



Third Quarter 2017 Interim Condensed Report (unaudited)

Q3 2017

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Notice of No Auditor Review of Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company is disclosing that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2017 and 2016.

Interim Condensed Consolidated Statements of Operations

(Canadian dollars)

(unaudited)

| | Note | (three months ended) | | (nine months ended) | |
|--------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
| | | September 30 2017 | September 30 2016 | September 30 2017 | September 30 2016 |
| Sales | | \$ 30,542,451 | \$ 16,999,434 | \$ 88,293,167 | \$ 39,993,727 |
| Cost of sales | | 24,536,288 | 14,264,524 | 72,613,623 | 32,918,938 |
| | | 6,006,163 | 2,734,910 | 15,679,544 | 7,074,789 |
| Expenses | | | | | |
| Salaries and benefits | | 1,909,314 | 1,667,226 | 5,657,271 | 5,502,885 |
| Selling and administration | | 1,926,174 | 1,249,566 | 5,081,974 | 3,838,165 |
| Depreciation on property and equipment | | 235,640 | 265,878 | 713,068 | 810,129 |
| | | 4,071,128 | 3,182,670 | 11,452,313 | 10,151,179 |
| Operating earnings (loss) | | 1,935,035 | (447,760) | 4,227,231 | (3,076,390) |
| Financing costs | | 847,849 | 715,671 | 2,492,480 | 2,198,900 |
| Foreign exchange (gain) loss | | (164,971) | (243,747) | (166,116) | 153,065 |
| | | 682,878 | 471,924 | 2,326,364 | 2,351,965 |
| Earnings (loss) before income taxes | | 1,252,157 | (919,684) | 1,900,867 | (5,428,355) |
| Income tax expense (recovery) | | | | | |
| Current | | 265,147 | (394,449) | 330,610 | (1,741,262) |
| Deferred | | 66,465 | 163,396 | 218,639 | 535,943 |
| | | 331,612 | (231,053) | 549,249 | (1,205,319) |
| Net earnings (loss) | | \$ 920,545 | \$ (688,631) | \$ 1,351,618 | \$ (4,223,036) |
| Earnings (loss) per share | 5 | | | | |
| Basic | | \$ 0.04 | \$ (0.03) | \$ 0.06 | \$ (0.18) |
| Diluted | | \$ 0.04 | \$ (0.03) | \$ 0.06 | \$ (0.18) |

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

Interim Condensed Consolidated Statements of Comprehensive Income (loss)

(Canadian dollars)

(unaudited)

| | (three months ended) | | (nine months ended) | |
|---------------------------------------------------------------------|----------------------|----------------------|----------------------|-----------------------|
| | September 30 2017 | September 30 2016 | September 30 2017 | September 30 2016 |
| Net earnings (loss) | \$ 920,545 | \$ (688,631) | \$ 1,351,618 | \$ (4,223,036) |
| Other comprehensive income (loss), net of tax of \$nil (2016-\$nil) | | | | |
| Foreign currency translation adjustment | (501,962) | (49,306) | (976,296) | (299,227) |
| Total comprehensive income (loss) | \$ 418,583 | \$ (737,937) | \$ 375,322 | \$ (4,522,263) |

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

Interim Condensed Consolidated Statements of Financial Position

(Canadian dollars)

(unaudited)

