



First Quarter Interim Report 2009

President's Message

To Our Fellow Shareholders,

On behalf of the Board of Directors of Enerchem International Inc. ("the Company") I am pleased to provide this report on the results of the Company's operations for the quarterly period ending March 31, 2009.

Industry activity fell significantly during the first three months of 2009, with year-over-year well completions down 12% and rig utilization rates falling from 59% to 37% compared to the first quarter of 2008. Unlike many first quarters, the latter half of this one was not significantly impacted by uncooperative weather patterns.

Presumably due to the complex interplay of economic factors brought to bear, there have been few prognosticators willing to express clear views on future industry activity, though some suggest a change of trajectory late in the year. At its spring update the Petroleum Services Association of Canada ("PSAC") decreased its forecast for wells drilled on a rig-released basis in 2009 by 41% from 16,940 wells predicted last November to 10,000 wells. Natural gas drilling is most heavily affected as gas prices have tracked into the mid to low \$3 dollar range and US natural gas storage remains above the 5 year average.

Oil prices over the quarter have exhibited a narrower range of price volatility than we experienced through the latter half of 2008. Although our fluid volume sales are largely reflective of drilling activity which in turn is influenced by commodity price, we are able to manage our margins better in a low volatility environment than we are when oil prices are either rising or falling precipitously.

Revenue decreased 32% for the quarter compared to the first quarter of 2008, reflecting a 50% decrease in the average price of crude oil year over year. This was offset by a sales volume increase of 17% which reflects an improved production capacity as we operated both our Sundre and Slave Lake facilities through the quarter. It also suggests an improvement in market share, as volumes increased despite the above referenced decline in drilling activity.

The quarter was challenging as regards inventory management, as sales of our fluid lines were particularly asymmetrical; demand for some products remained high throughout the quarter, while sales of others were concentrated in the middle of the quarter. As a result we carried high levels of some inventories and disposed of some inventory at reduced margin. As we exited the quarter, we have concentrated our efforts on reducing inventory going into our slowest sales period.

Strategy and Outlook

Since the beginning of the year, our emphasis has been on maintaining the Company's resiliency in the face of the current industry downturn. We have undertaken a number of cost reduction measures including targeted staff reductions. Our efforts to improve logistics management include a reduction in our leased fluid storage capacity and, with a view to reducing intra-company fluid transfer, a concentration of storage in fewer sites. Our pipeline connection in Slave Lake has been in service since the beginning of the year, permitting us to redeploy trucks which had been committed to hauling fluid from this facility.

We also continue in our efforts to find alternative markets for our fluids. We have made significant progress in identifying potential markets, developing contacts and qualifying our fluids to meet required specifications.

Our approach to the remainder of 2009 remains cautious, measured and focused on protecting our healthy balance sheet. Our capital investment strategy remains focused on maintaining plant reliability and safety. As the economic environment in which we are now working improves, we will be well positioned to take advantage of opportunities.



Kenneth Bagan
President and Chief Executive Officer



Financial Highlights

(unaudited)

Results of Operations

(\$ thousands except per share amounts)	Three months ended March 31	
	2009	2008
Revenues	22,921	33,747
Net loss for the period	(323)	(70)
Net loss per share		
Basic	(0.02)	-
Diluted	(0.02)	-
EBITDA (1)	271	553
EBITDA per share (2)	0.02	0.04

Financial position

Total assets	58,660	74,142
Working capital (3)	14,027	14,642
Purchase of property, plant and equipment	266	2,120
Total bank indebtedness	679	4,717
Shareholders' equity	49,283	51,764
Number of shares (thousands)		
Outstanding, end of period	15,027	15,245
Average, during the period (4)	15,027	15,250

(1) represents earnings from operations before interest, taxes, depreciation, amortization, accretion expense and write-downs.

(2) calculated as EBITDA divided by the basic weighted average number of shares outstanding during the year.

(3) calculated as current assets less current liabilities.

(4) represents the basic weighted average number of shares outstanding during the year.

Management's Discussion and Analysis ("MD&A")

The following discussion and analysis of the operating and financial results of Enerchem International Inc. ("Enerchem" or the "Company") for the period ended March 31, 2009 should be read in conjunction with the Company's unaudited interim financial statements and notes for the period ended March 31, 2009 and the audited annual consolidated financial statements and notes thereto, President's Message and MD&A for the year ended December 31, 2008. This MD&A was prepared effective May 7, 2009.

Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and the Company's website at www.enerchem.com.

This MD&A focuses on key statistics from the financial statements of the Company and pertains to known risks and uncertainties relating to the oilfield services industry in the Western Canadian Sedimentary Basin ("WCSB") where the Company operates. This discussion should not be considered all inclusive, as it excludes unanticipated changes that may occur in general economic, political, environmental and industry conditions.

Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and other similar expressions. 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. We believe 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 MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. In particular, this MD&A contains forward-looking statements pertaining to the following:

- oil and natural gas production levels;
- projections of market prices and costs;
- projections of oil and gas industry activity levels;
- expectations of cash flows and our ability to finance our operating activities;
- our ability to operate efficiently and profitably;
- the effect of the global financial crisis on our business;
- supply and demand for our products and services; and
- general political and economic circumstances.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth under the section entitled "Risk Factors" set out in the Annual Information Form for the year ended December 31, 2008 and pages 17 and 18 of the MD&A in the Annual Report for the year ended December 31, 2008. The Annual Information Form and the Annual Report are available on SEDAR at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although management of the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no

assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: activity in the WCSB; the general stability of the economic and political environment; effect of market conditions on demand for our products and services; the Company's policies with respect to acquisitions; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability to operate our business in a safe, efficient and effective manner; the performance and characteristics of various business segments; the effect of current plans; the timing and costs of pipeline, storage and facility construction and expansion; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services.

Use of Non-GAAP Measures

This MD&A contains references to certain financial measures that do not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles ("GAAP"), and may not be comparable to similar measures presented by other companies or trusts. These measures are provided to assist investors in determining the Company's ability to generate cash from operations and to provide additional information regarding the use of its cash resources. These financial measures are identified below:

- EBITDA represents earnings from operations before interest expense, taxes, depreciation, amortization, accretion expense, and write-downs. It is used by management internally to measure the performance of the business as a whole. EBITDA is presented as supplemental information because management believes it is a widely used financial indicator of the Company's operating profitability and performance before the effects of capital investment and financing decisions.
- Cash provided by operations is derived from the Company's consolidated statement of cash flows and represents cash provided by operating activities before changes in non-cash components of working capital. Cash provided by operations is provided as supplemental information because management believes it provides investors with additional information regarding the Company's ability to generate funds to finance operations and its capital requirements.
- EBITDA per share represents EBITDA divided by the basic weighted average common shares outstanding.

