MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion is intended to assist in understanding our financial condition at and results of operations as of and for the quarterly period ended June 30, 2018 ("*Second Quarter 2018*") and as of and for the six months ended June 30, 2018 (the "*Six Months 2018*"). Our Second Quarter 2018 results are compared to those as of and for the quarterly period ended June 30, 2017 ("*Second Quarter 2017*") and as of and for the six months ended June 30, 2017 (the "*Six Months 2017*"). Our Financial Statements (unaudited) and Notes thereto contain detailed information that should be referred to in conjunction with the following discussion. See "*Financial Statements*".

Summary of Significant Accounting Policies

Our financial statements reflect the selection and application of accounting policies that require us to make significant estimates and assumptions. Footnote 1 to our Financial Statements describe some of the more critical judgment areas in the application of accounting policies that currently affect our financial condition and results of operations.

Results of Operations

Three Months Ended June 30, 2018 to Three Months Ended June 30, 2017

Our sales revenues continued to strengthen with an increase of $1,106,600 or 122% from $906,900 in the Second Quarter 2017 to $2,013,500 for the Second Quarter 2018. Our gross profit grew $348,200 or 50% from $699,600 in the Second Quarter 2017 to $1,047,800 in the Second Quarter 2018. The increases were primarily attributable to increased sales of our liquid and solid chemicals to the oil and gas industry, whose activity has grown with stronger oil prices. To increase chemical sales, we separated our product lines. We now have a fracturing and simulation product line and a post-well completion production product line. We believe the separation of product lines produces quicker response times and better customer service. The smaller margins in the Second Quarter 2018 reflect generally more competitive product pricing and internal reallocation of costs from general and administrative expense to costs of goods sold.

We also reduced operating expenses $143,700 or 13% from $1,120,500 in the Second Quarter 2017 to $976,800 in the Second Quarter 2018. The reduction reflects in part the winding down of our Troup, Texas facility and the consolidation of enzyme farm and ranch production to our facility in Edmond, Oklahoma. With higher revenues and gross profits and lower operating costs, we were able to return to profitability in the Second Quarter 2018. We realized net operating income of $71,000 in the Second Quarter 2018 versus a loss of $(420,900) in the Second Quarter 2017. Our net income for the Second Quarter 2018 was $96,800 versus a net loss of $(413,600) in the Second Quarter 2017. Our net income (loss) before depreciation and amortization, interest expense, and provision (benefit) for income taxes ("EBITDA") was $167,800 for the Second Quarter 2018 compared to $(403,400) for the Second Quarter 2017. We are encouraged by the trends in improved sales and gross profits and reduced expense.

Six Months Ended June 30, 2018 to Six Months Ended June 30, 2017

Our sales revenues continued to strengthen in the Six Months 2018 with an increase of $1,936,000 or 116% from $1,662,100 in the Six Months 2017 to $3,598,100 for the Six Months 2018. Our gross profit grew $540,900 or 42% from $1,284,100 in the Six Months 2107 to

$1,825,000 in the Six Months 2018. The increases were primarily attributable to increased sales of our liquid and solid chemicals to a more active oil and gas industry and a restructuring of our sales force to better focus on customer needs. The smaller margins reflect more competitive product pricing and an internal reallocation of costs from operating expense to costs of goods sold.

We also reduced operating expenses $337,700 or 16% from $2,151,300 in the Six Months 2017 to $1,813,600 in the Six Months 2018. A portion of the reduced expense resulted from the consolidation of our enzyme farm and ranch segment to our Edmond, Oklahoma facility. With higher revenues and gross profits and lower operating costs, we returned to profitability. We had net operating income of $11,400 in the Six Months 2018 versus a loss of $(867,200) in the Six Months 2017. Our net income for the Six Months 2018 was $79,300 versus a net loss of $(859,100) in the Six Months 2017. Our EBITDA was $223,600 for the Six Months 2018 compared to $(701,400) for the Six Months 2017. We are encouraged by the trends in improved sales and gross profits and reduced expense.

Liquidity and Capital Resources

Our primary source of capital has been cash flow from operations. We have had limited borrowings in recent years and have not sold shares to generate capital. Cash from operations for the six months ended June 30, 2018 was $2,908,300, which reflects a net decrease of $743,100 from December 31, 2017. Much of the net decrease came from a $820,300 increase in accounts receivable and a $422,000 increase in inventories, which were partially offset by a $143,700 increase in accounts payable. These changes generally reflect the increase activity from higher product sales. With working capital of $5,456,300 at June 30, 2018, we have sufficient capacity to meet our cash needs and will continue to focus on increasing EBITDA.

Outlook

We have a strong balance sheet with $2,908,300 of cash and cash equivalents and working capital of $5,456,300 at June 30, 2018. Our Second Quarter 2018 revenues showed a strong increase over Second Quarter 2017. We believe our revenues will continue to increase and that we can contain our costs and expenses. With stronger revenues, we expect that 2018 will be a profitable year. We expect that our chemical sales will continue to grow with the newly separated product lines, improved customer service and strong oil and gas industry activity. We have also experienced growth in our Enduro-Bond coating product line, which is aided by pump barrel sales through the Vortex joint venture. In the next quarter, we should be manufacturing OMRI-certified organic fertilizer through our enzyme farm and ranch segment. We also anticipate results from a university study of our livestock probiotic feed supplement, which we expect will foster sales in that product segment. The success of these products should diversify our revenue stream.