| | September 30 2017 | December 31 2016 |
|----------------------------------------------------|----------------------|----------------------|
| Assets | | |
| Current | | |
| Accounts receivable | \$ 26,854,698 | \$ 18,999,389 |
| Inventories | 33,013,993 | 28,487,402 |
| Prepaid expenses and deposits | 938,733 | 1,202,192 |
| Income taxes receivable | — | 2,163,439 |
| | 60,807,424 | 50,852,422 |
| Non-current | | |
| Property and equipment | 11,075,194 | 11,924,208 |
| Deferred tax assets | 2,461,991 | 2,680,630 |
| Other long-term assets | 61,583 | 120,764 |
| | \$ 74,406,192 | \$ 65,578,024 |
| Liabilities | | |
| Current | | |
| Bank indebtedness | \$ 20,410,416 | \$ 14,533,936 |
| Accounts payable and accrued liabilities | 15,519,407 | 13,215,951 |
| Term debt | 9,382,791 | 8,993,854 |
| Current portion of obligations under finance lease | 35,508 | 43,354 |
| Income taxes payable | 177,799 | — |
| Promissory notes payable | — | 272,077 |
| | 45,525,921 | 37,059,172 |
| Non-current | | |
| Obligations under finance lease | 39,768 | 16,543 |
| Deferred tax liabilities | 121,967 | 121,967 |
| Other long-term liabilities | 18,100 | 106,900 |
| | 45,705,756 | 37,304,582 |
| Equity | | |
| Share capital | 33,263,473 | 33,263,473 |
| Contributed surplus | 4,035,160 | 3,983,488 |
| Warrants | 209,226 | 209,226 |
| Retained loss | (5,652,717) | (7,004,335) |
| Accumulated other comprehensive loss | (3,154,706) | (2,178,410) |
| | 28,700,436 | 28,273,442 |
| | \$ 74,406,192 | \$ 65,578,024 |

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

| Interim Condensed Consolidated Statements of Changes in Equity | | | | | | |
|-----------------------------------------------------------------------|----------------------|----------------------------|-------------------|---------------------------------------------|-----------------------|----------------------|
| (Canadian dollars) | | | | | | |
| (unaudited) | | | | | | |
| | Share capital | Contributed surplus | Warrants | Accumulated other comprehensive loss | Retained loss | Total equity |
| Balance at January 1, 2017 | \$ 33,263,473 | \$ 3,983,488 | \$ 209,226 | \$ (2,178,410) | \$ (7,004,335) | \$ 28,273,442 |
| Employee share-based payment options | — | 51,672 | — | — | — | 51,672 |
| Net earnings | — | — | — | — | 1,351,618 | 1,351,618 |
| Other comprehensive loss | — | — | — | (976,296) | — | (976,296) |
| Balance at September 30, 2017 | \$ 33,263,473 | \$ 4,035,160 | \$ 209,226 | \$ (3,154,706) | \$ (5,652,717) | \$ 28,700,436 |

| | Share capital | Contributed surplus | Warrants | Accumulated other comprehensive loss | Retained loss | Total equity |
|--------------------------------------|----------------------|----------------------------|-------------------|---------------------------------------------|-----------------------|----------------------|
| Balance at January 1, 2016 | \$ 33,263,473 | \$ 3,782,365 | \$ 209,226 | \$ (1,803,050) | \$ (211,272) | \$ 35,240,742 |
| Employee share-based payment options | — | 181,175 | — | — | — | 181,175 |
| Net loss | — | — | — | — | (4,223,036) | (4,223,036) |
| Other comprehensive loss | — | — | — | (299,227) | — | (299,227) |
| Balance at September 30, 2016 | \$ 33,263,473 | \$ 3,963,540 | \$ 209,226 | \$ (2,102,277) | \$ (4,434,308) | \$ 30,899,654 |

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

Interim Condensed Consolidated Statements of Cash Flows

(Canadian dollars)

(unaudited)

| For the nine months ended | September 30 2017 | September 30 2016 |
|----------------------------------------------------|----------------------|----------------------|
| Operating activities | | |
| Net earnings (loss) | \$ 1,351,618 | \$ (4,223,036) |
| Adjustments for items not affecting cash: | | |
| Depreciation on property and equipment | 713,068 | 810,129 |
| Amortization of debt related transaction costs | 197,166 | 198,236 |
| Deferred tax expense | 218,639 | 535,943 |
| Share-based payments | 51,672 | 181,175 |
| Foreign exchange (gain) loss on debt | (60,199) | 134,480 |
| Unrealized foreign exchange loss | 26,024 | 551 |
| Interest on debt and finance leases | 1,659,379 | 1,429,630 |
| Loss (gain) on disposal of equipment | 195,785 | (29,429) |
| Other gain | (13,719) | (26,640) |
| | 4,339,433 | (988,961) |
| Change in non-cash working capital | (8,787,402) | 13,802,178 |
| Total cash (used) provided by operating activities | (4,447,969) | 12,813,217 |
| Financing activities | | |
| Interest paid on debt and finance leases | (1,673,392) | (1,456,685) |
| Repayments on promissory notes payable | (274,374) | (263,125) |
| Advances (repayments) on operating line | 6,604,516 | (11,009,955) |
| Advances on term debt | 596,290 | 329,324 |
| Repayment on term debt | (300,000) | — |
| Repayments of obligations under finance lease | (33,052) | (106,297) |
| Total cash provided (used) by financing activities | 4,919,988 | (12,506,738) |
| Investing activities | | |
| Purchase of property and equipment | (660,283) | (370,073) |
| Proceeds on disposal of equipment | 188,264 | 63,594 |
| Total cash used by investing activities | (472,019) | (306,479) |
| Net change in cash and cash equivalents | — | — |
| Cash and cash equivalents, beginning of the period | — | — |
| Cash and cash equivalents, end of the period | \$ — | \$ — |