Overview of the Company's Operations

Enerchem produces hydrocarbon fluids which are used as a base for invert mud systems in the drilling industry and as fracturing fluid in the well completions sector. In addition the Company produces specialty solvents which are used in both the production and processing of heavier crude oils. The Company's proprietary fracturing and drilling fluids and solvents ("Fluids") are produced at its fractionation facilities located in Sundre and Slave Lake, Alberta. The Company's Fluids have been shown to provide its customers with measurable productivity improvements as well as contributing to reductions in operating and maintenance cost. The Company's Fluids are marketed and sold throughout the WCSB and into the United States using both an internal sales structure and a network of distributors. The Company has also diversified its operations to capture energy marketing opportunities that are focused on maximizing value received by the Company for its hydrocarbon by-products. In addition, through its wholly-owned subsidiary, Millard Trucking Ltd. ("Millard") based in Sundre, Alberta, the Company provides fluid transportation and related services to the oil and gas industry.

The Company's activities are divided into three distinct business segments:

- *Oilfield Services*, which represents the processing and sale of Fluids;
- *Energy Marketing*, which represents the purchasing and gathering of crude oil for use as feedstock and marketing of the Company's by-products for resale to refiners and other customers; and

¹ Source: CAODC and CIBC World Markets.

- *Transportation Services*, which represents the operations of Millard. Revenue is derived from services to third parties as well as from inter-segment work for the Company's Oilfield Services and Energy Marketing segments.

Our customers include large multi-national and independent oil and gas producers, as well as smaller independent producers and suppliers of hydrocarbon-based drilling fluid ("invert mud"). The primary factors influencing demand for our products and services are the level of drilling and workover activity in the WCSB, which in turn depend on current and anticipated future oil and gas prices and the levels of cash flow allocated by the industry to drilling and workover activity. As a result, demand for our products and services is cyclical and drilling and service rig counts as well as well depth are leading indicators of anticipated demand for the Company's products and services. The Company's Fluids are most often used on deep-well drilling and workover activities at depths greater than 1,850 metres.

Seasonality of Operations

Weather conditions can affect the sale of the Company's products and services. The ability to move heavy equipment in Canadian oil and natural gas fields is dependent on weather conditions. As a result, the spring months in the WCSB and the duration of this "spring break-up" has a direct impact on the Company's activity levels. In addition, exploration and production in many of the northern regions of the WCSB are accessible only during the winter months when the ground is frozen hard enough to support the weight of heavy equipment. The timing and duration 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.

Results of Operations – Three Months Ended March 31, 2009

Overview

Oilfield activities in the WCSB and overall industry conditions continued to deteriorate during the first three months of 2009 as a result of the global economic crisis and depressed prices for crude oil and natural gas. Drilling rig utilization in the WCSB during the first quarter of 2009 was only 37%, down approximately one-third from corresponding 2008 levels. Well completions for the first three months of 2009 were also lower, although the reduction of 12% to 4,371 from 4,986 in the corresponding period last year reflected inventories of previously drilled but not completed wells from earlier periods.¹

Revenue

Consolidated revenue for the three months ended March 31, 2009 decreased by \$10,826,000, or 32%, to \$22,921,000 from \$33,747,000 for the same period last year. The decrease in the Company's consolidated revenue was largely attributable to lower price levels in the Oilfield Services and Energy Marketing business segments arising as a result of lower feedstock prices. Despite lower industry activity levels, the Company maintained operating levels in the first three months of 2009 largely similar to those in the corresponding period in 2008, due to the specific regions and types of projects serviced by the Company. In addition, unlike the first quarter last year, production was not limited by reduced capacity at the Sundre fractionation plant. Revenues by business segment were as follows:

- *Oilfield Services*. Segment revenue decreased by \$3,611,000, or 19%, to \$15,419,000 in the first quarter of 2009 from \$19,030,000 in the same period in 2008, primarily due to lower prices for Fluids. Despite an overall increase of 17% in Fluids deliveries year-to-date 2009 over the same period in 2008, lower product pricing levels more than offset the increased volumes.
- *Energy Marketing*. Segment revenue decreased by \$6,205,000, or 54%, to \$5,185,000 in the first quarter of 2009 from \$11,390,000 in the same period in 2008 largely as a result of lower prices realized on the sale of by-products, partially offset by higher sales volumes.
- *Transportation Services*. Third party segment revenue decreased by \$1,010,000, or 30%, to \$2,317,000 in the first quarter of 2009 from \$3,327,000 in the same period in 2008. The decrease in third party revenue reflected a general reduction in oilfield activity levels. Inter-segment revenue

increased \$189,000 or 8% to \$2,336,000 in 2009 from \$2,147,000 in 2008. The increased proportion of services provided to the Company's Oilfield Services and Energy Marketing segments was related to the higher volumes of Fluids and by-products shipped in the first quarter of 2009 in comparison to the same period in the prior year.

Operating Expenses

Operating expenses represent the Company's product and service costs associated with the production and sale of its hydrocarbon products and the execution of its transportation services. In addition, operating expenses include all costs directly related to the support and maintenance of plant and other operating equipment.

Overall operating expense as a percentage of revenue, after elimination of inter-segment transactions, was 93% during the first quarter of 2009 versus 95% for the corresponding period in 2008. The overall decrease in operating expense as a percentage of revenue for 2009 versus 2008 reflects the positive impact from relatively lower operating costs in the Transportation Services and Oilfield Services segments.

General and Administrative ("G&A")

General and administrative expenses include salaries and other related expenses for the Company's administrative, finance, information technology and human resource functions. G&A expenditures increased by \$228,000, or 21%, to \$1,318,000 for the first three months of 2009 versus \$1,090,000 in the first three months of 2008. These expense increases were largely due to higher occupancy costs in Calgary and increased administration costs in Transportation Services associated with a larger fleet. Approximately one-third of the cost increases in the first three months of 2009 were one-time only items such as severances, with the impact of payroll cost reductions anticipated in future quarters.

