



**BRI-CHEM CORP.
ANNUAL INFORMATION FORM**

For the Year Ended December 31, 2014

March 30, 2015

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GLOSSARY OF TERMS

The following is a glossary of terms and abbreviations used frequently throughout this Annual Information Form.

“ABCA” means the Business Corporations Act (Alberta);

“ABL Facility” means Asset Based Lending Facility;

“AIF” means this Annual Information Form including the schedules hereto;

“Acquisition” means the acquisition of purchase of common shares of an entity, including the acquiring of all assets and the assumption of all liabilities;

“BCL” means Bri-Chem Logistics, LLC, formally General Supply Company

“BCU” means Bri-Corp USA, Inc.;

“BSL” means Bri-Chem Supply Ltd.;

“BSU” means Bri-Chem Supply Corp, LLC;

“Bri-Chem” or the **“Company”** means Bri-Chem Corp. together with its wholly owned subsidiary companies, Bri-Chem Supply Ltd., Sodium Solutions Inc., and Bri-Steel Corporation, and its 70% owned subsidiary company Bri-Steel Manufacturing Inc., Bri-Corp USA, Inc., Bri-Chem Supply Corp, LLC, and Stryker Transportation Ltd. except as otherwise noted;

“CAODC” means the Canadian Association of Oilwell Drilling Contractors;

“CIBC” means the CIBC Asset Based Lending Inc.;

“Common Shares” means common shares in the capital of Bri-Chem;

“EBITDA” means earnings before interest, taxes, depreciation and amortization;

“Fulcrum” means Fulcrum Capital Partners Inc.;

“General” means General Supply Company;

“Gwelan” means Gwelan Supply Ltd., former parent company of Bri-Chem Supply Ltd. and Sodium Solutions Inc., prior to the amalgamation with mBase Commerce Inc. on January 1, 2007;

“HSBC” means HSBC Bank Canada;

“Management” means the senior officers and executive members of Bri-Chem;

“MD&A” means, in relation to financial statements of the Company, management’s discussion and analysis thereof which is available on SEDAR online at www.sedar.com;

“MSDS” means Material Safety Data Sheet, a document that contains information on the potential hazards and how to work safely with the chemical product;

“NCIB” means Normal Course Issuer Bid;

"OCTG" means Oil Country Tubular Goods;

"OSCM" means the acquisition of all the membership interest of Oilfield Supply Chain Management and its subsidiary companies, Stryker Ltd. and Stryker Transportation Ltd.;

"Preferred Shares" means preferred shares in the capital of Bri-Chem;

"Prime Rate" means CIBC's prime rate of interest on loans denominated in Canadian dollars;

"PSAC" means Petroleum Services Association of Canada;

"SBS" means Solution Blend Service Ltd.;

"Shareholders" means the holders of Common Shares of Bri-Chem;

"Sodium" means Sodium Solutions Inc.;

"SEDAR" means the System for Electronic Document Analysis and Retrieval located online at www.sedar.com;

"Stryker" means Stryker Transportation Ltd.;

"SCM" means Sun Coast Materials, LLC;

"Reverse Takeover" means the amalgamation transaction between Gwelan and mBase Commerce Inc. on January 1, 2007;

"TSX" means the Toronto Stock Exchange;

"US" means the United States of America;

"WCSB" means the Western Canadian Sedimentary Basin;

"Wuxi" means the 30% minority interest partner, Wuxi Huayou Special Steel Co. Ltd.;

"1100266 Ab Ltd." means 1100266 Alberta Ltd., formerly Bri-Steel Corporation;

"1564316 Ab Ltd." means 1564316 Alberta Ltd., formerly Bri-Steel Manufacturing Inc.

All currency amounts referenced in this AIF are expressed in Canadian dollars, unless otherwise indicated.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this AIF constitute forward-looking statements within the meaning of applicable securities law. These statements relate to future events or Bri-Chem's future plans and performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Bri-Chem believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon.

In particular, this AIF contains forward-looking statements pertaining to the following:

- adequacy of capital resources required to finance the Company's inventories and other operations;
- the business objectives of the Company;
- results of operations and the performance of the Company;
- the ability of the Company to extend its credit facilities;
- the ability of the Company to develop its relationships with clients and potential new clients; and
- the ability of the Company to expand and broaden its areas of operation.

With respect to the forward-looking information contained in the AIF, Bri-Chem has made assumptions regarding, among other things:

- the Company's relationships with its key suppliers and customers;
- economic conditions that influence the demand of the Company's customers for supplies and services;
- the Company's cash flow from sales; and
- the availability of existing credit facilities.

Although the forward-looking information contained in this AIF is based upon what Management believes are reasonable assumptions, Bri-Chem cannot assure readers that actual results will be consistent with this forward-looking information. Although the Company believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Some of the risks and other factors, some of which are beyond the Company's control, which could cause results to differ materially from those expressed in the forward-looking information contained in this AIF include, but are not limited to:

- supply and demand for oilfield services, drilling fluid products;
- competition for, among other things, capital and skilled personnel;
- incorrect assessments of the value of acquisitions;
- fluctuations in the market for oil and natural gas and related products and services;
- liabilities and risks, including environmental liabilities and risks inherent in chemical storage and handling and oil and natural gas service operations;
- fluctuations in foreign exchange or interest rates;
- political and economic conditions;
- failure of counter-parties to perform on contracts;

- regional competition;
- the Company's ability to attract and retain customers;
- amounts retained by the Company for capital expenditures;
- volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oil and gas services generally;
- stock market volatility and market valuations;
- volatility in prices for commodity chemicals and the effect of this volatility on the margins on drilling fluid chemical products generally and on the value of inventory;
- unplanned equipment outages and other unforeseen disruptions that may affect operations;
- the presence of heavy competition in the industry in which the Company currently operates;
- general economic conditions in Canada and the United States and globally;
- the availability of capital on acceptable terms; and
- the other factors disclosed under "Risk Factors" in this AIF.

Readers are cautioned that these factors and risks are difficult to predict. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the list of factors above and the risk factors set forth under the heading "Risk Factors" are not exhaustive. Before placing any reliance on any forward-looking statements to make decisions with respect to an investment in securities of Bri-Chem, prospective investors and others should carefully consider the factors identified above and other risks, uncertainties and potential changes that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. In addition, the forward-looking statements contained in this AIF are made as of the date of this AIF. Bri-Chem does not undertake any obligation to publicly update or to revise any forward-looking statements except as expressly required by applicable securities laws. The forward-looking statements contained in this AIF are expressly qualified by the cautionary statements contained herein.

COMPANY STRUCTURE

Bri-Chem was incorporated under the ABCA as 590079 Alberta Ltd. on December 31, 1993 and amended its articles of incorporation to change its name to Virtual Dynamics Corp. on February 2, 1994. On September 5, 1997, Bri-Chem changed its name to Las Western Entertainment Inc., on October 26, 1999, Bri-Chem changed its name to mBase.com Inc., on July 5, 2002, Bri-Chem changed its name to mBase Commerce Inc. and concurrently with the January 1, 2007 Reverse Takeover of Gwelan, the name of the Company was changed to Bri-Chem Corp.

Bri-Chem is a reporting issuer in the Province of Alberta, British Columbia and Ontario and its Common Shares are listed and posted for trading on the TSX under the symbol "BRY". The Company's head office is located at 2125 - 64 Avenue, Edmonton, Alberta T6P 1Z4. The registered office of Bri-Chem is #2900 Manulife Place, 10180 - 101 Street, Edmonton, Alberta, T5J 3V5. Bri-Chem's website is www.brichem.com.

INTERCORPORATE RELATIONSHIPS

The Company owns five Canadian wholly-owned subsidiaries, BSL, Sodium, SBS and 1100266 Ab Ltd., and 1564316 Ab Ltd., all of which are incorporated pursuant to the ABCA. In the USA, the Company owns one wholly owned subsidiary, BCU, incorporated pursuant to the State of Delaware, which is the sole shareholder of BSU, a Colorado limited liability company, SCM, a California limited liability company and BCL, an Oklahoma limited liability company.

Name and Address of Subsidiary	Nature of its Principal Business	Percentage of Securities of any Class Beneficially Owned, Directly or Indirectly
BSL #15, 53016 Highway 60, Acheson Alberta, T7X 5A7	BSL is a Canadian wholesale supplier of drilling fluid products and additives for the oil and gas industry.	BSL is 100% owned by Bri-Chem
Sodium #15, 53016 Highway 60, Acheson Alberta, T7X 5A7	Sodium is an Alberta-based chemical supplier, blender and packager of drilling fluids, servicing the oil and gas, industrial, agriculture, construction and resource industries.	Sodium is 100% owned by Bri-Chem
SBS 2720 7 th Avenue Calgary, Alberta, T2A 5G6	SBS is a toll liquid blender of stimulation, and production chemicals servicing the oil and gas industry.	SBS is 100% owned by Bri-Chem
1100266 Ab Ltd. 2125 64 th Avenue, Edmonton, Alberta, T6P 1Z4	1100266 Ab Ltd., (formerly Bri-Steel Corporation), is an inactive company pursuant to the sale of its steel pipe distribution assets and ongoing business operations effective July 15, 2014.	1100266 Ab Ltd. is 100% owned by Bri-Chem
1564316 Ab Ltd. 2125 64 th Avenue, Edmonton, Alberta, T6P 1Z4	1564316 Ab Ltd., (formerly Bri-Steel Manufacturing Inc.), is an inactive company pursuant to the sale of its steel pipe manufacturing assets and ongoing business operations effective July 15, 2014.	1564316 Ab Ltd. is 100% owned by Bri-Chem
BCU 9351 Grant Street, Suite 380 Thornton, CO 80229	BCU is a holding company that holds the 100% membership interest of BSU, SCM and BCL.	BCU is 100% owned by Bri-Chem
BSU 9351 Grant Street, Suite 380 Thornton, CO 80229	BSU is a United States wholesale supplier of drilling fluid products and additives for the oil and gas industry.	BSU is 100% owned by BCU
SCM 34716 7 th Standard Road Bakersfield, CA 93314	SCM is a California based blender of cementing additives for the oil and gas industry servicing the State of California.	SCM is 100% owned by BCU
BCL 4704 N Rockwell Avenue Bethany, OK 73008	BCL is a holding company that holds truck and trailer assets operated by BSU and SCM.	BCL is 100% owned by BCU

DEVELOPMENT OF THE BUSINESS

General Overview

Bri-Chem has established itself, through a combination of strategic acquisitions and organic growth, as a North American industry leader for the 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 32 strategically located warehouses throughout Canada and the United States. Bri-Chem has been operating in Canada since 1985 and as a result of the increasing market demand for oilfield chemicals, we expanded into the United States in 2011 and have successfully obtained significant market penetration. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

The Company has managed to develop its business over the past three years through obtaining access to new markets through strategic acquisitions, building and maintaining strong customer relations, the ability to warehouse sufficient inventory levels, addition of new products, its strategically located distribution facilities, and offering value added services such as blending and technical services.