1. Nature of operations

Bri-Chem Corp.'s ("the Company" or "Bri-Chem") shares are publicly traded on the Toronto Stock Exchange under the symbol BRY. Since 1985, Bri-Chem has established itself as one of North America's largest independent wholesale suppliers of drilling fluids for the oil and gas industry. The Company provides drilling fluid products, cementing, acidizing and stimulation additives from multiple strategically located warehouses throughout Canada and the United States. Bri-Chem Corp. is incorporated and located in Canada. Its registered and primary place of business is 27075 Acheson Road, Acheson, Alberta T7X 6B1.

2. Basis of presentation

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". They do not contain all the necessary annual disclosures in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

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

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 7, 2017.

3. Accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Company's annual financial statements for the year ended December 31, 2016. The company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. A description of accounting standards and interpretations that will be adopted by the company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2016.

4. Seasonality of operations

Weather conditions can affect the sale of the Company's products and services. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As a result, spring months in Western Canada and the duration of the spring break-up has a direct impact on the Company's activity levels. In addition, many exploration and production areas in the northern Western Canadian Sedimentary Basin ("WCSB") are accessible only in winter months when the ground is frozen hard enough to support the weight of heavy equipment. The timing of freeze-up and spring break-up affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company's slowest period.

5. Earnings (loss) per share

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

| (three months ended) | September 30, 2017 | September 30, 2016 |
|---------------------------------------------------------------------|---------------------------|--------------------|
| Net earnings (loss) attributable to the shareholders of the Company | \$ 920,545 | \$ (688,631) |
| Basic weighted average number of ordinary shares | 23,632,981 | 23,632,981 |
| Dilutive options/warrants issued and outstanding | 330,000 | 300,000 |
| Diluted weighted average number of ordinary shares | 23,962,981 | 23,932,981 |
| Basic earning (loss) per share | \$ 0.04 | \$ (0.03) |
| Diluted earnings (loss) per share | \$ 0.04 | \$ (0.03) |

| (nine months ended) | September 30, 2017 | September 30, 2016 |
|---------------------------------------------------------------------|---------------------------|--------------------|
| Net earnings (loss) attributable to the shareholders of the Company | \$ 1,351,618 | \$ (4,223,036) |
| Basic weighted average number of ordinary shares | 23,632,981 | 23,632,981 |
| Dilutive options/warrants issued and outstanding | 330,000 | 300,000 |
| Diluted weighted average number of ordinary shares | 23,992,981 | 23,932,981 |
| Basic earnings (loss) per share | \$ 0.06 | \$ (0.18) |
| Diluted earnings (loss) per share | \$ 0.06 | \$ (0.18) |

6. Segment reporting

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

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

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

6. Segment reporting *(cont'd)*

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

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

Revenues between Fluids Blending & Packaging Canada and Fluids Distribution Canada are recorded on the same basis as an equivalent arm's length transaction. Revenue between the remaining divisions are recognized at cost. The revenue from external parties reported to the chief operating decision-makers is measured in a manner consistent with that in the interim condensed consolidated statement of operations.