Depreciation

Depreciation expense increased by \$11,000, or 2%, to \$651,000 for the first quarter of 2009 compared to \$640,000 for the corresponding quarter in 2008. Effective January 1, 2009, the Company changed the basis on which it depreciates certain assets from a declining balance basis to a straight-line basis. As of 2009, all assets are depreciated on a straight-line basis. See "Changes in Accounting Policies and Practices" below.

Income Taxes

The provision for income taxes in the first quarter of 2009 includes a recovery of \$64,000 compared to a recovery of \$23,000 in the same period last year. The increase in tax recovery in 2009 when compared to last year resulted primarily from a reduction in currently taxable earnings, offset by increased timing differences.

The effective rate for the three months ended March 31, 2009 was 17% compared to 25% for the same period in the prior year. The relatively low effective rate for the net recovery in the current quarter was largely due to the impact of permanent differences giving rise to a current provision which offset the future recovery from timing differences.

Net Loss

For the three months ended March 31, 2009, the Company reported a net loss of \$323,000, or \$0.02 per common share diluted, compared to a net loss of \$70,000, or \$0.00 per common share diluted for the three months ended March 31, 2008. The increased net loss in 2009 versus 2008 resulted primarily from lower contributions from the Energy Marketing and Transportation Services segments, together with increased general and administrative expenses.

EBITDA (refer to "Use of Non-GAAP Measures") for the three months ended March 31, 2009 decreased by \$282,000 to \$271,000 compared to \$553,000 for the same quarter last year. The reduction in EBITDA in 2009 when compared to 2008 was largely attributable to the reduction in the Company's pre-tax earnings from operations.

Liquidity and Capital Resources

Cash provided by operations (refer to "Use of Non-GAAP Measures") for the three months ended March 31, 2009 totaled \$383,000 compared with \$799,000 in the comparable quarter in 2008. The decrease was the result of a decrease in operating earnings. The Company's working capital was \$14,027,000 at March 31, 2009 compared to \$13,915,000 at December 31, 2008. The Company's current ratio (defined as current assets divided by current liabilities) was 3.3 to 1 at March 31, 2009 compared to 2.3 to 1 at December 31, 2008. The increase in the Company's current ratio was largely influenced by decreases in both current assets and current liabilities, however current liabilities reduced by a higher proportion, particularly as a result of lower bank indebtedness.

Net cash used by the Company for investing activities totaled \$271,000 for the three months ended March 31, 2009 compared to \$2,132,000 for the same period last year. Cash invested during the first quarter of 2008 related to completion of the blend facility and desalter at Slave Lake, as well as the direct-fired heaters in Sundre, however capital expenditures during 2009 were held to minimal sustainment levels.

Net cash of \$2,769,000 was used for financing activities in the first three months of 2009 versus cash of \$4,701,000 provided by financing activities in the first quarter of 2008, largely in relation to repayments rather than drawdowns of the operating line of credit used to finance working capital. At March 31, 2009, the Company had outstanding bank guarantees of \$1,062,000 (March 31, 2008 - \$4,567,000) which were terminated and renewed in April 2009, in favour of suppliers for feedstock purchases.

Summary of Contractual Obligations and Off-balance Sheet Arrangements

The following table summarizes the Company's contractual obligations including payments due in the next five years and thereafter.

Contractual obligations (\$000)	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Operating leases (1)	1,727	649	757	321	-
Total contractual obligations	1,727	649	757	321	-

(1) Represents normal operating leases comprised of vehicles, trailers and office space.

In the normal course of business with vendors the Company may become contingently liable for performance under letters of guarantee and credit. In this regard, the Company has arranged a \$17,000,000 bank guarantee facility available as security for its feedstock arrangements and purchase commitments.

For 2009 the Company expects cash flow from operations and from its sources of financing to be sufficient to meet its contractual obligations and off-balance sheet arrangements.

Share Capital

At of May 7, 2009 the Company had 15,027,473 common shares outstanding. In addition, as of May 7, 2009, the Company has reserved 565,000 common shares for issuance under outstanding stock options.

On June 27, 2007, the Company announced a normal course issuer bid to purchase up to 766,465 of its issued and outstanding common shares at the market price at the time of acquisition beginning on July 3, 2007 and ending on the earlier of July 2, 2008 or bid completion. On July 15, 2008, the Company commenced a new normal course issuer bid to purchase up to 760,805 of its issued and outstanding common shares. Purchases under the new normal course issuer bid will terminate on July 14, 2009 or such earlier time as the bid is completed or terminated by the Company. During 2007 and 2008, a total of 301,800 shares were acquired at a total cost of \$579,212, including transaction fees. No purchases of shares were made during the first three months of 2009.

Summary of Quarterly Results

The following tables provide selected unaudited financial information relating to the Company's quarterly activities in 2009, 2008 and 2007 and are prepared in accordance with Canadian generally accepted accounting principles with respect to the preparation of interim financial statements.

Three month period ended
(unaudited)

(\$ thousands except per share amounts)	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Revenue	22,921	28,189	32,471	21,390
Net earnings (loss) for the period	(323)	81	(845)	(1,067)
Net earnings (loss) per share for the period				
Basic	(0.02)	0.01	(0.06)	(0.07)
Diluted	(0.02)	0.01	(0.06)	(0.07)

Three month period ended
(unaudited)

(\$ thousands except per share amounts)	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
Revenue	33,747	25,133	19,823	7,468
Net earnings (loss) for the period	(70)	643	(6,319)	(648)
Net earnings (loss) per share for the period				
Basic	0.00	0.04	(0.41)	(0.04)
Diluted	0.00	0.04	(0.41)	(0.04)

Trends and Outlook

The impact of the global economic downturn, which began to significantly affect the energy sector in the WCSB in late 2008, is expected to affect the energy sector until at least the fourth quarter of 2009. Crude prices, after having declined throughout the fourth quarter of 2008, began to recover in mid-February and appear to have settled at current levels with reduced volatility. This has provided some relief to the sector, but not sufficient to avoid job losses and other negative fall-out in the energy services and related sectors. Natural gas prices have continued to trend lower and are expected to remain low for some time. Since the numbers of gas well completions have been more than double those of oil over the last several years, negative gas development prospects will continue to weigh heavily on the drilling sector.