The Company divested its steel pipe manufacturing and steel pipe distribution businesses effective July 15, 2014. Bri-Chem's continuing business operations, financial and corresponding information are now presented and concentrated entirely on its North American leading oil and gas drilling fluids distribution, blending & packaging divisions.

2012

Throughout 2012, Bri-Chem continued to develop its USA market presence by expanding its distribution network from six to fourteen strategically located warehouses within the major resource plays in the U.S. With the additional warehouses and staff, Bri-Chem began establishing itself as one of the leading independent national wholesale supplier of drilling fluids in the US market. The US drilling fluids market is larger than the Canadian market and it does not experience the seasonal slowdown compared to Canada which allows demand for fluids to be consistent throughout all quarters of the year.

The steel pipe manufacturing division built a number of efficiencies and redundancies to its manufacturing process, which resulted in increased production output. In Q4, the division completed a key capital project which equipped a conveyor system that provided less handling of the material in and out of the production facility. Also during the fourth quarter, the steel pipe manufacturing division progressed to a second production shift and is now producing 24 hours a day, 4 days a week. The Company also received its American Petroleum Institute (API) mill certification in 2012 which allows the division to offer the production capacity to a number of companies throughout North America.

Fulcrum Subordinated Debt Financing

On November 30, 2012, the Company secured a \$10,000,000 subordinated debt facility with Fulcrum. The subordinated debt facility was put in place to assist the Company with its future growth plans, by providing additional capital to be used to fund future acquisitions and for general working capital purposes.

The term of the subordinated debt facility is for five years with interest only payments required for the first fifteen months, followed by quarterly principal installments of \$300,000 plus interest. The subordinated debt facility bears interest at 11.5% and is secured by a general security agreement from all material entities within the group determined by Fulcrum and is subordinated only to a prior charge from the ABL Facility; second demand collateral land mortgage and assignment of rents from Bri-Chem Corp. creating a second fixed and specific mortgage charge over all lands and premises, assignments by Bri-Chem Corp. to Fulcrum of all risk insurance in amounts and from an insurer acceptable to Fulcrum, on all Bri-Chem Corp. real and personal property, without limitation, lands, buildings, equipment and inventory owned by Bri-Chem Corp.,

showing Fulcrum as second loss payee, including business interruption and public liability insurance. The subordinated debt facility is subject to financial covenants that are calculated on a quarterly basis included a minimum funded debt to EBITDA ratio and those covered under the ABL Facility.

Kemik Acquisition

On November 30, 2012, the Company acquired assets and business operations of Kemik Inc., an Alberta packager of proprietary cementing additives for the oil and gas industry. The purchase price of CAD\$1,800,000 consisted of all cash in exchange for accounts receivable, inventory, fixed assets and accounts payable. The Kemik asset acquisition was an important acquisition for our strategic business plan to pursue growth opportunities in the cementing, stimulation and fracturing speciality fluid additives market in North America.

General Acquisition

On December 31, 2012, the Company acquired all of the outstanding common shares of General; an Oklahoma based drilling fluids wholesale distribution business. The purchase price of \$2,541,459 (\$2,500,000 USD) consisted of 95,451 Common Shares at a fair market value of \$147,792. The Common Shares have resale restrictions attached to them that expire evenly over three years. Cash payment terms were \$2,039,545 (\$2,050,000 USD) on completion, and a promissory note payable with a fair value of \$248,731 (\$250,000 USD) bearing interest at 4% per annum, repayable in December 2013. The acquisition of General and their three key Oklahoma warehouse locations is a very complementary addition to our strategy of pursuing becoming the leading independent national supplier of drilling fluids in the United States.

2013

Bri-Chem continued to develop its USA market presence by expanding its distribution network from fourteen to sixteen strategically located warehouses throughout the major resource plays in the U.S. In addition, the Company extended its blending and packaging business into the USA by acquiring the business assets and operations of SCM in September 2013. With the additional warehouses and staff, Bri-Chem has continued to develop its market presence as a leading full service independent national wholesaler of drilling fluids to service the USA unconventional resource plays. The USA fluids division increased its revenue in 2013 by entering into new geographical areas, introducing new product lines, and establishing a new revenue stream from the blending and sale of liquid oil based drilling fluids. The Company experienced a relatively consistent fluids market in Canada compared to the prior year, and was concentrated on lowering inventory levels while maintaining superior customer service.

The steel pipe distribution division concentrated their efforts on an inventory management program that was designed to replace slow moving inventory, throughout the year, with quicker moving items. This program has resulted in a significant decline of inventory on hand as of December 31, 2013. The steel pipe manufacturing division continued to improve efficiencies in the manufacturing process, which resulted in increased production output and the extension of its distribution channel. BMI continued to work with a number of master distributors to have our large diameter pipe mill enlisted on major energy companies approved manufacturer's lists for 2014 and beyond.

Sun Coast Acquisition

On September 6, 2013, the Company acquired assets and business operations of Sun Coast Materials Co., a California based packager and specialty cement blender to oil well contractors operating in southern and central California. The purchase price of \$6,722,296 consisted of all cash payments with terms of \$6,493,506 on closing, and a promissory note payable with a fair value of \$229,420 bearing interest at 4% per annum, repayable in September 2014. The acquisition of SCM and their transportation fleet further expands Bri-

Chem's product offerings into the USA market and provides a solid growth platform to offer cementing products and blending services throughout the USA.

ABL Facility Amendments

On November 14, 2013 the Company amended the terms of the ABL Facility to increase the borrowing base up to maximum of \$90,000,000 (2012 - \$80,000,000), reducing interest rates and extending the maturity of the facility to August 12, 2016. Under the revised terms, the ABL Facility bears interest either at prime rate (2012 – prime rate plus 0.25%) or bankers' acceptance rate plus 1.50% (2012 - bankers' acceptance rate plus 1.75%) or LIBOR plus 1.50% (2012 – LIBOR plus 1.75%), a collateral management fee of \$1,500 per month (2012 - \$3,000 per month) and stand by fee of 0.25% (2012 – 0.25%) on unused amounts of the ABL Facility.

Equity Financing

On December 20, 2013, the Company completed an equity financing for 6,667,000 common shares at a price of \$1.50 for gross proceeds of \$10,000,500 under an equity financing arrangement. The financing was conducted pursuant to the terms of an agency agreement between Bri-Chem and Cormark Securities Inc., Beacon Securities Limited, and Paradigm Capital Inc. (the "Underwriters") dated effective December 4, 2013. In consideration for services related to the offering, the Company paid the Underwriters a fee equal to 5% of the gross proceeds of the offering, totaling an aggregate commission of \$500,025.

Strategic Review

In November 2013, the Company initiated a strategic review of its steel pipe divisions as a result of the potential growth opportunities that existed in the North American drilling fluids market. During Q1/14, management began seeking viable strategic divestiture options and subsequently prepared information and documentation for prospective purchasers.

2014

The North American drilling fluids distribution divisions continued its strong growth into 2014 led primarily as a result of significant market share expansion from Bri-Chem's USA drilling fluids distribution division which experienced record sales growth for the year. Bri-Chem's USA growth momentum continued to drive many new milestones while the Company experienced a relatively consistent fluids market in Canada compared to the prior year.

Disposition of Steel Divisions

As a result of a strategic review, announced late 2013, and the follow-up Q1 2014 announcement where the Company disclosed its intention to sell its steel pipe divisional assets and ongoing steel pipe business operations, the Company, effective July 15, 2014, completed the sale of its Steel Pipe Manufacturing division assets and Steel Pipe Distribution division assets and all ongoing business operations to a USA based steel company for total proceeds of \$17,358,762. The net proceeds from the sale were used to reduce amounts outstanding under the Company's secured ABL credit facility.

SBS Acquisition

On December 1, 2014, the Company acquired all of the outstanding common shares of SBS; a Calgary based stimulation and production chemical blending business. The purchase price of \$5,095,858 consisted of cash payment of \$4,650,683 on closing, and a promissory note payable with a fair value of \$445,175 bearing interest at 4% per annum, repayable in January 2016 and 2017. The acquisition of SBS provides a strategic platform that enables Bri-Chem to enter into the liquid stimulation and production oilfield blending chemical market in Canada.

INDUSTRY OVERVIEW

Drilling Fluids Market

The Company supplies drilling fluid products and services to drilling fluid engineering, cementing, completion, stimulation and productions companies that operate within the WCSB in the provinces of Alberta, British Columbia, Saskatchewan and Manitoba and throughout the USA unconventional resource plays in all major drilling regions, including North Dakota, Wyoming, Colorado, Kansas, Utah, New Mexico, Texas, Pennsylvania, Oklahoma and California. The Company experienced lower industry activity in Canada in late Q4 2014 due to the significant decline in crude oil and natural gas prices that negatively impacted demand on fluid products as customers utilized and reduced their existing inventory in preparation of the expected drilling activity slowdown as a result of falling energy commodity prices. In Canada, drilling rig utilization averaged 46.0% for the twelve months ended December 31, 2014, an increase of 4.4% over the same comparable period in 2013. The number of wells drilled during 2014 was 2.2% higher compared to the prior year in 2013. PSAC has forecasted 7,645 wells to be drilled in Western Canada for 2015, a forecasted decrease of 32.0% over 2014 and the average number of active rigs for 2015 in the USA is expected to decrease to about 1,000 rigs by August 2015.

Current North American Rig Count:

Area	Last Count	Rig Count	Change from Prior Count	Date of Prior Count	Change from Last Year	Date of Last Year's Count
U.S.	Feb 27	1,267	-43	Feb 20	-502	Feb 27, 2015
Canada	Feb 27	330	-30	Feb 20	-296	Feb 27, 2015

Source: Baker Hughes

The success of Bri-Chem's fluid business is tied to the strength of the oil and gas industry in Western Canada and in major drilling regions in the USA, and as such is exposed to industry conditions and related capital expenditure budgets of exploration and production entities. As a result of this, demand for fluid products and services are cyclical. Drilling rig activity levels as well as depth are leading indicators of anticipated demand for fluids. 2015 is expected to be a challenging year for our industry as there are many uncertainties in today's market making forecasting difficult. It is projected that the industry slowdown will continue well into 2015 and it is not known at this time when it will begin to rebound. See "*Risk Factors – Dependence on Oil and gas Industry*"

In recent years, drilling activities have become much more complex. The number of deeper horizontal wells drilled over the past few years has been increasing. Deeper wells can encounter issues such as wellbore stability, pressure, lost circulation, stuck pipe, torque and drag which generally require an increased volume of drilling fluids. In addition there has been an increase in the number of horizontal wells being drilled which also requires more drilling fluids. As horizontal drilling and multi-staged fracing applications are now the norm, Bri-Chem is well positioned to service the demand for drilling fluids through its diverse drilling fluid product offerings.