6. Segment reporting (cont'd)

Selected financial information by reportable segment is disclosed as follows:

| For three months ended September 30, 2017 | Fluids Distribution Canada | Fluids Distribution USA | Total Fluids Distribution | Fluids Blending & Packaging | Fluids Blending & Packaging USA | Total Fluids Blending & Packaging | Other* | Consolidated |
|------------------------------------------------------|-------------------------------------------|----------------------------------------|--------------------------------------|------------------------------------------------|----------------------------------------------------|------------------------------------------------------|---------------------|----------------------|
| Total revenues | \$ 12,140,184 | \$ 13,671,682 | \$ 25,811,866 | \$ 5,923,175 | \$ 1,409,223 | \$ 7,332,398 | \$ - | \$ 33,144,265 |
| Revenues from internal customers | 126,260 | (920) | 125,340 | 2,475,822 | 652 | 2,476,474 | - | 2,601,814 |
| Revenues from external customers | 12,013,924 | 13,672,603 | 25,686,527 | 3,447,353 | 1,408,571 | 4,855,925 | - | 30,542,451 |
| Cost of sales | 10,228,045 | 10,795,360 | 21,023,404 | 2,634,627 | 878,257 | 3,512,884 | - | 24,536,288 |
| EBITDA | 1,315,027 | 864,982 | 2,180,009 | 164,805 | 251,710 | 416,515 | (260,878) | 2,335,646 |
| Depreciation | 21,602 | 90,595 | 112,197 | 24,974 | 69,645 | 94,619 | 28,824 | 235,640 |
| Interest | 104 | 13,669 | 13,773 | - | 24,667 | 24,667 | 809,409 | 847,849 |
| Share based compensation | - | - | - | - | - | - | - | - |
| Income tax expense (recovery) | 349,197 | 220,608 | 569,805 | 37,755 | 45,645 | 83,400 | (321,593) | 331,612 |
| Segment profit (loss) | \$ 944,124 | \$ 540,110 | \$ 1,484,234 | \$ 102,076 | \$ 111,753 | \$ 213,829 | \$ (777,518) | \$ 920,545 |
| Segment assets | \$ 30,059,779 | \$ 29,255,964 | \$ 59,315,743 | \$ 4,569,009 | \$ 2,891,602 | \$ 7,460,611 | \$ 7,629,838 | \$ 74,406,192 |
| Capital expenditures | \$ 10,451 | \$ 22,940 | \$ 33,391 | \$ 45,216 | \$ 38,062 | \$ 83,278 | \$ 94,599 | \$ 211,268 |

6. Segment reporting (cont'd)

| For three months ended September 30, 2016 | Fluids Distribution Canada | Fluids Distribution USA | Total Fluids Distribution | Fluids Blending & Packaging | Fluids Blending & Packaging USA | Total Fluids Blending & Packaging | Other* | Consolidated |
|----------------------------------------------|----------------------------------|-------------------------------|------------------------------|-----------------------------------|---------------------------------------|-----------------------------------------|--------------|---------------|
| Total revenues | \$ 6,072,759 | \$ 7,211,007 | \$ 13,283,766 | \$ 4,141,127 | \$ 724,516 | \$ 4,865,643 | \$ - | \$ 18,149,410 |
| Revenues from internal customers | 64,512 | 6,574 | 71,087 | 1,078,889 | - | 1,078,889 | - | 1,149,976 |
| Revenues from external customers | 6,008,247 | 7,204,433 | 13,212,680 | 3,062,238 | 724,516 | 3,786,754 | - | 16,999,434 |
| Cost of sales | 5,268,697 | 6,204,851 | 11,473,548 | 2,335,142 | 455,834 | 2,790,976 | - | 14,264,524 |
| EBITDA | 328,871 | (577,911) | (249,040) | 44,269 | (45,908) | (1,639) | 349,811 | 99,132 |
| Amortization and depreciation | 19,678 | 103,096 | 122,774 | 27,196 | 87,224 | 114,420 | 28,684 | 265,878 |
| Interest | 236 | 1,393 | 1,629 | - | - | - | 714,042 | 715,671 |
| Share based compensation | - | - | - | - | - | - | 37,267 | 37,267 |
| Income tax expense (recovery) | 303,822 | (225,719) | 78,103 | 60,200 | (18,407) | 41,793 | (350,949) | (231,054) |
| Segment (loss) profit | \$ 5,135 | \$ (456,681) | \$ (451,546) | \$ (43,127) | \$ (114,725) | \$ (157,851) | \$ (79,234) | \$ (688,631) |
| Segment assets | \$ 18,523,272 | \$ 23,298,551 | \$ 41,821,823 | \$ 5,426,654 | \$ 3,407,395 | \$ 8,834,049 | \$ 8,253,170 | \$ 58,909,042 |
| Capital expenditures | \$ - | \$ 11,727 | \$ 11,727 | \$ 5,783 | \$ - | \$ 5,783 | \$ - | \$ 17,510 |