While the general economic outlook continues to be pessimistic, the underlying perspective appears to have shifted from surprise at the rapid contagion of the crisis to one of forbearance and adaptation to a survivalist business environment. We continue to anticipate 2009 industry drilling activity in the range of 11,000 to 14,000 wells, a reduction of approximately 40% from 2008. However, based on our experience in the first quarter of 2009, we are optimistic that demand for our products and services will decline less than the decline in overall industry activity, due to the specific regions and projects serviced by the Company. In addition, we believe that long-term fundamentals will continue to support exploration and development of energy reserves in the WCSB, therefore the overall long-term outlook is positive.

Having completed a relatively busy first quarter in 2009, the Company continues to focus on maintaining a healthy balance sheet and constraining expenditures. Progress in reducing dependency on our bank operating line and development of alternative markets for our products is ongoing, positioning the Company to take advantage of opportunities that develop, particularly as the WCSB energy sector recovers, which is expected to be later this year.

Changes in Accounting Policies and Practices

(a) Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted CICA Section 3064, "Goodwill and Intangible Assets" which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". The new pronouncement establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the previous standards included in the previous section 3062. Adoption of this standard has not had a material impact on the Company's financial statements.

(b) Credit Risk and the Fair Value of Financial Assets and Liabilities

On January 20, 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." The EIC concluded that the credit risk of an entity and applicable counterparties should be taken into account when determining the fair values of financial asset or liabilities, including derivative instruments. The recommendations of EIC-173 are effective for interim and annual reporting periods in 2009 and were applied retrospectively, without restatement of prior periods. The application of the EIC recommendations did not have a material effect on the Company's financial statements.

(c) Depreciation

Effective January 1, 2009, the Company changed the basis on which it depreciates certain assets from a declining balance basis to a straight-line basis. As of 2009, all assets are depreciated on a straight-line basis. The accounting change is treated as a change in estimate and is applied prospectively. The benefit of the change is improved consistency of process, particularly in connection with periodic reassessments of remaining asset lives. The effect of these changes on depreciation expense is nil in the current year and immaterial over the next five years.

Future Changes in Accounting Policies

(a) International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has announced that accounting standards in Canada, as used by public companies, will be converged to International Financial Reporting Standards effective January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

IFRS uses a conceptual framework similar to Canadian GAAP but there are significant differences in recognition, measurement and disclosure requirements. As a result, the Company has established a changeover plan to convert to these new standards according to the timetable set with these new rules. An implementation plan has been created and at this time the impact on the Company's future financial position and results of operations is not reasonably determinable or estimable.

Additional details regarding the Company's changeover plan and progress to date are discussed in a separate section entitled "International Financial Reporting Standards" below.

(b) Business Combinations

CICA Handbook Section 1582, "Business Combinations" will be applicable to business combinations occurring in fiscal periods commencing on or after January 1, 2011. Early adoption is permitted. This section improves the relevance, reliability, and comparability of the information that a reporting entity provides in its financial statements regarding a business combination and its effects. The Company is currently evaluating the impact of adopting this standard.

(c) Consolidated Financial Statements

CICA Handbook Section 1601, "Consolidated Financial Statements" will be applicable to financial statements relating to the Company's fiscal year beginning on January 1, 2011. Early adoption is

permitted. This section establishes standards for the preparation of consolidated financial statements. The Company has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

(d) Non-controlling Interests

CICA Handbook Section 1602, "Non-controlling Interests" will be applicable to financial statements relating to the Company's year beginning on January 1, 2011. Early adoption is permitted. This section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is currently evaluating the impact of adopting this standard.

Critical Accounting Estimates

The preparation of the financial statements, in conformity with GAAP, requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Management regularly evaluates these estimates and assumptions which are based on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty and, therefore, amounts currently reported in the financial statements could differ in the future. Except as described above in "Depreciation", there have been no changes in these accounting estimates from those reported in the Company's Annual Report at December 31, 2008.

Risks and Uncertainties

The section entitled "Risk Factors" in the Annual Information Form for the year ended December 31, 2008 and page 17 and 18 of the MD&A included in the Annual Report of the Company for the year ended December 31, 2008 include an overview of the risks and uncertainties affecting the Company. The Annual Information Form and the Annual Report are available on SEDAR at www.sedar.com. The types of risks and uncertainties are largely unchanged as at March 31, 2009.

Disclosure Controls and Internal Control Over Financial Reporting

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information about the Company is identified and communicated to management in order to allow timely decisions regarding required disclosure. The Company's management, including the CEO and CFO, has concluded that the Company's disclosure controls and procedures were designed to provide a reasonable level of assurance over disclosure of material information as of March 31, 2009.

The Company's management is also responsible for establishing and maintaining internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles. The Company's design of internal control over financial reporting used criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in the *Internal Control – Integrated Framework* (COSO Framework). The Company's management concluded that the Company's design of internal control over financial reporting is effective as of March 31, 2009.

There were no changes in the Company's internal control over financial reporting during the period beginning January 1, 2009 and ended on March 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

International Financial Reporting Standards

The Company has developed a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information relating to 2010. The key elements of Enerchem's changeover plan include:

- Determination of appropriate changes to accounting policies and required disclosures;

- Identification and implementation of changes in supporting processes and information systems;
- Compliance with internal control over financial reporting requirements;
- Communication with internal and external stakeholders regarding expected outcomes; and
- Training of internal staff and education of relevant external stakeholders to support the changes.

After completing a diagnostic analysis earlier in 2009 to determine aspects of IFRS specific to Enerchem which are high impact and complex, work has begun on analysis of gaps and differences, particularly in key standards such as International Accounting Standard (“IAS”) 16 – *Property, Plant and Equipment* as well as IAS 36 – *Impairment of Assets*. The Company is also assessing various accounting policy choices additionally made available by IFRS 1, which pertains to first-time adoption of the new standards. During the next two quarters, the Company anticipates concluding key decisions regarding IFRS transition and assessing additional disclosure requirements.

The Company’s changeover plan will be updated in the latter half of 2009 to incorporate new and amended IFRS accounting standards. Due to significant changes anticipated in key elements of IFRS before 2011, the impact of IFRS on the Company’s consolidated financial statements is not reasonably determinable at this time.