Seasonal and Cyclical Nature of the Business

The Company's main customers are exposed to the oil and gas sector. 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, there are three cycles of drilling activity in the WCSB: Winter drilling season from November to mid March is the period when the majority of drilling activity takes place as much of the ground is frozen allowing equipment to move into hard to reach regions during colder periods. Spring break up traditionally occurs between mid March to mid May is the period when drilling activity is at its lowest as regions thaw and have road bans making heavy equipment difficult to move. Summer and fall drilling season operates from mid May to end of October which focuses on areas not

accessible during the winter drilling season. Spring break-up has a direct impact on the Company's activity levels. 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. With the addition of SCM in 2013 and BSU in 2011, these divisions should reduce the seasonality of the business as they are less dependent on drilling activity in Canada as both divisions sell into the USA market which is not affected by seasonal changes.

BUSINESS OF THE COMPANY

Company Overview

Bri-Chem is a leading North American wholesale distributor, blender, and packager of drilling fluids to the oil and gas industry in North America. The Company was founded in 1985, and is headquartered in Edmonton, Alberta. The Company owns 100% interest in Bri-Chem Supply Ltd., 100% interest in Sodium Solutions Inc., 100% interest in Solution Blend Service Ltd. 100% interest in both 1100266 Alberta Ltd. (formerly Bri-Steel Corporation), and 1564316 Alberta Ltd. (formerly Bri-Steel Manufacturing Inc.), 100% interest in Bri-Corp USA, Inc., which has three 100% owned subsidiaries, Bri-Chem Supply Corp, LLC, Sun Coast Materials, LLC and Bri-Chem Logistics, LLC. Bri-Chem continues to concentrate on expanding its market presence with the focus being North America's fluid distributor of choice.

OIL AND GAS DRILLING FLUIDS DIVISION

Bri-Chem's main business activity is in the wholesale distribution of drilling fluid products to the oil and gas industry in North America. Bri-Chem supplies, blends and packages drilling fluid products in a wide variety of weights and clays, lost circulation materials, chemicals and oil mud products to mud engineering companies who sell directly to drilling firms engaged by the oil and gas companies. Much of Bri-Chem's success is attributed to its comprehensive

Product Category	Main Industries Served	% of Aggregate Revenue
North American Drilling Fluids	Oil and Gas	Fiscal 2014: 84.3% Fiscal 2013: 71.9% Fiscal 2012: 67.4%
North American Cementing, Acidizing and Stimulating Fluids	Oil and Gas	Fiscal 2014: 15.7% Fiscal 2013: 10.9% Fiscal 2012: 6.4%

network of 33 strategically placed and fully stocked warehouses throughout North America as mud engineering companies and drilling companies prefer to use one supplier of drilling fluids for all of their widely dispersed drilling rig locations. The WCSB drilling fluid supply business experiences some seasonality with the spring (April and May) generally being the slowest period, as customers in the natural resource sectors experience a slowdown in their activity. The peak season is in the late fall (October and November) and winter (January and February) when customers are not constrained by weather conditions to perform their activities. The US drilling fluids market is larger than the Canadian market and it does not experience the seasonal slowdown compared to Canada which allows demand for fluids to be more consistent throughout all quarters of the year.

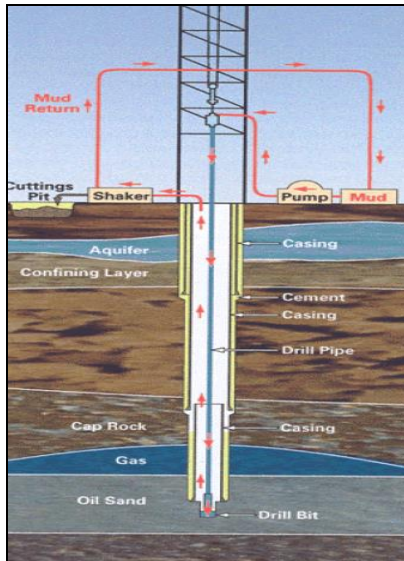
Fluids Distribution

Principal Products or Services

The principal business activity of Bri-Chem is the wholesale distribution of drilling fluid products for the oil and gas industry. Drilling fluid, also called drilling mud, is a circulating fluid used while drilling oil and natural gas wells and in exploration drilling rigs. The drilling fluid is pumped from the surface through the hollow drill string, exits through nozzles in the drill bit, and returns to the surface through the annular space between the drill string and the walls of the hole.

As the drill bit grinds rocks into drill cuttings, these cuttings become entrained in the mud flow and are carried to the surface. In order to return the mud to the recirculating mud system and to make the solids easier to handle, the solids must be separated from the mud. The first step in separating the cuttings from the mud involves circulating the mixture of mud and cuttings over vibrating screens called shale shakers. The liquid mud passes through the screens and is recirculated back to the mud tanks from which mud is withdrawn for pumping downhole. The drill cuttings remain on top of the shale shaker screens.

The three primary purposes of drilling mud or drilling fluids is illustrated as follows:



1. Remove cuttings from the formation produced by the bit at the bottom of the hole and carry them to the surface. This is achieved by adjusting the rheology of the mud system.
2. Lubricate and cool the drill bit during operation as friction causes high temperatures downhole that can limit tool life and performance.
3. Maintain hydrostatic equilibrium so that fluids and gas from the formation do not enter the well bore causing the well to flow, kick or blow out. This is achieved by adjusting the mud weight (density). High-density additives (barite, hematite) are used for preparation of kill-weight fluids, which create hydrostatic pressure that prevents water entering the well or hold the oil/gas inside, preventing a blowout and to physically stabilize the formation.

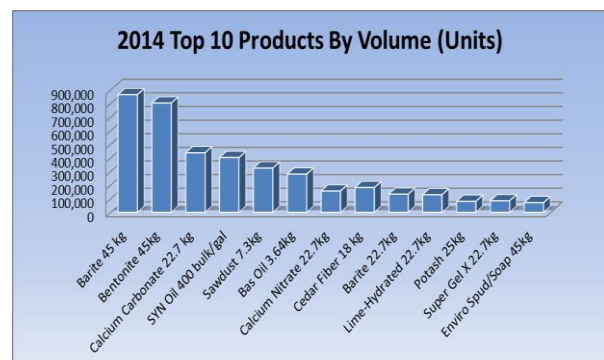
Market

Bri-Chem services the drilling sector of the oil and gas industry through its subsidiaries BSL in Canada and BSU and BCL in the USA. The business has evolved and prospered by supplying the required drilling fluid products, offering technical solutions, building and fostering relationships along with exceeding customer expectations and growing with the industry. Much of the drilling fluids division success is attributed to their comprehensive network of strategically placed and prudently managed warehouses located throughout western Canada and the USA. As the drilling activity starts to recover, mud companies have the desire to use a wholesale that has adequate inventory in the appropriate regions to fulfill their projects.

Drilling activity in major resource plays includes wells drilled vertically, directionally, and with increasing frequency, horizontally in conjunction with multi-stage fracturing technology. Horizontal and deeper wells are faced with a range of drilling, stability, pressure and other issues which generally require a greater volume of drilling fluids. Horizontal drilling is a technique often utilized in formations like tight gas, tight oil, in heavy oil, and in the oil sands. These wells require a significant amount of development and infrastructure costs and have a medium to high drilling complexity requiring more technically advanced fluids to maximize successful drilling.

Product Lines

BSL and BSU have access to over 100 different products in a wide variety of weights and clays, lost circulation materials, chemicals and oil mud products.



Due to the nature and quality of the materials used, the division does not separately track their product lines. In order to ensure that the product inventory is being fully utilized, the division's management periodically reviews inventory for turnover. The fluids division management believes that each location should be fully stocked to deal with every situation.

BSL has demonstrated their ability to adapt to the demands of their customers by stocking required products or creating custom products. In recent years there has been an increase in demand for oil-based drilling fluids, known as invert, due mainly to the increase in horizontal drilling activities. A large constituent of Bri-Chem's customer base has shifted to a liquid based drilling fluid which has become a critical and interrelated part of the drilling operations. The majority of the oil companies are now adapting to using a central liquid mud facility, where the storage, handling and mixing are done. BSL maintains invert blending and storage facilities in Edson, AB and Fort St. John, BC, with additional storage facilities in Grande Prairie, AB. This network of liquid blending and storage tanks allows BSL to offer its blended liquid mud products to satisfy customer demand and further solidify customer relationships.



In late 2012 the Company opened its first liquid invert blending and storage facility in Leetsdale, Pennsylvania, USA. In 2014 BSU opened another oil based liquid invert blending, and plant in Clinton, Oklahoma, which became fully operational in late February of 2015. Similar to that in the WSCB, many regions in the USA are using oil based drilling fluid systems to drill as horizontal drilling becomes more dominant in the USA.

Distribution Method

BSL has 15 stock points or warehouses in strategic locations across Alberta, Saskatchewan and British Columbia. BSL has entered into agreements with various trucking companies whereby BSL will store inventory on the trucking company premises for a nominal or a small handling charge in exchange for delivery services as they occur. These favorable arrangements reduce storage costs, guarantees delivery service and reduce logistical and timing issues.

BSU has 16 stock points strategically located in major drilling regions in the USA. BSU looks for similar trucking arrangement to those in Canada, however in some cases, BSU is required to lease and manage the warehouse in certain regions.

BSU previously operated its own USA interstate flatbed carrier business that provided flatbed trucking services since 2005. As a result of BSU expanding from 3 warehouses to 16 current national warehouses, management has been able to secure superior independent highway transportation rates which are less than the cost of running our own fleet. During 2012, the Company sold off its highway transportation fleet and as part of the General acquisition, the Company acquired a fleet of specialized rig hauling trucks that are used to secure delivery of drilling fluids to customers located at well sites throughout Oklahoma. In 2013, by way of the acquisition of SCM, the Company purchased a fleet of trucks and bulk pneumatic trailers to transport bulk cement and cement chemical additives out to rig sites.

Fluids Blending and Packaging

The drilling fluids market also includes completion, cementing, acidizing, stimulation and production fluids. The addressable size of these markets is significant and Bri-Chem continues to grow its business presence in each of these end use applications. Bri-Chem has the ability to mix and blend products to grow and adapt to

the changing environment and needs of their clients. The distribution of chemical supplies and packaging in Canada is operated through Bri-Chem's blending and packaging facilities located in Acheson and Camrose, Alberta and its stimulation and production chemical blending facility is operated through SBS located in Calgary, Alberta. The distribution of cementing chemical supplies and packaging in the USA is operated through SCM located in Bakersfield, California.

Principal Products or Services

The oil and gas drilling and completion process also utilizes a significant amount of cementing, stimulation, fracturing and production chemical fluids. Many of these products are a blended formulation utilizing specialty additives that Bri-Chem can supply in both packaged and truckload quantities. Cementing is performed when the cement slurry is deployed into the well via pumps, displacing the drilling fluids still located within the well, and replacing them with cement. Well stimulation involves introducing special blends of chemicals and acid to oil or gas producing formations in order to diminish or eliminate unwanted materials. The fracturing process injects fluids and sand at high pressure which creates small fractures in the rock that extend out from the well. Production chemicals are specialty blended products that help maximize well production and minimize well maintenance costs. The addressable size of these markets is significant and Bri-Chem continues to grow its business presence in each of these fluid applications. Bri-Chem has dedicated facilities, located in Acheson, Camrose, and Calgary, Alberta and Bakersfield, California, with capacity to blend and package specialty fluids for customer specific products.