* Other includes corporate overhead costs.

| For nine months ended September 30, 2017 | Fluids Distribution Canada | Fluids Distribution USA | Total Fluids Distribution | Fluids Blending & Packaging | Fluids Blending & Packaging USA | Total Fluids Blending & Packaging | Other* | Consolidated |
|---------------------------------------------|----------------------------------|-------------------------------|------------------------------|-----------------------------------|---------------------------------------|-----------------------------------------|----------------|---------------|
| Total revenues | \$ 35,555,659 | \$ 38,770,020 | \$ 74,325,679 | \$ 17,212,954 | \$ 3,243,161 | \$ 20,456,115 | \$ - | \$ 94,781,794 |
| Revenues from internal customers | 502,660 | 39,522 | 542,182 | 5,945,793 | 652 | 5,946,445 | - | 6,488,627 |
| Revenues from external customers | 35,052,999 | 38,730,498 | 73,783,497 | 11,267,161 | 3,242,509 | 14,509,670 | - | 88,293,167 |
| Cost of sales | 30,323,422 | 31,290,739 | 61,614,161 | 8,969,807 | 2,029,655 | 10,999,462 | - | 72,613,623 |
| EBITDA | 3,393,646 | 1,981,607 | 5,375,253 | 302,091 | 295,752 | 597,843 | (815,009) | 5,158,087 |
| Depreciation | 55,722 | 287,313 | 343,035 | 74,615 | 209,670 | 284,285 | 85,748 | 713,068 |
| Interest | 414 | 21,670 | 22,084 | - | 25,781 | 25,781 | 2,444,615 | 2,492,480 |
| Share based compensation | - | - | - | - | - | - | 51,672 | 51,672 |
| Income tax expense (recovery) | 901,127 | 485,061 | 1,386,188 | 61,419 | 17,487 | 78,906 | (915,845) | 549,249 |
| Segment profit (loss) | \$ 2,436,383 | \$ 1,187,563 | \$ 3,623,946 | \$ 166,057 | \$ 42,814 | \$ 208,871 | \$ (2,481,199) | \$ 1,351,618 |
| Segment assets | \$ 30,059,779 | \$ 29,255,964 | \$ 59,315,743 | \$ 4,569,009 | \$ 2,891,602 | \$ 7,460,611 | \$ 7,629,838 | \$ 74,406,192 |
| Capital expenditures | \$ 27,176 | \$ 189,064 | \$ 216,240 | \$ 76,647 | \$ 267,598 | \$ 344,245 | \$ 99,798 | \$ 660,283 |