Consolidated Balance Sheets

(\$ thousands)	March 31, 2009 (unaudited)	December 31, 2008 (audited)
Assets		
Current assets		
Cash and cash equivalents	376	196
Accounts receivable (note 5(b))	13,501	16,217
Income taxes receivable	26	26
Inventories (note 6)	5,972	7,562
Prepaid expenses	136	188
Future income taxes	70	70
	20,081	24,259
Other assets	16	125
Property, plant and equipment	38,563	38,954
	58,660	63,338
Liabilities		
Current liabilities		
Bank indebtedness	679	3,448
Accounts payable and accrued liabilities (note 5(b))	5,375	6,896
	6,054	10,344
Asset retirement obligations	222	218
Future income taxes	3,101	3,179
	9,377	13,741
Contingent liabilities and commitments (note 8)		
Shareholders' equity		
Share capital (note 7(b))	29,193	29,193
Contributed surplus (note 7(c))	1,608	1,599
Retained earnings	18,482	18,805
	49,283	49,597
	58,660	63,338

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations, Comprehensive Loss and Retained Earnings

(unaudited)

Three months ended March 31

(\$ thousands, except per share amounts)	2009	2008
Revenue	22,921	33,747
Expenses		
Operating	21,295	32,123
General and administrative	1,318	1,090
Depreciation and amortization	648	637
Accretion expense	3	3
Interest expense	7	6
	23,271	33,859
Loss from operations before other (expense) income	(350)	(112)
Other (expense) income		
Interest income and other	(29)	15
Gain (loss) on disposal of property, plant and equipment	(8)	4
	(37)	19
Loss before income taxes	(387)	(93)
Income taxes		
Current provision (recovery)	15	(11)
Future recovery	(79)	(12)
	(64)	(23)
Net loss and comprehensive loss for the period	(323)	(70)
Retained earnings, beginning of period	18,805	20,712
Retained earnings, end of period	18,482	20,642
Basic loss per share	(0.02)	(0.00)
Diluted loss per share	(0.02)	(0.00)
Weighted average shares outstanding (note 7(e))		
Basic	15,027	15,250
Diluted	15,027	15,250

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flow

(unaudited)

Three months ended March 31

(\$ thousands)	2009	2008
Operating activities		
Net loss	(323)	(70)
Items not affecting cash		
Depreciation, amortization and accretion expense	651	640
Stock based compensation	9	6
Amortization of plant turnaround costs	117	239
Loss (gain) on disposal of property, plant and equipment	8	(4)
Future income tax recovery	(79)	(12)
	383	799
Changes in non-cash components of working capital		
Net change in accounts receivable	2,716	(7,269)
Net change in inventories and prepaid expenses	1,642	(2,931)
Net change in accounts payable and accrued liabilities	(1,521)	4,589
Net change in income taxes receivable	-	(108)
	2,837	(5,719)
Net cash provided by (used in) operating activities	3,220	(4,920)
Investing activities		
Purchase of property, plant and equipment	(266)	(2,120)
Proceeds from disposal of property, plant and equipment	4	24
Increase in other assets	(9)	(36)
Net cash used in investing activities	(271)	(2,132)
Financing activities		
Increase (decrease) in bank indebtedness	(2,769)	4,717
Repurchase of common shares under normal course issuer bid	-	(16)
Net cash (used in) provided by financing activities	(2,769)	4,701
Increase (decrease) in cash and cash equivalents	180	(2,351)
Cash and cash equivalents – beginning of period	196	2,711
Cash and cash equivalents – end of period	376	360

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

For the period ended March 31, 2009 (Unaudited)

1. Basis of Presentation and Accounting Policies

The accompanying unaudited interim consolidated financial statements of Enerchem International Inc. (“Enerchem” or the “Company”) are prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual statements.

These unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Millard Trucking Ltd. (“Millard”). All significant inter-company balances and transactions have been eliminated.

With the exception of items (a), (b) and (c) as described below, these unaudited interim consolidated financial statements follow the same accounting policies and methods of computation as, and should be read in conjunction with, the most recent audited annual financial statements for the year ended December 31, 2008.

a) Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted CICA Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”. The new pronouncement establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the previous standards included in the previous Section 3062. Adoption of this standard has not had a material impact on the Company’s financial statements.

b) Credit Risk and the Fair Value of Financial Assets and Liabilities

On January 20, 2009, the Emerging Issues Committee of the CICA issued EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.” The EIC concluded that the credit risk of an entity and applicable counterparties should be taken into account when determining the fair values of financial asset or liabilities, including derivative instruments. The recommendations of EIC-173 are effective for interim and annual reporting periods in 2009 and were applied retrospectively, without restatement of prior periods. The application of the EIC recommendations did not have a material effect on the Company’s financial statements.

c) Depreciation

Effective January 1, 2009, the Company changed the basis on which it depreciates certain assets from a declining balance basis to a straight-line basis. As of 2009, all assets are depreciated on a straight-line basis. The accounting change is treated as a change in estimate and is applied prospectively. The benefit of the change is improved consistency of process, particularly in connection with periodic reassessments of remaining asset lives. The effect of this change on depreciation expense is nil in the current year and immaterial over the next five years.

2. Recent Canadian Accounting Pronouncements

a) International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board has confirmed that the use of IFRS will be required for publicly accountable profit-oriented enterprises. IFRS will replace Canada’s current generally accepted accounting principles for those enterprises. These new standards are applicable to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company will implement this standard in its first

2. Recent Canadian Accounting Pronouncements (continued)

a) International Financial Reporting Standards (“IFRS”) (continued)

quarter of the year ending December 31, 2011 and is currently evaluating the impact of these standards on its consolidated financial statements.

b) Business Combinations

CICA Handbook Section 1582, “Business Combinations” will be applicable to business combinations occurring in fiscal periods commencing on or after January 1, 2011. Early adoption is permitted. This section improves the relevance, reliability, and comparability of the information that a reporting entity provides in its financial statements regarding a business combination and its effects. The Company is currently evaluating the impact of adopting this standard.

c) Consolidated Financial Statements

CICA Handbook Section 1601, “Consolidated Financial Statements” will be applicable to financial statements relating to the Company’s fiscal year beginning on January 1, 2011. Early adoption is permitted. This section establishes standards for the preparation of consolidated financial statements. The Company has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

d) Non-controlling Interests

CICA Handbook Section 1602, “Non-controlling Interests” will be applicable to financial statements relating to the Company’s year beginning on January 1, 2011. Early adoption is permitted. This section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is currently evaluating the impact of adopting this standard.