Market

As the demand for complex fluid systems increase and customers look for a competitive advantage through proprietary product offerings, the Company is able to offer innovative and confidential blending solutions to this growing segment of the drilling fluids market. With non-conventional horizontal drilling activity continues, customers are constantly re-engineering formulas to meet the application needs of these complex drilling systems. The Company offers customers the ability to custom blend proprietary products to meet the ever changing needs of customers. The Company offers blending of cementing, acidizing and fracturing chemical additives used in multi-stage fracing applications and well completions. With the recent acquisition of SBS, Bri-Chem now has the ability to offer these blending and packaging services for production and stimulation oilfield chemicals in the Canadian market place. The Company is also able to meet large volume demands of customers by sourcing and bagging large bulk commodity products. Many companies have shifted their focus to oil resource plays in the WCSB and have re-entered many abandoned and existing wells to re-stimulate these wells or drill new horizontal laterals off of the existing wellbore and will complete the wells through the use of multi-stage fracing.

Product Lines

The fluids blending and packaging divisions offers an extensive product line in both bulk and packaged form and continually adds new offerings to meet specific customer requirements. The Company's blending facilities in Acheson, Camrose, Calgary and Bakersfield, California, have allowed the fluids blending and packaging divisions to grow and adapt to the changing environment and changing needs of their clients. Blending operations includes customer specific blends of liquid or dry powder goods, whereby customers dictate the product formulation and our divisions will source the product, blend, package, warehouse and distribute the finished blended product. The blending and packaging services offered by Bri-Chem also allows the flexibility to target different industries for product and industry diversification.

Commonly Sold Products
Sodium Chloride Silica Fume Processed Lime Hydrated Lime Copper Chloride Gilsonite Kelzan

Distribution Method

Sodium has two strategic warehouse in Western Canada and has entered into agreements with various trucking companies whereby Sodium will store inventory on the trucking company's premises for a nominal or a small handling charge in exchange for all delivery services as they occur. These favorable arrangements reduce storage costs, guarantee delivery service and reduce logistical and timing issues.

BSL and Sodium have 9 mutual warehouses throughout Alberta, British Columbia and Saskatchewan. As a result, synergistic benefits are created by dealing with only a few operators providing efficiency in communication and distribution.

SBS has one Company owned blending and warehouse facility located in Calgary, Alberta, as all its customers are primarily located within the WCSB marketplace. SBS provides high quality specialty oilfield blended stimulation and production chemical products, operating from a safe and environmentally controlled facility, while maintaining compliance regulations, proficient warehouse management and delivery.

SCM has one Company owned blending and warehouse facility, located in Bakersfield, California, as all its customers are located within the same geographical area at this time.

Fluids Testing and Training

The Company has a laboratory in Calgary, Alberta, which serves its customers throughout the North American drilling fluids industry with testing equipment, quality assurance, training, and research and analysis of critical fluids.

The Company offers additional services that are essential to maintaining strong customer relationships. Bri-Chem's analytical lab offers testing of drilling fluids for customers for various analyses such as viscosity, fluid loss, and lubricity among others. The laboratory can also perform customer specific analysis. Bri-Chem sells drilling fluid field testing chemicals and equipment, which are used by drilling fluid engineers out in the field. Bri-Chem periodically hosts mud schools that provide technical materials and training to sales personnel, mud engineers and others associated with the drilling fluid industry. Students leave the three week long school with the education and knowledge to test and mix drilling fluids along with the understanding of various products and their applications.

Warehouses and Blending Facilities

Bri-Chem has 33 strategically located warehouses throughout British Columbia, Alberta, Saskatchewan and the United States. In Canada, Bri-Chem operates from 17 warehouses of which 13 are third party owned and operated warehouse facilities. Camrose, Acheson, Calgary and Estevan are locations that are owned and operated by the Company. Camrose operates a 10,500 square foot bulk repackaging and blending facility with storage quonsets, Acheson operates a 5,000 square foot blending operation with storage quonsets on site to warehouse blended and raw material product, Calgary operates a 17,000 square foot liquid blending facility and Estevan is a warehouse and yard location for the distribution of drilling fluids. In addition, Bri-Chem has invert fluid tank farm and storage facilities in Edson, Grande Prairie, Alberta, and Fort St. John, BC as well as Leedsdale, PA and Clinton, OK in the US.

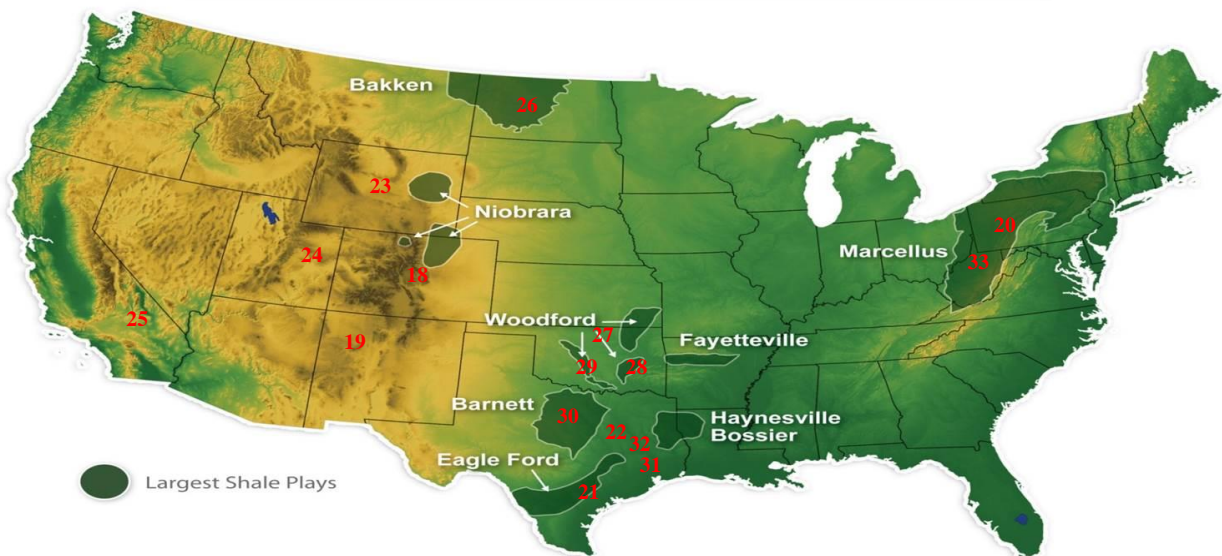
In the United States, Bri-Chem operates from 16 warehouses of which 8 are third party owned and operated, 5 are leased and operated by BSU and 3 are owned and operated by Bri-Chem. The Company owns and operates a 24,000 square foot blending and packaging operation in Bakersfield, California to warehouse blended and raw bulk cement material product. Clinton and Chickasha facilities are also owned and operated by the Company and are utilized as warehouse and yard locations for the distribution of drilling fluids.

The following maps indicate the geographic locations of the storage and stock point facilities:



1. Fort Nelson, BC	Third party operated	10. Blackfalds, AB	Third party operated
2. Fort St. John, BC	Third party operated	11. Rosetown, SK	Third party operated
3. High Level, AB	Third party operated	12. Swift Current, SK	Third party operated
4. Grand Prairie, AB	Third party operated	13. Brooks, AB	Third party operated
5. Slave Lake, AB	Third party operated	14. Lloydminster, AB	Third party operated
6. Edson, AB	Third party operated	15. Whitecourt, AB	Third party operated
7. Acheson, AB	Bri-Chem operated	16. Estevan, SK	Bri-Chem operated
8. Consort, AB	Third party operated	17. Calgary, AB.	Bri-Chem operated
9. Camrose, AB	Bri-Chem operated		

Shale Plays in the United States of America



18. Denver, CO	Bri-Chem operated	26. Belfield, ND	Third party operated
19. Farmington, NM	Third party operated	27. Enid, OK	Bri-Chem operated
20. Leetsdale, PA	Bri-Chem operated	28. Chickasha, OK	Bri-Chem operated
21. Tyler, TX	Bri-Chem operated	29. Clinton, OK	Bri-Chem operated
22. Alice, TX	Third party operated	30. Byran, TX	Third party operated
23. Casper, WY	Third party operated	31. Houston, TX	Third party operated
24. Myton, UT	Third party operated	32. Coahoma, TX	Bri-Chem operated
25. Bakersfield, CA	Bri-Chem operated	33. Ellis, KS	Bri-Chem operated

Customers

Bri-Chem's drilling fluids are sold to drilling fluid engineering companies that design sophisticated drilling fluid systems to help eliminate inefficiencies in the drilling process and provide drilling fluid expertise and technical support. Bri-Chem distributes products to over 100 customers in Canada and the United States. As at December 31, 2014 the Company had two major customers that made up approximately 15.3% (2013 - 17%) of total fluid sales. Bulk and truckload quantities of product are also delivered to our facilities where we blend, repackage and coordinate distribution of product to the customer. The repackaging and blending products are typically sold to drilling fluid engineering customers and well stimulation and completion companies.

Specialized Skill and Knowledge

Bri-Chem employs nine customer sales representatives who provide technical expertise to the Company's fluids client base. Five of these personnel are located in Calgary, Alberta, where the majority of the oil and gas fluids business transactions are conducted for the fluids divisions in Canada. The US fluids division have six strategically placed sales personal to service the different geographic regions of the US fluids market. Sales personnel are responsible for customer service and order requests. In addition, sales personnel focus on supporting customers with technical questions and requests for product information. Each salesperson is allotted a group of customers to service and manage, thus providing care and attention to changing customer needs.

Personnel

Bri-Chem strives to be an extraordinary place to be employed. The Company values its employees and expects all employees to maintain the highest standards of conduct. Bri-Chem's Code of Conduct is designed to commit the Company and all employees, contractors, directors, and officers to performing business activities and operations with integrity and due regard to the public interest and interest of Bri-Chem shareholders. As at December 31, 2014 Bri-Chem, together with its subsidiaries, employed 122 employees (2013 - 174 employees). In addition, Bri-Chem has 4 contract staff at December 31, 2014 (2013 - 10 contractors). The following is a breakdown of the employees:

Company - Canada	Employees/Contractors	Company - USA	Employees/Contractors
Bri-Chem Corp.	5/Nil	Bri-Chem Supply Corp	53/1
Bri-Chem Supply	20/1	Bri-Chem Logistics	Nil
Sodium Solutions	19/1	Sun Coast Material	19/Nil
Solution Blend Service	6/1		

Suppliers

Bri-Chem has developed relationships with a number of drilling fluid suppliers including domestic manufacturers and international chemical supply companies. These vendors are selected through superior products, pricing, availability and technical support. Bri-Chem's supply chain and long-term vendor relationships is an important factor in being a full service wholesale distribution company. Bri-Chem's vendor network is mainly based in North America but also includes numerous points around the globe such as India, and China. The Company's global procurement and logistics team are experienced within its specific industry and various other markets around the world.