6. Segment reporting (cont'd)

| For nine months ended September 30, 2016 | Fluids Distribution Canada | Fluids Distribution USA | Total Fluids Distribution | Fluids Blending & Packaging | Fluids Blending & Packaging USA | Total Fluids Blending & Packaging | Other* | Consolidated |
|---------------------------------------------|----------------------------------|-------------------------------|------------------------------|-----------------------------------|---------------------------------------|-----------------------------------------|----------------|----------------|
| Total revenues | \$ 12,986,225 | \$ 16,307,275 | \$ 29,293,500 | \$ 9,819,661 | \$ 3,319,147 | \$ 13,138,808 | \$ - | \$ 42,432,308 |
| Revenues from internal customers | 160,464 | 187,126 | 347,591 | 2,090,990 | - | 2,090,990 | - | 2,438,581 |
| Revenues from external customers | 12,825,761 | 16,120,149 | 28,945,910 | 7,728,671 | 3,319,147 | 11,047,818 | - | 39,993,727 |
| Cost of sales | 11,402,345 | 13,657,810 | 25,060,155 | 5,984,967 | 1,873,816 | 7,858,783 | - | 32,918,938 |
| EBITDA | 64,821 | (2,622,840) | (2,558,019) | (335,570) | 428,770 | 93,200 | 226,668 | (2,238,151) |
| Amortization and depreciation | 58,922 | 305,739 | 364,661 | 80,164 | 278,037 | 358,201 | 87,267 | 810,129 |
| Interest | 801 | 11,468 | 12,269 | - | 9,989 | 9,989 | 2,176,642 | 2,198,900 |
| Share based compensation | - | - | - | - | - | - | 181,175 | 181,175 |
| Income tax (recovery) expense | 1,416 | (1,041,621) | (1,040,205) | (111,558) | 167,219 | 55,661 | (220,775) | (1,205,319) |
| Segment (loss) profit | \$ 3,682 | \$ (1,898,426) | \$ (1,894,744) | \$ (304,176) | \$ (26,475) | \$ (330,651) | \$ (1,997,641) | \$ (4,223,036) |
| Segment assets | \$ 18,523,272 | \$ 23,298,551 | \$ 41,821,823 | \$ 5,426,654 | \$ 3,407,395 | \$ 8,834,049 | \$ 8,253,170 | \$ 58,909,042 |
| Capital expenditures | \$ 6,679 | \$ 335,878 | \$ 342,557 | \$ 11,663 | \$ - | \$ 11,663 | \$ - | \$ 354,220 |

6. Segment reporting (cont'd)

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

| Three months ended | September 30, 2017 | September 30, 2016 |
|--------------------------|--------------------|--------------------|
| Revenue | | |
| Canada and International | \$ 15,461,277 | \$ 9,070,485 |
| United States | 15,081,174 | 7,928,949 |
| | \$ 30,542,451 | \$ 16,999,434 |
| <hr/> | | |
| Nine months ended | September 30, 2017 | September 30, 2016 |
| Revenue | | |
| Canada and International | \$ 46,320,160 | \$ 20,554,431 |
| United States | 41,973,007 | 19,439,296 |
| | \$ 88,293,167 | \$ 39,993,727 |
| <hr/> | | |
| | September 30, 2017 | December 31, 2016 |
| Non-current assets | | |
| Canada and International | \$ 7,542,618 | \$ 6,949,928 |
| United States | 6,056,150 | 7,775,674 |
| | \$ 13,598,768 | \$ 14,725,602 |

7. Related party transactions

During the three and nine month periods ended September 30, 2017, the Company incurred office sharing costs of \$9,000 and \$27,000 respectively (September 30, 2016 – \$15,000 and \$45,000), that were paid to a company over which a director has control. These office sharing costs were made on terms equivalent to those that prevail in arm's length transactions.

8. Capital management policies and procedures

Management's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to provide an adequate return to shareholders, to meet external capital requirements on the Company's debt and credit facilities, and preserve financial flexibility.

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

The Company includes the following in the definition of capital:

| | September 30 2017 | December 31 2016 |
|---------------------------------|------------------------------|----------------------|
| Bank indebtedness | \$ 20,410,416 | \$ 14,533,936 |
| Term debt | 9,382,791 | 8,993,854 |
| Promissory notes payable | — | 272,077 |
| Obligations under finance lease | 75,276 | 59,897 |
| Equity | 28,700,436 | 28,273,442 |
| Total capital | \$ 58,568,919 | \$ 52,133,206 |

The Company uses a combination of debt and equity financings to help it achieve its objectives. The percentage levels of each capital component may change as the entity attempts to take advantage of prevailing market conditions. The Company is not subject to capital requirements imposed by a regulator.

The ABL facility and subordinated debenture require the Company to maintain certain financial covenants. The Company monitors these requirements on a monthly basis. The Company renewed and amended the ABL facility and amended its subordinated debenture as at August 11, 2016. Included in these amendments were changes to the financial covenants.