3. Nature of Operations

Enerchem is a producer and distributor of hydrocarbon drilling and fracturing fluids designed to provide cost effective solutions to the upstream oil and gas industry and specialty solvents to help resolve production and processing problems to the downstream producers. The Company also provides energy marketing services and, through its wholly-owned subsidiary, Millard Trucking Ltd., provides fluid transportation and other related oilfield services.

The Company’s activities are divided into three distinct business segments: Oilfield Services, which represents the production and sale of hydrocarbon products (“Fluids”); Energy Marketing, which represents the purchasing and gathering of crude oil for use as feedstock and marketing of the Company’s by-products for resale to refiners and other customers; and Transportation Services, which represents the operations of Millard.

4. Seasonality of Operations

Weather conditions can affect the sale of the Company’s products and services. Spring months in Western Canada tend to effect operations negatively as road bans and wet weather conditions (“spring break-up”) make it difficult to drill for oil and gas and to access service sites. The Company traditionally experiences increased activity levels during the fall and winter seasons and decreased activity during spring break-up.

5. Financial Instruments

The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities.

a) Fair Value Disclosure

The fair values of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity of these instruments.

5. Financial Instruments (continued)

b) Financial Risk Management

The Company's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

i) Credit Risk

The Company is exposed to credit risk through its cash and cash equivalents and accounts receivable. The Company has deposited the cash and cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote. The Company has accounts receivable from customers in the oil and gas industry and risk is mitigated due to: the Company's diverse customer base; conducting a majority of its business with large companies in the industry; following a program of credit evaluation; and limiting the amount of customer credit where deemed necessary.

As at March 31, 2009 the Company's exposure to credit risk for accounts receivable was as follows:

Aging of financial assets:		Not more than three months past due	More than three months but less than six months past due
(\$ thousands)	Total	Current Amount	
Accounts receivable	13,501	6,217	976

ii) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit lines and bank guarantee facility. Due to the dynamic nature of the business, the Company aims to maintain flexibility in funding by keeping committed credit lines available. The contractual maturity of accounts payable and accrued liabilities of \$5,375,231 at March 31, 2009 requires payment within thirty days.

As at March 31, 2009, the Company's credit facilities consisted of the following with a Canadian chartered bank: a \$10,500,000 revolving operating line of credit (March 31, 2008 – \$5,500,000) which bears interest at the bank's prime rate plus 0.40%; a Bankers' Acceptances facility of \$10,000,000 (March 31, 2008 – \$5,000,000) which bears interest at Bankers' Acceptance rates plus a margin; an \$8,000,000 demand revolving loan (March 31, 2008 – \$8,000,000) at the bank's prime rate plus 0.90%; and a bank guarantee facility of \$17,000,000 (March 31, 2008 – \$11,000,000) that bears a fee of 1.35% per annum at the time of issuance of the bank guarantee.

iii) Market Risk

Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

- *Currency Risk:* Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company is not significantly exposed to foreign currency risk.

5. Financial Instruments (continued)

b) Financial Risk Management (continued)

iii) Market Risk (continued)

- *Interest Rate Risk:* The Company has a credit facility with a Canadian chartered bank which when utilized by the Company provides loans that are subject to interest rate fluctuation. The Company manages its interest risk on borrowings by utilizing a combination of short term fixed rates through the use of 30 to 90 day Bankers' Acceptance instruments and floating rates on debt. The effect on pre-tax earnings for the three months ended March 31, 2009 due to changes in market interest rates affecting the Company's floating rate debt outstanding at the balance sheet date is outlined below. The sensitivity analysis has been prepared using management's assessment that a 50 basis point decrease is the most reasonably possible change in market interest rates.

	Pre-tax earnings change
50 basis point change	\$849

- *Other Price Risk:* The Company's exposure to other price risk arises from changes in petroleum and natural gas prices as a result of its use of petroleum feedstock and natural gas for processing at its Sundre and Slave Lake fractionation plants. The potential fluctuations in petroleum and natural gas prices, without a corresponding increase in the underlying value of the Company's products to the end user, could have a significant impact on the cost of producing its products and the profitability of the Company. This risk is reduced in part, from time to time, through the use of crude oil and natural gas forward purchase contracts. The contracts are not used for speculative trading purposes. Realized gains or losses on these contracts are reported as adjustments to petroleum and natural gas costs in the related production period.

The Company did not have any outstanding crude oil and natural gas forward purchase contracts as at March 31, 2009 or March 31, 2008.

The Company's purchase of petroleum feedstock and natural gas and forward purchase contracts are not considered to be financial instruments under CICA Section 3855.

6. Inventories

Inventories are comprised as follows:

(\$ thousands)	March 31, 2009	December 31, 2008
Raw materials	2,742	2,659
Finished product	3,230	4,903
Total	5,972	7,562

For the three months ended March 31, 2009, operating expenses include inventories recognized as an expense in the amount of \$16,342,000 (three months ended March 31, 2008 - \$26,943,000).

The Company's inventories have been pledged as collateral on its demand revolving operating loans, bank guarantees and long-term credit facility with a Canadian chartered bank.

7. Share Capital and Contributed Surplus

a) Authorized -

- 20,000,000 non-voting, preferred shares, rights to be determined upon issue
- Unlimited number of common shares

7. Share Capital and Contributed Surplus (continued)

b) Issued –

– Common

	Three months ended March 31, 2009		Year ended December 31, 2008	
	# thousands	\$ thousands	# thousands	\$ thousands
Balance – beginning of period	15,027	29,193	15,253	29,631
Redemption pursuant to normal course issuer bid	-	-	(226)	(438)
Balance – end of period	15,027	29,193	15,027	29,193

On June 27, 2007, the Company announced a normal course issuer bid to purchase up to 766,465 of its issued and outstanding common shares at the market price at the time of acquisition beginning on July 3, 2007 and ending on the earlier of July 2, 2008 or bid completion. On July 15, 2008, the Company commenced a new normal course issuer bid to purchase up to 760,805 of its issued and outstanding common shares. Purchases under the new normal course issuer bid will terminate on July 14, 2009 or such earlier time as the bid is completed or terminated by the Company. During 2007 and 2008, a total of 301,800 shares were acquired at a total cost of \$579,212, including transaction fees. No purchases were made during the first three months of 2009.