Competition and Competitive Advantages

The Company operates in a competitive marketplace in Western Canada and the USA. The main competitors range from midsized privately owned companies to international public traded companies. Bri-Chem is able to compete effectively by providing competitive prices, providing reliable service to its customers and by

maintaining a well stocked and broad distribution network. The low capital intensive distribution structure the Company employs, with several third party independently owned warehouses, provides Bri-Chem a very scalable, low operating cost, distribution network. The Company believes that due to its strategically located well stocked warehouses, it is able to provide customers with a diverse product selection and timely delivery. It also provides custom blending and mill direct shipments to meet special customer requests.

Customer relationships are key to maintaining revenue and profitability. Customers rely on the technical expertise of the Company's sales personnel to meet their specific application needs and the Company's strong reliable vendor relationships both from within Canada and internationally. The reliability to deliver product on time to warehouses is critical in solidifying customer sales. See "Risk Factors – Competition and Industry Conditions".

Vendor relationships assist in controlling costs of products. Bri-Chem purchases products from various vendors throughout North America and Internationally. With a diverse selection of vendors it is able to monitor fluid supply availability and pricing trends. Timely access to market information and economic outlook allows the Company to proactively manage inventory levels and prices.

The Company has been successful in attracting and retaining committed and talented professionals. Our sales staff has on average of over 20 years' experience. Our members of senior management share the vision and direction of the Company and are committed to using their expertise to enable the Company to continue to grow and develop new markets and expand product offerings.

We attempt to manage our inventory to avoid unnecessary commitments of working capital while maintaining a sufficient level of inventory to respond to customer needs. Each warehouse is stocked to sufficient levels based on market activity within each region. We believe that our decentralized inventory management, and continued superior vendor relationships will allow us to monitor our costs of inventory.

The Company has completed several successful acquisitions in the past and will continue to seek out additional acquisition opportunities as a part of our growth strategy going forward. We believe our acquisitions are highly successful based on our ability to integrate these companies into the existing structure of Bri-Chem, while recognizing that some acquisitions will operate more efficiently and effectively if they are allowed to keep their own culture and operations.

We have entered into other drilling fluid segments to provide for alternate revenue streams and to decrease its dependence on one industry segment. We attempt to identify and take advantage of opportunities for synergies between these diverse segments to continue our scalable and low-cost operating cost strategy.

Environment, Health & Safety

The Company is subject to a various federal, provincial, state and local environment laws and regulations governing the handling, storage, treatment and disposal of waste materials. The Company has safety coordinators to ensure compliance with all necessary safety and environmental regulations. Bri-Chem's management recognizes that an effective Health and Safety program has a positive impact on long-term business results. Accordingly, management supports the training, equipment and procedures needed to ensure the health and safety of all employees of Bri-Chem. Management has implemented a comprehensive set of environmental and safety policies including, but not limited to:

- A safety awareness program;
- Safety policy and procedures manual along with an emergency response plan;
- Criteria, documentation and remediation of hazard assessments; and
- Capital investment and expenditures to correct deficiencies as they are identified.

RISK FACTORS

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF and Bri-Chem's other public disclosure documents, including the managements' discussion and analysis for the Company for the year ended December 31, 2014. These risks and uncertainties are not the only ones facing Bri-Chem. Additional risks and uncertainties not currently known to the Company or that the Company currently considers remote or immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.

Risks Relating to Bri-Chem and its Business

Competition and Industry Conditions

There is a strong correlation between drilling activity and demand for the Company's product. Industry demand for the Company's drilling products is further determined by activity levels that are focused on deep well drilling and applications common to the foothills region and northern Alberta and British Columbia, areas known for deeper drilling. Oil and gas activity in these geographic regions is normally strong during winter months or other times when climatic conditions are favorable.

The capital expenditure programs of oil and gas companies largely affect the products provided by the Company. The magnitude of capital expenditures determines the demand for the Company's drilling fluids to the oil and gas industry. The primary catalysts to high expenditures and activity levels in the energy industry are oil and gas prices which, in turn, are influenced strongly by supply and demand expectations. The ability to forecast the price of crude oil or natural gas is extremely difficult as many global factors affecting commodity prices are beyond the control of the Company.

Inventory Risk

The Company distributes to markets that are highly sensitive to price, quality of product and timeliness of the delivery and adequate supply levels. In addition, product sales are dependent on demand and demand fluctuates with the seasonality of the drilling industry in Western Canada. The Company purchases products to stock warehouses to sufficient levels to meet the demands of customers. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and optimal customer service. Since the Company maintains significant quantities of inventory, the value is subject to the risk of changing prices.

Ability to Maintain Obligations Under Asset-Based Lending Facility and Other Debt

Bri-Chem has borrowed a considerable amount of cash under its ABL and subordinate debt facilities. Bri-Chem is required to satisfy certain financial covenants in order to maintain its good standing under the ABL and subordinate debt facilities. Bri-Chem may from time to time enter into other arrangements to borrow money in order to fund its operations and expansion plans, and such arrangements may include covenants that have similar obligations or that restrict its business in some way. Events may occur in the future, including events out of Bri-Chem's control that would cause Bri-Chem to fail to satisfy its obligations under the credit facilities or other debt instruments. In such circumstances, the amounts drawn under Bri-Chem's debt agreements may become due and payable before the agreed maturity date and Bri-Chem may not have the financial resources to repay such amounts when due. The credit facilities are secured by all of Bri-Chem's property. If Bri-Chem were to default on its obligations under the credit facility or other secured debt instruments in the future, the lender(s) under such debt instruments could enforce their security and seize all or significant portions of Bri-Chem's assets.

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company actively monitors its financing obligations, as well as its cash to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost. The changes in the global financial markets and weak economic conditions, can have a significant impact on the ability of the Company to obtain funding for future financial requirements.

Due to these factors, the Company cannot be certain that funding will be available when needed and to the extent required, on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, the Company may be unable to implement its business plans, or take advantage of business opportunities, or respond to competitive pressures, all of which could have a material adverse effect on the Company's financial conditions, results of operations, and cash flows.

Market Price Volatility of Common Shares

The market price of the Company's common shares may be volatile. The volatility may affect the ability of shareholders to sell the common shares at an advantageous price. Market price fluctuations in the common shares may be due to the Company's operating results failing to meet the expectations of investors and stock market analysts in any quarter, downward revision in securities analysts' estimates, governmental regulatory actions, adverse change in market conditions or economic trends, acquisitions, business or asset dispositions and material announcements by the Company or its competitors, along with a variety of additional factors, including, but not limited to, those set forth in *"Cautionary Statement Regarding Forward-Looking Information"* herein. In addition, the stock markets, including TSX, may experience significant price and trading fluctuations. These fluctuations may result in volatility in the stock market prices that often has been unrelated or disproportionate to changes in operating performance. These market fluctuations may adversely affect the market prices of the Company's common shares.

Commodity Risk

The cost and availability of steel and selling prices fluctuate due to a number of factors beyond the Company's control, including global market conditions, foreign currency exchange rates, and trade sanctions, tariffs, competition and price surcharges. Fluctuations in availability and cost of steel and selling prices may materially affect our business, financial condition and cash flow. The Company has no material long-term, fixed price purchase contracts and we attempts to pass along all product costs were able to customers. To the extent the Company is not able to pass on the entire increase to its customers, its business, financial condition and cash flow may be materially affected.

Oil and Natural Gas Prices

The revenue, cash flow and earnings of the Company are substantially dependent upon and affected by the level of activity associated with oil and natural gas exploration. Both short-term and long-term trends in oil and natural gas prices affect the level of such activity. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, may affect both the demand for and the supply of oil and natural gas. Weather conditions, governmental regulation, levels of consumer demand, the availability of pipeline capacity and other factors beyond the Company's control may also affect the supply of and demand for oil and natural gas leading to future price volatility. The drilling industry is cyclical and the fluctuations in the level of oil and natural gas exploration and development activity have a direct impact on the Company's business. Any significant reduction in industry forecasted levels of drilling activity in the WCSB and the United States may severely reduce activity levels for the Company and the resulting cash flows. Future changes in oil and natural gas prices could result in substantial increases or decreases in total revenues of the Company. Prolonged financial instability could result in oil and natural gas projects being deferred or cancelled thereby limiting new revenue streams to the Company.

A substantial decline in the commodity price environment commenced in the fourth quarter of 2014, and since December 2014, crude oil prices have continued to weaken. The Company anticipates commodity prices may stay relatively low in 2015. This decline in crude oil prices has resulted in impairment to the carrying value of goodwill and other intangible assets. If crude oil and natural gas prices continue to decline significantly and remain at low levels for an extended period of time, the carrying value of other long term assets may be subject to further impairment charges, and future capital spending could be reduced.

Supply Risk

The Company distributes industrial products manufactured or supplied by a number of major suppliers. The Company does not have long-term contracts with any of its major suppliers. Although the Company believes that it has access to similar products from competing suppliers, any disruption in the Company's sources of supply, particularly of the most commonly sold items or any material fluctuation in the quality, quantity or cost of such supply, could have a material adverse effect upon the Company's results of operations and financial condition. Also, supply shortages occur at times as a result of unanticipated demand, production difficulties or delivery delays. In such cases, suppliers often allocate products among distributors. Future supply shortages may occur from time to time and may have a short-term material adverse effect on the Company's results of operations and financial condition.

Growth Risk

The Company intends to continue its growth through expansion into new geographic regions and diversification of products and services. There is no certainty that the Company will be successful in growing its operations or in managing its growth. The factors to be considered in the future growth will depend upon the Company's ability to expand into new geographic regions, establish new relationships with customers in the new markets penetrated and the ability to maintain those relationships, identify new business acquisitions that are suitable acquisition targets, maintain strong vendor relationships, successful management of expansion and obtaining required financing. If this growth and change is not managed effectively it could potentially affect the quality of the Company's products and services, margins and profitability.

Dependence on Oil and Gas Industry

The Company's revenue is primarily generated from customers servicing the oil and gas industry in Western Canada and the United States. As a result, the Company is susceptible to changes in the general economic conditions in this sector. A significant decline in general oil and gas production could affect Bri-Chem's business. Declines in this industry could be triggered by a number of events, including a decline in commodity prices for oil and gas, technology changes, regulatory changes, availability of alternative energy sources, and other changes in the industry.

Seasonal Weather

In Canada, the level of activity in the oil and natural gas industry is influenced by seasonal weather patterns. Spring break-up during the second quarter of each year leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of energy services. In addition, many jurisdictions enforce road bans during such times that restrict the movement of heavy equipment. The timing and duration of spring break-up is dependent on weather patterns and the duration of this period will have an impact on the level of business of the Company. There is greater drilling activity and therefore a greater demand for the Company's products in the winter season when the ground is frozen allowing the movement and operation of heavy equipment. This peak season typically runs from November to early March. However, if unseasonably warm temperatures in the winter occur it may prevent sufficient freezing, and drilling activity may be adversely affected, impacting the Company's operations and financial condition.

