

BRI-CHEM ANNOUNCES 2020 THIRD QUARTER FINANCIAL RESULTS

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Edmonton, Canada, November 13, 2020 – Bri-Chem Corp. (“Bri-Chem” or “Company”) (TSX: BRY), a North American oilfield chemical distribution and blending company, is pleased to announce its third quarter financial results.

FINANCIAL AND OPERATING INFORMATION HIGHLIGHTS

(in '000s except per share amounts)	Three months ended				Nine months ended			
	September 30		Change		September 30		Change	
	2020	2019	\$	%	2020	2019	\$	%
Sales	\$ 7,449	\$ 21,800	\$ (14,351)	(66%)	\$ 35,683	\$ 70,419	\$ (34,736)	(49%)
Adjusted EBITDA ⁽¹⁾	(765)	954	(1,719)	180%	(806)	2,982	(3,788)	(127%)
Adjusted EBITDA as a % of revenue	(10%)	4%			(2%)	4%		
Adjusted operating (loss) / income ⁽¹⁾	(1,072)	535	(1,607)	300%	(1,567)	1,475	(3,042)	(206%)
Adjusted net loss ⁽¹⁾	(1,838)	(170)	(1,668)	(981%)	(3,481)	(528)	(2,953)	(559%)
Net loss	\$ (1,861)	\$ (170)	\$ (1,691)	(995%)	\$ (3,607)	\$ (552)	\$ (3,055)	(553%)
Diluted per share								
Adjusted EBITDA	\$ (0.03)	\$ 0.04	\$ (0.07)	180%	\$ (0.03)	\$ 0.12	\$ (0.16)	127%
Adjusted (loss) / net earnings	\$ (0.04)	\$ 0.02	\$ (0.07)	300%	\$ (0.15)	\$ (0.02)	\$ (0.12)	(559%)
Net loss	\$ (0.08)	\$ (0.01)	\$ (0.07)	(995%)	\$ (0.15)	\$ (0.02)	\$ (0.13)	(553%)
Total assets					\$ 30,928	\$ 51,987	\$ (21,059)	(41%)
Working capital					12,009	16,535	(4,526)	(27%)
Long-term debt					7,287	8,719	(1,432)	(16%)
Shareholders equity					\$ 12,754	\$ 19,318	\$ (6,564)	(34%)

Key Q3 2020 & YTD highlights include:

- Consolidated sales for the three months ended September 30, 2020 were \$7.4 million, a decrease of 66% from the comparable period last year. The decrease resulted from the significant economic downturn that followed the public health measures that were taken to limit the spread of the coronavirus (“COVID-19”) world pandemic. This downturn resulted in a corresponding reduction in global oil demand and the reduction in drilling and completion activity in North America.
- Adjusted EBITDA for the third quarter was negative \$764 thousand versus positive \$954 thousand over Q3 2019, representing a 180% decrease year over year. The decrease is related to the overall weaker performance in all operating divisions due to the economic downturn;
- Adjusted operating loss was \$1.1 million for the three months ended September 30, 2020 in contrast to earnings of \$535 thousand from the comparable period last year;
- Net loss per diluted share for the three months ended September 30, 2020 was \$0.08 per share compared to a net loss of \$0.01 per diluted share for same period last year;
- As at September 30, 2020, working capital was \$12.0 million compared to \$16.5 million at September 30, 2019, a decrease of 27%. Management continues to ensure that prudent cash management practices are followed by reducing inventory to levels more appropriate to the current environment, and ensuring that collecting accounts receivable remains a priority. The Company, in Q2 and Q3, 2020, has successfully applied and received wage and rent benefits from federal government corporate subsidy programs both in Canada and the United States.

- During the third quarter of 2020, the Company extended the term of its senior credit facility to October 31, 2021 and secured a \$6.25 million Business Credit Availability Program (“BCAP”) loan with its senior lender, CIBC. The loan is 80% guaranteed by the Canadian Federal Government through Business Development Bank of Canada (“BDC”). The proceeds of the loan will assist funding current operations.