These covenants are summarized as follows:

| | September 30 2017 | Requirement | December 31 2016 | Requirement |
|-------------------------------|------------------------------|----------------------|---------------------|----------------|
| | | Must exceed | | Must exceed |
| Minimum tangible net worth | \$ 27,761,703 | \$ 23,783,400 | \$ 29,571,250 | \$ 24,484,000 |
| | | Not to exceed | | Not to exceed |
| Eligible capital expenditures | \$ 660,283 | \$ 1,020,000 | \$ 364,187 | \$ 723,480 |
| | | | | Must exceed |
| Adjusted EBITDA | \$ - | \$ - | \$ (1,505,447) | \$ (4,601,987) |

As a September 30, 2017, the Company was in compliance with all financial covenants.

On August 11, 2017 and later on October 31, 2017 the ABL lenders agreed to extend the ABL Facility to November 15, 2017 to provide time to complete the amended and restatement ABL Facility.

On August 11, 2016, the Company amended and renewed the terms of the ABL Facility to decrease the maximum borrowing base down to \$20,000,000. Other amendments include an increase in interest rates, and a change in the financial covenants with the ABL Facility maturing on August 12, 2017. On February

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

16, 2017 the Company amended the terms of the ABL Facility to increase the maximum borrowing base up to \$25,000,000. The ABL Facility bears interest either at the Canadian prime rate plus 3.0% (2016 – Canadian prime rate plus 1.50%) or bankers' acceptance rate plus 4.50% (2016 - bankers' acceptance rate plus 3.00%) or LIBOR plus 4.50% (2016 - LIBOR plus 3.00%), a collateral management fee of \$1,500 per month (2016 - \$1,500 per month) and a standby fee of 0.25% (2016 - 0.25%) on unused amounts of the ABL Facility. The ABL Facility is secured by a general security agreement covering all present and acquired property and postponements of claims from related parties.

The ABL Facility requires the company to comply with two financial covenants being a minimum adjusted tangible net worth covenant and a maximum annual eligible capital expenditure. The minimum tangible net worth covenant requires the Company to ensure tangible net worth is greater than \$23,783,400 as at September 30, 2017. This is defined, on a consolidated basis, as total assets, less intangibles and goodwill, excluding deferred tax assets less total liabilities, excluding deferred tax liabilities. The minimum value changes slightly on a monthly basis in 2017 with the lowest minimum value in July 2017 of \$23,913,000. The capital expenditures limit is set at a maximum of 120% of consolidated budgeted yearly capital expenditures, but does not include capital additions by way of finance lease.

In addition, there is a covenant with the subordinated debenture relating to ensuring that at any given month, the twelve month rolling actual adjusted EBITDA is in excess of 70% of projected adjusted EBITDA. Adjusted EBITDA in the subordinated debenture agreement is defined as net income before interest on debt, taxes on net income and depreciation and amortization and non-recurring charges (including one-time transaction, acquisition and restructuring expenses, share based payments, and foreign exchange gains or losses), and after unfunded capital expenditures.

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

9. Reclassification of comparative amounts

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

10. Subsequent events

On November 6, 2017, the Company renewed and amended the terms of Asset Based Lending Facility ("ABL Facility") to increase the maximum borrowing base up to \$35 million from \$25 million. Other amendments included a decrease in interest rates, adjustments to financial covenants and an extension of the maturity date to November 5, 2020. The ABL Facility bears interest either at the Canadian prime rate plus 1.5% or bankers' acceptance rate plus 3.0% or LIBOR plus 3.0%. The financial covenants were amended to replace the adjusted tangible net worth covenant to a fixed charge coverage ratio covenant. All other terms of the ABL Facility remain unchanged.

10. Subsequent events (cont'd)

On November 6, 2017, the Company secured a term debt facility with Grey Point Capital Inc. (“Grey Point”). The initial term of the debt facility is for five years and is secured by a first charge over all real property, plant and equipment and a second charge general security agreement covering all present and after acquired assets and postponement of claim from related parties. The term debt facility bears interest at the 30 day Bankers’ Acceptance Rate plus 8%, with a repayment of \$66,667 principal plus interest paid monthly. Financial covenants are consistent with those in the amended and restated ABL Facility.

(signed) “Don Caron”

Don Caron, Director

(signed “Eric Sauze”

Eric Sauze, Director