comply with the obligations in either of these credit facilities could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness.

9. Reclassification of comparative amounts

Certain comparative amounts for the prior period have been reclassified to conform to the current period presentation. Such reclassifications had no effect on net income or shareholders' equity.

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