Summary for the three and nine months ended September 30, 2020:

Consolidated sales for the three and nine months ended September 30, 2020 were \$7.4 million and \$35.7 million respectively compared to \$21.8 million and \$70.4 million for the same periods in 2019, representing a \$14.4 million and \$34.7 million decrease over the comparable periods. The decrease in revenue is related to the pause in world economies in reaction to the COVID-19 pandemic and a significant reduction in drilling and completion activity in the Company’s North American operating regions.

Bri-Chem’s Canadian drilling fluids distribution division generated sales of \$1.0 million and \$5.0 million for the three and nine months ended September 30, 2020 compared to \$4.3 million and \$13.3 million in the comparable prior periods. The Q3 and year to date sales were down significantly due to the overall decline in Canadian drilling activity as a result of the collapse of global oil prices and reduced demand due to the global COVID-19 pandemic. The number of wells drilled in Western Canada for the third quarter of 2020 was 348 compared to 1,364 in the same period last year, representing a decrease of 74% (Source: Petroleum Services Association of Canada “PSAC”). With less drilling activity, the industry was overstocked with drilling fluids inventory which will be depleted as activity levels increase, however, sales are expected to remain weaker in the near term until global demand for oil and gas increases back to reasonable levels. Bri-Chem’s United States drilling fluids distribution division generated sales of \$3.5 million and \$19.9 million for the three and nine months ended September 30, 2020 compared to sales of \$12.3 million and \$41.6 million for the same comparable periods in 2019, representing decreases of 72% and 52% respectively. The United States market declined rapidly as the average number of active rigs operating in the United States fell to 240 at September 30, 2020 from 920 at September 30, 2019, representing a 74% decline (Source: Baker Hughes). Regions such as Texas and Oklahoma experienced the largest declines in rig activity as the Permian and Woodford Basins experienced large stoppages in wells being drilled due to the decline in world oil demand and corresponding WTI prices.

Bri-Chem’s Canadian Blending and Packaging division generated sales of \$1.2 million and \$5.4 million for the three and nine months ended September 30, 2020 compared to Q3 2019 sales of \$2.1 million and 2019 nine months sales of \$7.0 million. The 44% decrease quarter over comparable quarter was the result of reduced demand for commodity toll packaging due to the significant decline in drilling activity. US Blending and Packaging sales for the three and nine months ended September 30, 2020 were \$1.7 million and \$5.3 million compared to sales of \$3.1 million and \$8.5 million for the comparable periods in 2019, decreases of \$1.4 million and \$3.2 million respectively.

Adjusted operating loss for the three months ended September 30, 2020 was \$1.1 million compared to adjusted operating income of \$535 thousand during the same period last year. The adjusted operating loss was offset by management’s effort to reduce work week schedules in certain divisions to four days a week with a corresponding 20% wage reduction. Adjusted EBITDA was negative \$765 thousand and negative \$806 thousand for the three and nine months ended 2020 compared to adjusted EBITDA of \$954 thousand and \$3.0 million for the same comparable periods of 2019.

OUTLOOK

The Company expects to see a modest increase in drilling activity in the fourth quarter of 2020 and into the first quarter of 2021, however, we expect that drilling activity will remain well below prior year levels as customers continue to trim capital spending budgets in an effort to manage their working capital. Low global crude oil demand and the uncertainty surrounding the COVID-19 health pandemic continues to create considerable concerns with regards to the short-term outlook. The Company continues to remain focused on reducing overheads, limiting discretionary spending and offsetting costs by utilizing COVID-19 relief programs provided by the Canadian and USA federal governments. Recently the Canadian Government extended the Canadian Emergency Wage Subsidy (“CEWS”) from December 2020 to the summer of 2021. The proceeds of the recently funded BCAP loan will provide the Company with the necessary working capital to continue operating in all its North American regions, however, we will carefully monitor the market activity and will adjust operations accordingly.

About Bri-Chem

Bri-Chem has established itself, through a combination of strategic acquisitions and organic growth, as the North American industry leader for wholesale distribution and blending of oilfield drilling, completion, stimulation and production chemical fluids. We sell, blend, package and distribute a full range of drilling fluid products from 26 strategically located warehouses throughout Canada and the United States. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

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