Concentration risk

The top eight customers of the Company account for approximately 40.7% of revenue for the year ended December 31, 2014, of which no single customer accounting for more than approximately 10%. The Company does not usually enter into long term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customers, any significant decrease in sales to a customer, or prices paid or any other changes to the terms of service with customers, could have a material adverse effect on the financial results, cash flows, and the overall financial condition of the Company.

Transportation and Distribution Network Risk

The Company relies on a wide distribution network to manage its inventory flow between locations and from the point of initial material inventory purchase to final customer sale. Common to industry practice, the Company has no formal long-term contract with its major inventory storage and distribution supplier. If they were to experience a breakdown in this network, it could have a potential material effect on sales, margins and profitability.

Credit Risk

The Company's revenues are predominantly from products sold to oil and gas fluid engineering companies which may result in significant exposure to one customer or on a combined basis to several individual customers. Concentration of credit risk on the Company's trade accounts receivable exists in the oil and gas industry. The Company's management regularly reviews outstanding accounts receivable and follows up with customers when settlement has not occurred on a timely basis. During times of weak economic conditions, the risk of payment delays and failure to pay increases due to a reduction in customer's cash flow. Failure to collect accounts receivable from customers could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. The Company generally grants unsecured credit to its customers; however, it evaluates all new customers as appropriate and analyzes and reviews the financial health of its current customers on an ongoing basis.

The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company also closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customer's credit risk, historical trends and other economic information.

Insurance Risk

The Company maintains insurance coverage adequate to cover the risks associated with operations of the Company. Such insurance is subject to coverage limits and exclusions and may not cover the Company in all circumstances. There is no assurance that the Company's insurance coverage will be adequate to cover the Company's liabilities or will be generally available in the future. Future changes in insurance premiums could affect the Company's ability to purchase adequate insurance coverage and could impact the settlement of future claims. This could have a material adverse effect on the Company's ability to conduct normal business operations and on its financial conditions, results of operations and cashflow.

Fuel Prices

The Company incurs costs relating to fuel for its transportation company and as such higher fuel prices could have a material adverse effect on Bri-Chem's operations, results of operations and financial position. The Company mitigates this risk by implementing fuel economy, asset utilization, routine repairs and maintenance program and minimizing loss miles by utilizing back hauling.

Regulatory Compliance Risk

The operations of the Company are subject to laws and regulations relating to workplace safety and work health related regulations, the conduct of operations, and the transportation, storage and disposal of fluid products. The Company acts in the best interests to ensure it is compliant with such laws and regulations. As future laws and regulations change, this may give rise to additional expenditures or liabilities. Any change to laws or regulations could have an adverse effect on the operations of the Company and its financial condition, results of operations and cash flow.

Workplace Safety, Health and Wellness

The Company's employees may face workplace health and safety risks and hazards, which could potentially result in injury or lost time. The Company's Safety Program is in place to reduce risks to people, the environment and the Company's business, and is continually updated as new risks and hazards are identified. These risks and hazards could result in personal injury, loss of life, environmental damage, or other damage to the Company's property or the property of others. The Company cannot fully protect or insure against all these risks, and could become liable for damages arising from these events against which are not insured.

Regulations Affecting the Oil and Natural Gas Industry

The operations of the Company and its customers are subject to or impacted by a wide array of regulations in the jurisdictions in which they operate. As a result of changes in regulations and laws relating to the oil and natural gas industry, the Company's customers' operations could be disrupted or curtailed by governmental authorities. The high cost of compliance with applicable regulations could cause customers to discontinue or limit their operations and may discourage companies from continuing activities. As a result, demand for the Company's products and services could be substantially affected by regulations adversely impacting the oil and natural gas industry.

Product Liability Claims

Although Bri-Chem believes it offers superior products in the market place, the Company may at time to time have claims for damages resulting from misapplication of products or from product defects. The Company mitigates this risk by providing standard MSDS information for all fluids products sold. However, the defense of claims could prove costly, therefore increasing the Company's expenses. If a claim would be successful or partially successful, it could result in monetary liabilities and future scrutiny from customers on products sold.

Income Tax Expense

The Company collects, accrues, and pays significant amounts of income taxes and has significant deferred tax liabilities and tax expense. The amounts reported are based on management's best estimates using currently enacted tax rules and accounting principles related to income tax reporting at the time of preparation. Tax interpretations, regulations, and legislation that pertain to the Company's activities are subject to continual change. There is a risk that the actual tax owing may differ from this amount, which could affect the Company's reported net income after tax and earnings per share reported. Management engages a third party specialist to review the calculation of deferred income taxes to help mitigate the risks in this area.

Interest Rate Risk

The Company is subject to interest rate risk from its financial leverage of its inventory and accounts receivable because they are based on floating rates of interest. The cash flow required to service the debt will fluctuate with changes in market rates. Increases in prime lending rates may reduce net profits after income tax. The Company has not entered into derivative arrangements to mitigate these risks.

Foreign Currency Risk

The Company is exposed to foreign currency fluctuations in relation to its sales and purchases in US dollars. Any change in the value of the Canadian dollar relative to the US dollar during a given financial reporting period would result in a foreign currency gain or loss on the translation of our US dollar denominated debt and assets into Canadian dollars. Therefore the Company is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not hedge inventories purchased specifically from US markets, instead the Company relies on its inventory turnover.

Integration of Acquisitions

The Company is expected to continue to grow through acquisitions. The Company may experience difficulties in integrating an acquired business into the existing operations, including but not limited to integrating administrative functions, financial reporting, operational and information systems, improvements in operational effectiveness, standardization of controls, policies and procedures and recognizing the synergistic opportunities of the combined entity. The success of the integration also depends on the ability to retain key employees of the acquired company.

Potential Liabilities from Acquisitions

In pursuing acquisitions, the Company conducts due diligence procedures on the business being acquired. It seeks to understand and identify all liabilities and representations of the business being acquired. Despite such efforts, there can be no assurance that the Company may not become subject to undisclosed liabilities as a result of acquisitions. Liabilities may exist which were not discovered during the due diligence process prior to completing the acquisition. This failure to discover potential liabilities may be due to various factors, such as our failure to accurately assess all of the pre-existing liabilities of the operations acquired or vendors failing to comply with laws. If this occurs, the Company may be responsible for such violations which could have a material adverse effect on the business.

Entering New Business Lines

The Company may enter into new business lines with new acquisitions or other opportunities for growth related to the current business of the Company. There is no guarantee that these new business lines will be successful in the marketplace to which they are directed. Management makes its best efforts to research and forecast future profitability of any new business ventures prior to commencing in any new endeavor, however there are underlying risks that are intangible at the time of entry. The success of any new venture is also dependent on the areas of sales and marketing, customer demand, market stability, existing barriers to entry, and other factors of product introduction.

Dependence on Key Personnel

The success of the Company will be dependent on the services of the members of its senior management. The experience and talents of these individuals will be a significant factor in the success and growth of the Company. The loss of one or more of these individuals could have a material adverse effect on the operations and business prospects of Bri-Chem, furthermore, as part of the Company's growth strategy, it must continue to hire highly qualified individuals, including financial, sales and operations personnel. There can be no assurance that the Company will be able to attract and retain qualified personnel in the future. The compensation program in place includes salary, benefits, and bonus structures, and is designed to provide fair compensation to all personnel and adequate performance incentives. Other non-monetary measures including training and development and recognition are used to ensure the culture stays focused on key personnel retention.

Ability to Achieve Profitability

There can be no assurance that the Company will be able to achieve profitability in future periods. The Company's future operating results will depend on a number of factors, including its ability to continue to successfully execute its corporate strategic plan. There can be no assurance that the Company will be successful in achieving the objectives of its corporate strategic plan or that its corporate strategic plan will enable it to maintain or sustain profitability. Failure to successfully execute any material part of the Company's strategic plan could have a material adverse effect on its business, financial condition, results or operations and cash flows.

Availability of Future Funding

The management of Bri-Chem expects the principal sources of funds will be cash generated from their operating activities and the borrowing capacity remaining under their credit facilities. In order to maintain its growth strategy, the Company may require additional equity or debt financing to meet its financing activities. There can be no assurance that additional financing will be available to Bri-Chem when needed or on terms acceptable to Bri-Chem. In addition, capital markets can be volatile and continued volatility could limit Bri-Chem's ability to obtain new financing, even if Bri-Chem has positive business results. Bri-Chem's inability to raise funding to support ongoing operations and to fund capital expenditures or acquisitions may limit Bri-Chem's growth or may have a material adverse effect upon Bri-Chem.

Environmental Liability

As a result of the Company's operations dealing with petroleum products and chemical additives used in connection with the transportation, storage and disposal of drilling fluid products, the Company is exposed to potential environmental liability in connection with its business. The Company maintains compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials, however, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. Although the Company enforces a program to identify and address contamination issues before acquiring or leasing properties, and attempts to utilize generally accepted operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under properties owned, leased, or operated by the Company prior to the Company owning, leasing or operating these properties. These properties and the wastes disposed thereon may be subject to environmental laws that could require the Company to remove the wastes or remediate sites where they have been released. Laws and regulations relating to the environment that apply to the business and operations of the Company is likely to change and become more stringent in the future. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Company cannot predict the nature of the restrictions that may be imposed. The Company may be required to increase operating expenses or capital expenditures in order to comply with any new environmental restrictions or regulations which could have a materially adverse effect on the operations of the Company and its financial condition, results of operations and cash flow.

Forward-Looking Information May Prove Inaccurate

By its nature, forward-looking information involves known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. In particular, this AIF includes information regarding Bri-Chem's ability to fund operational working capital and current and future strategic growth opportunities. These statements reflect the Company's current intention and its expectations regarding the success of its future strategic growth plans. The ability of Bri-Chem to successfully execute these plans, and its willingness to do so, are subject to risks and uncertainties. These include general economic conditions in Canada, the United States, and internationally; demand for oilfield services for drilling and completion of oil and natural gas wells;

volatility in market prices for steel, oil, natural gas, and natural gas liquids and the effect of this volatility on the demand for oilfield services generally; competition; liabilities and risks, including environmental liabilities and risks inherent in oil and natural gas operations; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities and skilled management, technical and field personnel; ability to integrate technological advances and match advances of competitors; availability of capital; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; changes in legislation and the regulatory environment; changes to the royalty regimes applicable to entities operating in the WCSB; access to capital and the liquidity of debt markets; changes as a result of IFRS adoption; and fluctuations in foreign exchange and interest rates. Bri-Chem maintains substantial inventories of steel pipe to accommodate the just-in-time delivery requirements of its end users. Bri-Chem's commitments for steel pipe purchases are generally at prevailing market prices in effect at the time Bri-Chem places its orders. During periods of rising raw materials pricing, there can be no assurance Bri-Chem will be able to pass such increases on to end users. When raw material prices decline, end user demands for lower prices and competitors' responses to those demands could result in lower sale prices and consequently, lower margins as Bri-Chem uses existing inventory.