c) Contributed Surplus

(\$ thousands)	Three months ended March 31, 2009	Year ended December 31, 2008
Balance – beginning of period	1,599	1,501
Redemption pursuant to normal course issuer bid at an average price less than the average carrying value	-	73
Stock based compensation expensed during the period	9	25
Balance – end of period	1,608	1,599

d) Stock Options

The Company has reserved 2,700,000 common shares which may be granted to directors and employees of the Company pursuant to an approved stock option plan ("Option Plan"). Stock options granted to employees vest after varying terms from the date of grant and expire up to ten years after the date of grant. The exercise price of each option equals the market price of the Company's common shares at the date of grant. A summary of the status of the Company's Option Plan is presented below:

	Options	March 31, 2009 Weighted Average Exercise Price
	#	\$
Common shares under option – beginning of period	565,000	2.35
Share options granted	-	-
Common shares under option – end of period	565,000	2.35
Options exercisable at end of period	290,000	3.07

The impact of expensing stock options for the three months ended March 31, 2009 was \$8,976 (three months ended March 31, 2008 – \$6,266) with a corresponding increase in contributed surplus.

7. Share Capital and Contributed Surplus (continued)

e) Weighted Average Shares Outstanding

The following table summarizes the common shares used in calculating basic and diluted net loss per common share:

(# thousands)	Three months ended	
	2009	March 31 2008
Weighted average share calculation		
– Basic		
Common shares – opening	15,027	15,253
Weighted average common shares repurchased during the period	-	(3)
	15,027	15,250
– Diluted		
Basic weighted average common shares – opening	15,027	15,250
Dilutive effect of stock options and equivalents	-	-
	15,027	15,250

8. Contingent Liabilities and Commitments

- a) Letters of guarantee are provided by the Company on an ongoing basis and for varying amounts for its petroleum feedstock purchases from suppliers. At March 31, 2009, the Company had obligations under letters of guarantee totaling \$1,062,000 to one supplier; these obligations were subsequently terminated and renewed in April 2009.
- b) In the normal course of business, the Company is party to various claims and legal proceedings. While the final outcome with respect to the claims and legal proceedings pending, as at March 31, 2009, cannot be determined with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Company's financial position or results of operations.
- c) The Company has accrued environmental costs of \$240,000 related to the clean-up of its tank farm in Sundre, Alberta. The \$240,000 is an estimate and the Company is in the process of gathering third party quotations. The Company carries insurance against such risks and anticipates that a portion of the environmental costs will be insured. The accrual for the clean-up has been reported on the balance sheet under the caption accounts payable and accrued liabilities.

9. Segmented Information

The Company's activities are divided into three distinct business segments: Oilfield Services, which represents the production and sale of hydrocarbon products; Energy Marketing, which represents the purchasing and gathering of crude oil for use as feedstock and marketing of the Company's by-products for resale to refiners and other customers; and Transportation Services, which represents the operations of Millard. All of these business segments operate in one geographic region being the Western Canadian Sedimentary Basin. In the following tables, the elimination of significant inter-segment transactions is reflected under the caption "Inter-segment Eliminations".

Three months ended March 31, 2009

(\$ thousands)	Oilfield Services	Energy Marketing	Transportation Services	Inter-segment Eliminations	Consolidated
Revenue	15,419	5,185	2,317	-	22,921
Inter-segment revenue	-	-	2,336	(2,336)	-
Total revenue	15,419	5,185	4,653	(2,336)	22,921
Operating expenses	15,260	5,164	3,145	(2,274)	21,295
Depreciation, amortization & accretion expense	384	-	267	-	651
Interest expense	7	-	-	-	7
Other expense	32	-	5	-	37
Subtotal	(264)	21	1,236	(62)	931
Less: General and administrative					1,318
Loss before income taxes					(387)

Three months ended March 31, 2008

(\$ thousands)	Oilfield Services	Energy Marketing	Transportation Services	Inter-segment Eliminations	Consolidated
Revenue	19,030	11,390	3,327	-	33,747
Inter-segment revenue	-	-	2,147	(2,147)	-
Total revenue	19,030	11,390	5,474	(2,147)	33,747
Operating expenses	19,452	10,989	3,813	(2,131)	32,123
Depreciation, amortization & accretion expense	328	-	312	-	640
Interest expense	6	-	-	-	6
Other (income) expense	(15)	-	(4)	-	(19)
Subtotal	(741)	401	1,353	(16)	997
Less: General and administrative					1,090
Loss before income taxes					(93)

As at March 31, 2009

Total assets	54,362	4,198	9,494	(9,394)	58,660
Capital expenditures	270	-	4	-	274

As at December 31, 2008

Total assets	55,492	3,538	9,814	(5,506)	63,338
Capital expenditures	3,480	532	634	-	4,646

10. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Health, Safety and Environmental

Enerchem places the importance of safety above all other aspects of the Company's business. Enerchem recognizes that its employees represent its most valuable asset and must be provided with the tools and systems necessary to carry out their work in a safe environment.

We have initiated comprehensive policies and procedures to ensure the health and safety of all our employees, contractors, sub-contractors and visitors.

Enerchem holds a Certificate of Recognition ("COR") for all of its business operations. The COR recognizes that our health and safety management systems meet the Standards of Partnerships developed by Alberta Human Resources and Employment. We are proud that our employees have maintained an excellent safety performance record and that all facilities have operated lost-time incident free throughout the year. In recognition of our exceptional performance in workplace health and safety, we received a **Work Safe 2006 Alberta Best Safety Performer Award** which is presented to only 300 out of a possible 140,000 employers.

We also have implemented programs and guidelines to minimize our environmental exposures. All environmental laws and regulations are adhered to, including Alberta's Environmental Protection and Enhancement Act, the Canadian Environmental Protection Act, the Transportation of Dangerous Goods Act, and the Environmental Operating Guidelines for the Alberta Petroleum Industry.

Corporate Governance

The Board of Directors and management of the Company consider good corporate governance to be central to the effective operation and success of the Company.