MARKET FOR SECURITIES, TRADING PRICE AND VOLUME

The Company's Common Shares are currently listed for trading on the TSX under the trading symbol "BRY". The following table set forth the reported high and low sales prices and trading volumes as reported by the TSX for the periods indicated.

Period	High	Low	Volume
December 2014	\$ 1.36	\$ 1.12	403,900
November 2014	1.55	1.12	642,200
October 2014	1.76	1.21	785,000
September 2014	1.83	1.52	626,800
August 2014	1.95	1.70	31,200
July 2014	1.98	1.53	1,088,400
June 2014	1.60	1.48	1,011,400
May 2014	1.62	1.43	555,300
April 2014	1.80	1.43	468,400
March 2014	1.88	1.68	229,000
February 2014	1.94	1.62	562,800
January 2014	1.73	1.43	826,300

DIVIDEND POLICY

No dividends have been declared or paid on any class of shares of the Company this past year. It has been determined that no dividends will be paid in the immediate future as management anticipates reinvesting profits for future growth. Any decision to pay dividends on the Company's Common Shares will be made by the Board of Directors on the basis of our earnings, financial requirements and other conditions existing at such future time. The Company may issue Preferred Shares that have preference over the Common Shares with respect to the payment of dividends, in which case such preference may prevent the Company from paying dividends on the Common Shares.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series with such rights and restrictions as are determined by the Board of Directors of the Company. As of the date hereof, there were 23,876,126 Common Shares issued and outstanding and no Preferred Shares issued and outstanding.

Common Shares

The Company is authorized to issue an unlimited number of shares, designated as Common Shares. The holders of the Common Shares have the right to vote at any meeting of shareholders of the Company (other than meetings of holders of other classes of shares), have the right to receive any dividend declared by the Board of Directors of the Company, and have the right to receive the remaining property of the Company on its dissolution, liquidation, winding up or other distribution of its assets or property among its shareholders for the purpose of winding up its affairs. The rights of the holders of Common Shares are subject to the rights attaching to any other class or series of shares currently outstanding or hereafter created and expressed to rank in priority to the Common Shares.

Preferred Shares

The Company is also authorized to issue an unlimited number of shares, designated as Preferred Shares. The Board of Directors may at any time issue any Preferred Shares in one or more series, each series to consist of such number of shares as may be determined by the Board of Directors. The Board of Directors may determine at the time of issuance the designation, rights privileges, restrictions and conditions attaching to the shares of each series. The Preferred Shares, and each series thereof, have priority and preference over the Common Shares in respect of rights to receive any dividends declared by the Company and in respect of rights to receive the remaining property of the Company on its dissolution, liquidation, winding up or other distribution of its assets or property among its shareholders for the purpose of winding up its affairs.

On January 15, 2011, the Company's subsidiary, BMI, issued 2,100,000 series 1 preferred shares to Wuxi as per the April 26, 2010 agreement. BMI agreed that, upon delivery to the Corporation and installation by Wuxi of certain manufacturing equipment (which delivery and installation has been completed), Wuxi was to be issued as fully paid and non-assessable, preferred shares of BMI with a redemption amount equal to \$2,096,467.

On August 1, 2013, Wuxi exchanged 2,100,000 Preferred, Series 1 non-puttable shares, and inventory and equipment investments for common shares of the subsidiary at cost, and cancelled an option granted to the Company to repurchase Wuxi's common shares of the subsidiary, to which no value had been attached. This exchange did not have any effect on the consolidated balance of non-controlling interest as of December 31, 2013.

Warrants

On November 30, 2012, the Company issued 300,000 warrants to Fulcrum as part of a subordinate debt financing. Each warrant entitles the holder to purchase one common share of the Company at a price of \$1.77 per common share, with an expiration date of December 5, 2016. The Company has the option to call the option at 30% above the exercise price. As at December 31, 2014, no warrants had been exercised under this issue.

Options to Agents

As at December 31, 2014, there are no options to agents or underwriters.

Escrow and Restricted Shares

On May 31, 2011, the Company acquired all of the outstanding membership interest of BSU and Stryker, a Colorado limited liability drilling fluid wholesale distribution business, and transportation and long-haul business. The purchase price of \$1,906,735 included the issuance of 171,429 Common Shares at a fair market value of \$488,251. The Common Shares have a resale restriction attached to them that expire as to 57,143 Common Shares on May 31, 2012, 57,143 on May 31, 2013 and 57,143 on May 31, 2014.

On December 31, 2012, the Company acquired all of the outstanding shares of General, an Oklahoma based drilling fluid wholesale distribution business. The purchase price of \$2,541,459 (\$2,500,000 USD), included the issuance of 95,451 Common Shares at a fair market value of \$148,546. The Common Shares have a resale restriction attached to them that expire as to 31,817 on December 31, 2013, 31,817 on December 31, 2014 and 31,817 on December 31, 2015.

Stock Options

The Company has developed a Stock Option Plan for granting stock options to directors, officers, consultants and employees of the Company and its affiliates. The expiry date and exercise price of the options granted are determined and fixed by the Board of Directors at the time of grant, subject to regulatory requirements. Options granted under the plan are vested as determined by the Board of Directors, subject to regulatory requirements. The Company has a total of 1,485,000 stock options outstanding at December 31, 2014.

Normal Course Issuer Bid

During 2014, the Company had a NCIB with the TSX. Under the NCIB, the Company was permitted to acquire up to 1,103,327 of its common shares during the period November 20, 2014 to November 19, 2015. All common shares purchased through the bid were cancelled. At December 31, 2014, 164,610 shares had been repurchased for cancellation under the NCIB for cash consideration of \$215,238.

Credit Facilities

Effective August 12, 2011, the Company entered into a new secured ABL Facility with CIBC and HSBC. The ABL Facility is subject to a borrowing base that is calculated as a percentage of specified value of eligible inventory and accounts receivable to a maximum of \$80,000,000.

The initial term of the ABL Facility was for three years and the initial advance repaid the outstanding amounts in full to its former credit facility lender HSBC totaling \$36,060,524 CDN and \$1,718,883 USD. This included amounts of \$1,200,986 CDN to settle the outstanding balance on the HSBC subordinated debenture, \$1,437,863 CDN to settle outstanding amounts on the HSBC committed non-revolving loan, and \$33,421,675 CDN and \$1,718,883 USD to settle the outstanding bank indebtedness balance. In addition, the Company also repaid \$1,000,000 plus interest on the previously postponed promissory notes that were due on October 2010.

The ABL Facility was secured by a general security agreement covering all present and after acquired property and postponements of claims from related parties. The ABL Facility bore interest at the Company's discretion at prime plus 0.25% or LIBOR plus 1.75% or bankers' acceptance rate plus 1.75%, and a standby fee of 0.25% on unused amounts of the ABL Facility.

On November 14, 2013 the Company amended the terms of the ABL Facility to increase the borrowing base up to a maximum of \$90,000,000 (December 31, 2012 - \$80,000,000), reducing interest rates and extending the maturity of the facility to August 12, 2016. Under the revised terms, the ABL Facility bears interest either at prime rate or bankers' acceptance rate plus 1.50% or LIBOR plus 1.50%, a collateral management fee of \$1,500 per month and a standby fee of 0.25% on unused amounts of the ABL Facility. The Company also changed financial covenants by replacing the minimum adjusted tangible net worth covenant with a minimum fixed charge coverage ratio covenant.

As at December 31, 2014, \$51,873,895 (December 31, 2013 - \$53,495,254), net of unamortized transaction costs of \$119,516 (December 31, 2012 - \$429,444) was drawn on the ABL Facility. The Company incurred a total of \$174,183 of transaction costs directly related to the amendments of ABL Facility terms in 2013 (2012: nil), which will be amortized into profit or loss over the revised term of the loan.

Financial covenants under the revised terms of the ABL Facility include a minimum fixed charge coverage ratio and a maximum on annual capital expenditures. As at December 31, 2014, the Company was in compliance with its covenants.

Effective November 30, 2012, the Company secured a subordinated debt facility with Fulrcum. The initial term of the sub debt facility is for five years and is secured by a second charge general security agreement coving all present and after acquired property and postponement of claim from related parties. The sub debt facility bears interest at 11.50%, with repayments of interest only for the first fifteen months of the agreement, then quarterly principal repayments of \$300,000 plus interest. Total transaction costs relating to the subordinate debt facility amounted to \$333,424.

The subordinated debt facility contains financial covenants that are consistent with the ABL Facility, in addition the Company must maintain a funded debt to EBITDA ratio of 1.50 to 1. As at December 31, 2014, the Company was in compliance with its covenants.

OFFICERS AND DIRECTORS

The following table sets out the Company's officers and directors. The table includes the individuals' name, municipality of residence, principal occupation and number of Common Shares beneficially owned or controlled.

DIRECTORS and OFFICERS	POSITION PRESENTLY HELD	PRINCIPAL OCCUPATION	NUMBER AND PERCENTAGE OF ISSUED COMMON SHARES HELD AS AT DECEMBER 31, 2014
Don Caron ⁽²⁾⁽³⁾ Edmonton, Alberta, Canada	Chairman, Chief Executive Officer & Director (director since July 1997)	CEO of Bri-Chem Corp.	847,400 (3.5%)
Brian Campbell ⁽¹⁾ Edmonton, Alberta, Canada	Director (director since January 2007)	Former President of Bri-Chem Supply Ltd. & Sodium Solutions Inc.	2,078,750 (8.7%)
Eric Sauze ⁽¹⁾⁽²⁾⁽³⁾ Edmonton, Alberta, Canada	Director (director since January 2007)	Partner and Chief Financial Officer of JAG Flocomponents LP, Former Chief Financial Officer of Commerical Solutions Inc.	37,300 (0.2%)
Albert Sharp ⁽¹⁾⁽²⁾ Parkland County, Alberta, Canada	Director (director since January 2007)	Former Chief Operating Officer of All West Surveys Limited Partnership	230,000 (1.0%)
Jason Theiss Edmonton, Alberta, Canada	Chief Financial Officer	CFO of Bri-Chem Corp	nil
Trent Abraham Cochrane, Alberta, Canada	President of Fluids Division	Former General Manager of Bri-Chem Supply Ltd.	143,137 (0.6%)

Notes:

- (1) Member of audit committee
- (2) Member of corporate governance and compensation committee
- (3) Member of the corporate disclosure committee

As at December 31, 2014, the directors and officers of Bri-Chem beneficially owned, as a group, directly or indirectly, common shares of the Company, representing 14% of the issued and outstanding common shares of the Company as at that date.

The Board of Directors has three standing committees and at March 31, 2015 comprised as follows:

- a) Audit Committee is comprised of Eric Sauze, Brian Campbell and Albert Sharp;
- b) Corporate Governance and Compensation Committee is comprised of Don Caron, Eric Sauze, and Albert Sharp;

- c) Corporate Disclosure Committee is comprised of Don Caron, Eric Sauze and the Company's general counsel.