The Board of Directors is responsible for the overall stewardship of the Company and has full power and authority to manage and control the affairs and business of the Company. It establishes the overall policies and standards for the Company. While delegating certain of its authority and responsibilities to its committees and management of the Company, it retains full effective control over the Company and monitors senior management. The directors are kept informed of the Company's operations at meetings of the Board, of its committees and through reports, analyses and discussions with management.

The Board is also responsible for overseeing the formulation by management of long-term strategic, financial, organizational and related objectives. The mandate of the Board also establishes a requirement that it implement structures and procedures to ensure that it functions independently of management, such as the Board's practice of conducting in-camera sessions as part of each regularly scheduled meeting.

Composition of the Board of Directors and Committees

Enerchem's Board of Directors comprises seven members, all of whom have been determined to be independent within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* by virtue of their independence from management or any interest, business or other relationship that could materially interfere with the directors' ability to act in the best interests of the Company and all Audit Committee members have been determined to be independent within the meaning of National Instrument 52-110 – *Audit Committees*. It believes that such number of directors is large enough to allow the directors to benefit from a wide variety of ideas and viewpoints without compromising communication among the directors, and between the directors and management.

The Board of Directors has four committees to which the Board has delegated certain of its authority and responsibilities, as well as certain advisory functions and power to make recommendations and reports to the Board. The standing committees of the Board are: the Audit Committee; the Compensation Committee; the Health, Safety and Environmental Committee; and the Corporate Governance Committee. The full Board has regularly scheduled meetings four times per year and to ensure that the Board is fully informed of the strategic issues and critical risks facing the Company, the Board has one meeting each year devoted to the review and approval of the Company's strategic plan. The Audit Committee meets four times per year. The Compensation Committee generally meets at least two times per year.

The Audit Committee meets on a regular basis with the Chief Financial Officer of the Company and the independent auditors to, among other things, review and inquire into: (a) matters affecting financial reporting; (b) the adequacy of internal controls and procedures for financial reporting and accounting; (c) the audit procedures and audit plans; and (d) the financial and business risks or exposures of the Company and the steps that management has taken to control such risks. It also recommends to the Board of Directors the external auditors to be appointed and their remuneration. The Audit Committee annually reviews the independence of the external auditors.

The Audit Committee reviews and recommends to the Board, for its approval: (a) the interim unaudited financial statements and Management's Discussion and Analysis related thereto; (b) the audited annual financial statements and Management's Discussion and Analysis related thereto; (c) prospectuses and other offering memoranda, if applicable; and (d) the annual and interim earnings press releases and other public disclosure documents containing audited or unaudited financial information required by regulatory authorities.

The responsibilities of the Audit Committee, including those responsibilities described above, are reviewed by the Board of Directors annually. All the members of the Audit Committee are financially literate and a majority have accounting or related financial expertise.

The Compensation Committee is responsible for reviewing matters of remuneration for senior executive positions, including that of the President and Chief Executive Officer, and making recommendations to the Board of Directors thereon. It is also responsible for reviewing and making recommendations to the Board for the appointment of persons to senior executive positions, for considering their terms of employment and for succession planning.

The Health, Safety, and Environmental Committee is responsible for reviewing and making recommendations and reports to the Board of Directors relating to the policies, standards, practices and programs of the Company on matters pertaining to both the environment and occupational health and safety. The committee monitors the Company's performance in relation to its own policies, as well as in relation to applicable legislation pertaining to both the environment and occupational health and safety. It also reviews and reports to the Board of Directors on the Company's state of readiness to respond to crisis situations.

The Corporate Governance Committee is responsible for Board succession and identification of new potential directors. The committee also assesses the performance and effectiveness of the Board, its committees and individual directors. Other responsibilities include annual review of Board and committee mandates, ongoing development of effective corporate governance practices, new director education, and monitoring of compliance with the Company's Code of Business Conduct and Ethics.

Code of Ethics and Business Conduct

The Board has adopted a Code of Business Conduct and Ethics which applies to all directors, officers and employees of the Company. The Code calls for the highest standard of ethical conduct and personal integrity.

Enchem is committed to maintaining its business in compliance with applicable laws, statutes and regulations. Additional information about our commitment to corporate governance practices is detailed in our 2009 Information Circular which can be found at www.sedar.com.

Directory

Corporate Office

Enerchem International Inc.
450, 440 - 2nd Avenue S.W.
Calgary, Alberta
CANADA T2P 5E9
T: 403.269.1500
F: 403.269.1559
www.enerchem.com

Board of Directors

Larry B. Phillips
Chairman of the Board
Director (2), (4)

William D. Burch, FCA
Director (1)

Gordon J. Hoy, P.Eng., MBA, CFA
Director (3), (4)

Kenneth A. Klein, B. Comm.
Director (1), (2)

Kevin M. Maguire, P. Eng., MBA
Director (1), (3)

Bruce K. Gibson, B.Comm., CA
Director (1)

David M. Fitzpatrick, P.Eng., C.Dir.
Director (2), (4)

Officers

Kenneth Bagan, LLB
President and Chief Executive Officer

Timothy A. Lemke, B.Comm., CA
Vice-President Finance and Chief Financial Officer

James C. Burroughs, BBA
Vice-President Operations and
Chief Operating Officer

J. Barrie Brookman
Vice-President, Corporate Development

Member of:

- (1) Audit Committee
- (2) Compensation Committee
- (3) Health, Safety and Environment Committee
- (4) Corporate Governance Committee

Registrar and Transfer Agent

CIBC Mellon Trust Company
320 Bay Street
Toronto, Ontario CANADA M5H 4A6
T: 800.387.0825
www.cibcmellon.com

Principal Bank

HSBC Bank Canada
Edmonton, Alberta

Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer
Calgary, Alberta

Stock Exchange Listing

Toronto Stock Exchange: trading symbol "ECH"
United States - Over the Counter 12g-3-2(b)

Shareholder Information

Shareholders may obtain copies of annual and quarterly reports, news releases, product information and other company information by contacting:

Investor Relations
Mr. Kenneth Bagan
Enerchem International Inc.
450, 440 - 2nd Avenue S.W.
Calgary, Alberta
CANADA T2P 5E9

T: 403.269.1500
F: 403.269.1559

Enerchem International Inc.

450, 440 – 2nd Avenue S.W.
Calgary, Alberta
CANADA T2P 5E9

T: 403.269.1500
F: 403.269.1559

www.enerchem.com