Cease Trade Orders or Bankruptcies

Other than stated below, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially control of the Company:

- (a) is, as at the date of this AIF or has been, within the 10 years before the date hereof, a director or executive officer of any company (in the Company), that while that person was acting in that capacity:
- (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, other than noted below;
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the past 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Don Caron was a director of Synergy Acquisitions Corp., which on May 7, 2007 became subject to a cease trade order for failure to file its audited financial statements and management's discussion and analysis for the year ended December 31, 2006 on a timely basis. The company subsequently filed the December 31, 2006 financial statements and management's discussion and analysis on September 5, 2007 and is now current with all financial statement and related MD&A filings. The cease trade order was subsequently revoked on December 1, 2010. Don Caron ceased to be a director on October 29, 2013.

Penalties or Sanctions

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

Conflicts of Interest

Certain directors and officers of the Company and its subsidiaries are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors of the Company have either other employment or other business or time restrictions placed on

them and accordingly, these directors of the Company will only be able to devote part of their time to the affairs of the Company. In particular, certain of the directors and officers are involved in managerial and/or director positions with other oil and gas related companies whose operations may, from time to time, provide financing to, or make equity investments in, competitors of the Company. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE

Audit Committee Mandate and Terms of Reference

The Mandate and Terms of Reference of the Audit Committee of the Board of Directors is attached hereto as Schedule "A".

Composition of the Audit Committee

The Audit Committee of the Company is currently comprised of Eric Sauze (Chair), Brian Campbell and Albert Sharp. All members of the audit committee are considered "independent" (as determined under National Instrument 52-110 Audit Committees ("NI 52-110")) and financially literate.

Relevant Education and Experience

Each member of the Audit Committee has served in senior positions within their respective organizations and/or served as directors of public and private companies, which has afforded them the opportunity to gain familiarity with financial matters relevant to Bri-Chem.

Eric Sauze, CA, CFA - Director

Mr. Sauze is a resident of Edmonton, Alberta, a member of the Institute of Chartered Accountants of Alberta, a Chartered Financial Analyst and currently a partner and Chief Financial Officer of JAG Flocomponents LLP. Mr. Sauze was the former Chief Operating Officer and Chief Financial Officer of Commercial Solutions Inc. and prior to these roles, Mr. Sauze was a senior auditor with an international accounting firm. His responsibilities included the audit of financial offering prospectuses for TSX listed companies in the forestry, utility and distribution industries. Mr. Sauze has a Bachelor of Management from the University of Lethbridge and a Bachelor of Arts (Economics) from the University of Alberta.

Brian Campbell - Director

Mr. Campbell is a resident of Edmonton, Alberta and is the former President of Bri-Chem Supply Ltd. and Sodium Solutions Inc. Mr. Campbell was the founder of Bri-Chem Supply Ltd. in 1985 and has extensive knowledge of warehousing product, costing and managing inventory levels. Prior to owning Bri-Chem, Mr. Campbell was involved in various capacities in the drilling fluid industry.

Albert Sharp - Director

Mr. Sharp is a resident of Parkland Country, Alberta and is the former Chief Operating Officer of All West Surveys LLP, a partnership residing under the Altus Group Income Fund (TSX:AIF.UN). Mr. Sharp was a director of Altus and is formerly a member of the Canadian Institute of Geomatics, The International Right of Way Association, and The Alberta Association of Surface Land Agents. Mr. Sharp has been involved in the oil and gas ventures in Alberta for the past several years and has given freely of his time having served as a member of the Survey Technician Advisory Committee for the Alberta Vocational College at Lesser Slave

Lake, the Board of Directors of the Edmonton Petroleum Club and the Board of Directors of the Edmonton Petroleum Golf & Country Club.

Reliance on Certain Exemptions

The Company has not relied on the exemptions contained in NI 52-110.

Audit Committee Oversight

The Board of Directors has adopted all recommendations of the Audit Committee with respect to the nomination or compensation of an external auditor.

Pre-Approval Policies and Procedures

The Company has not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee reviews the engagement of non-audit services as required.

Change of Auditor

On September 11, 2014, after completing a comprehensive auditor selection process, the Audit Committee recommended to the Board of Directors to appoint Deloitte LLP as the external auditor of Bri-Chem for the year ended December 31, 2014. Deloitte LLP was appointed by the Board of Directors of the Company effective September 11, 2014. At the Company's request, its former auditor, Grant Thornton LLP, resigned as of the same date.

External Auditor Service Fees

The aggregate amounts incurred by the Company with respect to fees paid to Grant Thornton LLP and Deloitte LLP, Bri-Chem's external auditors, for audit, audit-related, tax and other services during the fiscal years ended December 31, 2014 and 2013 were as follows:

Type of Work	Fees	Percentage
Fiscal 2014		
Audit fees ⁽¹⁾	\$ 240,750	55.54%
Audit -related fees ⁽²⁾	74,066	17.09%
Tax related services ⁽³⁾	82,550	19.04%
All other fees ⁽⁴⁾	36,095	8.33%
Total	\$ 433,461	100%
Fiscal 2013		
Audit fees ⁽¹⁾	\$ 275,737	64.50%
Audit -related fees ⁽²⁾	102,957	24.08%
Tax related services ⁽³⁾	48,785	11.41%
Total	\$ 427,479	100%

(1) Audit fees consist of fees for the audit of Bri-Chem's annual financial statement.

(2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of Bri-Chem's financial statement and are not reported as audit fees. These fees include quarterly review engagements, and review of the prospectus in connection with equity.

(3) Tax fees consist of fees for tax compliance services. These fees include the preparation of corporate income tax returns.

LEGAL PROCEEDINGS OR REGULATORY ACTIONS

Management of Bri-Chem is not aware of any existing or contemplated legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

Management of the Company is not aware of any penalties or sanctions imposed against Bri-Chem by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2014 or any other penalties or sanctions imposed by a court or regulatory body against Bri-Chem that would likely be considered important to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

Other than described elsewhere in this AIF, there are no material interests, direct or indirect, of directors, senior officers of the Company, any shareholder who beneficially owns, directly or indirectly, more than ten percent of the outstanding Common Shares or any known associate or affiliates of such persons, in any transaction within the last three years or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

TRANSFER AGENT

The registrar and transfer agent for the Company is the Computershare Company of Canada, Suite 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8.

MATERIAL CONTRACTS

Within the two years prior to the date hereof, neither the Company nor any subsidiary of the Company has entered into any contracts within the financial year ended December 31, 2014 or prior thereto, other than contracts in the ordinary course of business, except as follows:

Agency agreement dated effective November 28, 2013 between Bri-Chem and Cormark Securities Inc., Beacon Securities Limited, and Paradigm Capital Inc. for the purpose of a public offering financing in December 2013.

INTEREST OF EXPERTS

Mr. Gary Biasini and/or related parties of Mr. Biasini, a taxation lawyer with Denton's LLP, legal counsel representing Bri-Chem, owns less than 1% of the issued and outstanding Common Shares of the Company.

ADDITIONAL INFORMATION

Financial information related to the Company is provided in the Company's December 31, 2014 and 2013 audited financial statements and associated MD&A. Information, including directors' and officers' remuneration, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent annual meeting of security holders that involved the election of directors. Additional information relating to the Company is on SEDAR at www.sedar.com or alternatively, security holders may contact Jason Theiss, Chief Financial Officer, 2125 - 64 Avenue, Edmonton, Alberta T6P 1Z4 (Phone: 780.577.0595).

Appendix A

THE AUDIT COMMITTEE'S CHARTER

Purpose

The overall purpose of the Audit Committee (the "Committee") of Bri-Chem Corp. (the "Corporation") is to ensure that the Corporation's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements and related financial disclosure of the Corporation, and to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of financial information. It is the intention of the Board of Directors, through the involvement of the Committee that the external audit will be conducted independently of the Corporation's management to ensure that the independent auditors serve the interests of shareholders rather than the interests of management of the Corporation. The Committee will act as a liaison to provide better communication between the Board of Directors and the external auditors. The Committee will monitor the independence and performance of the Corporation's independent auditors.

Composition, Procedures and Organization

1. The Committee shall consist of a minimum of three members of the Board of Directors (the "Board").
2. A majority of the members of the Committee shall be independent and the Board, who in the opinion of the Board, would be free from a relationship which would interfere with the exercise of the Committee members' independent judgment. At least two (2) members of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices applicable to the Corporation. For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.
3. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair and a secretary from among their number.
5. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
6. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
7. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

Roles and Responsibilities

8. The overall duties and responsibilities of the Committee shall be as follows:
 - (a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements and related financial disclosure;
 - (b) to establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;
 - (c) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and
 - (d) to report regularly to the Board on the fulfillment of its duties and responsibilities.
9. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
 - (a) to recommend to the Board a firm of external auditors to be engaged by the Corporation, and to verify the independence of such external auditors;
 - (b) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
 - (c) review the audit plan of the external auditors prior to the commencement of the audit;
 - (d) to review with the external auditors, upon completion of their audit:
 - i. contents of their report;
 - ii. scope and quality of the audit work performed;
 - iii. adequacy of the Corporation's financial and auditing personnel;
 - iv. co-operation received from the Corporation's personnel during the audit;
 - v. internal resources used;
 - vi. significant transactions outside of the normal business of the Corporation;
 - vii. significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
 - viii. the non-audit services provided by the external auditors;
 - (e) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles; and
 - (f) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.
10. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:
 - (a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;
 - (b) review and approve the internal audit plan; and

- (c) review significant internal audit findings and recommendations, and management's response thereto.
11. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:
- (a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;
 - (b) review compliance under the Corporation's business conduct and ethics policies and to periodically review these policies and recommend to the Board changes which the Committee may deem appropriate;
 - (c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and
 - (d) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.
12. The Committee is also charged with the responsibility to:
- (a) review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
 - (b) review and approve the financial sections of:
 - i) the annual report to shareholders;
 - ii) the AIF, if required;
 - iii) annual and interim MD&A;
 - iv) prospectuses;
 - v) news releases discussing financial results of the Corporation; and
 - vi) other public reports of a financial nature requiring approval by the Board, and report to the Board with respect thereto;
 - (c) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;
 - (d) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
 - (e) review and report on the integrity of the Corporation's consolidated financial statements;
 - (f) review the minutes of any audit committee meeting of subsidiary companies;
 - (g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;

- (h) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information; and
 - (i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors following each annual general meeting of shareholders.
- 13. The Committee shall have the authority:
 - (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties,
 - (b) to set and pay the compensation for any advisors employed by the Committee; and
 - (c) to communicate directly with the internal and external auditors.

Caveats

- 14. It is not the Committee's duty to plan or conduct audits to determine that the Corporation's financial statements are complete and accurate and are in accordance with international financial reporting standards or generally accepted accounting principles, as the case may be, and assure compliance with governing laws and regulations. This is the responsibility of management and the independent auditors.