2018 Annual Consolidated Financial Statements

Cordy
Oilfield Services Inc.

Management's Report to Shareholders

To the Shareholders of Cordy Oilfield Services Inc.:

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies described in the notes to the consolidated financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards (IFRS). The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

KPMG LLP, an independent firm of Chartered Professional Accountants, was engaged, as approved by a vote of shareholders at the Corporation's most recent annual meeting, to audit the consolidated financial statements and provide an independent professional opinion.

The Audit Committee of the Board of Directors, which is comprised of two independent directors who are not employees of the Corporation, provides oversight to the financial reporting process. Integral to this process is the Audit Committee's review and discussion with management and the external auditors of the annual financial statements and the audit report prior to their release. The Audit Committee is also responsible for reviewing and discussing with management and the external auditors major issues as to the adequacy of the Corporation's internal controls. The external auditors have unrestricted access to the Audit Committee to discuss their audit and related matters. The consolidated financial statements have been approved by the Audit Committee and the Board of Directors of Cordy Oilfield Services Inc.

Darrick Evong	Luke Caplette
Darrick Evong, Chief Executive Officer	Luke Caplette, Chief Financial Officer

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cordy Oilfield Services Inc.,

Opinion

We have audited the consolidated financial statements of Cordy Oilfield Services Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

Hereinafter referred to as the "financial statements".

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the Company incurred a net loss of $0.6 million during the year ended December 31, 2018 and that earnings and cash flow from operations need to increase further to support the future obligations of the Company.

As stated in Note 3 in the financial statements, these events or conditions, along with other matters as set forth in Note 3 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Shane Doig.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 25, 2019

Consolidated Statement of Financial Position

As at ($000's)	December 2018	December 2017
Assets		
Current assets		
Cash and cash equivalents	**257**	280
Restricted cash	**25**	50
Trade and other receivables (note 7)	**3,347**	2,324
Inventory (note 8)	**80**	91
Prepaid and other assets	**206**	228
	3,915	2,973
Non–current assets		
Property and equipment (note 9)	**10,456**	12,731
	10,456	12,731
Total assets	**14,371**	15,704
Liabilities and equity		
Current liabilities		
Bank indebtedness (note 11)	**500**	-
Related party loan payable (note 11 and 21)	**-**	283
Trade and other payables (note 10)	**2,116**	1,470
Obligations under financing leases (note 11)	**1,903**	1,018
	4,519	2,771
Non–current liabilities		
Obligations under financing leases (note 11)	**11,862**	14,362
	11,862	14,362
Equity		
Share capital (note 13)	**43,395**	43,395
Share-purchase w arrants (note 13)	**163**	163
Contributed surplus	**7,701**	7,701
Deficit	**(53,269)**	(52,688)
	(2,010)	(1,429)
Total liabilities and equity	**14,371**	15,704

Going concern (note 3)

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

Consolidated Statement of Comprehensive Loss

For the years ended December 31 ($000s except per share amounts)	2018	2017
Revenue	**15,806**	11,182
	15,806	11,182
Expenses		
Direct operating expenses (note 14)	**12,548**	8,211
General and administrative expenses	**1,715**	1,413
Depreciation expense (note 9)	**1,900**	2,211
Financing expense (note 17)	**652**	870
Gain on disposal (note 9)	**(428)**	(81)
Share-based recovery (note 19)	**-**	(40)
Loss before tax	**(581)**	(1,402)
Income tax expense (note 12)	**-**	-
Net and comprehensive loss	**(581)**	(1,402)
Loss per share (note 20)		
Basic and diluted ($)	**(0.00)**	(0.01)

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

Consolidated Statement of Changes in Equity (Deficit)

($000's except numbers of shares)	Shares Outstanding (000's)	Share Capital $	Share Purchase Warrants $	Contributed Surplus $	Deficit $	Total $
Balance at January 1, 2017	**206,162**	**43,395**	**163**	**7,741**	**(51,286)**	**13**
Loss for the period	-	-	-	-	(1,402)	(1,402)
Share-based recovery	-	-	-	(40)	-	(40)
Balance at December 31, 2017	**206,162**	**43,395**	**163**	**7,701**	**(52,688)**	**(1,429)**
Balance at January 1, 2018	**206,162**	**43,395**	**163**	**7,701**	**(52,688)**	**(1,429)**
Loss for the period	-	-	-	-	(581)	(581)
Balance at December 31, 2018	**206,162**	**43,395**	**163**	**7,701**	**(53,269)**	**(2,010)**

The accompanying notes are an integral part of the consolidated statements.

Consolidated Statement of Cash Flows

For the years ended December 31, ($000's)	2018	2017
Cash flows from operating activities		
Net loss:	**(581)**	(1,402)
Add (deduct) non-cash items:		
Depreciation expense	**1,900**	2,211
Share-based recovery	**-**	(40)
Gain on disposal	**(428)**	(81)
Financing expense	**652**	870
Changes in non–cash working capital	**(318)**	(782)
Cash flows generated from operating activities	**1,225**	776
Cash flows from financing activities		
Increase in bank indebtedness (note 11)	**500**	-
Repayment of related party note payable (note 21)	**(283)**	-
Repayment of financing leases	**(3,049)**	(1,309)
Financing expense (note 17)	**(652)**	(870)
Cash flows used in financing activities	**(3,484)**	(2,179)
Cash flows from investing activities		
Purchase of property and equipment	**(24)**	(79)
Proceeds on disposal of property and equipment (note 9)	**2,260**	479
Cash flows generated from investing activities	**2,236**	400
Decrease in cash	**(23)**	(1,003)
Cash and cash equivalent- beginning of the year	**280**	1,283
Cash and cash equivalent - end of the year	**257**	280

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

1. REPORTING ENTITY

Cordy Oilfield Services Inc. ("Cordy" or the "Corporation") was incorporated under the Business Corporations Act of Alberta and is a publicly-traded Corporation listed on the TSX Venture Exchange under the symbol "CKK". The address of the Corporation's registered office is 5366 55 St SE, Calgary, Alberta, T2C 3G9. These consolidated financial statements of the Corporation as at and for the years ended December 31, 2018 and 2017 are comprised of the Corporation and its subsidiaries. Cordy and its subsidiaries are primarily involved in providing energy services, municipal services and construction throughout western Canada. The business of Cordy is conducted through two reportable segments Environmental Services and Heavy Construction.

2. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements of Cordy have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issuance by the Board of Directors on April 25, 2019.

Basis of measurement

The consolidated financial statements were prepared on the historical cost basis.

Functional and presentation currency

The consolidated financial statements are presented in Canadian Dollars which is the Corporation's functional and presentation currency.

3. GOING CONCERN BASIS OF ACCOUNTING

The audited consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities.

The Corporation has taken significant steps over the past several years to improve its liquidity and financial performance including increasing cash flow from operations, refinancing the finance lease agreements (see note 11), increasing the working capital and settling the amount owing to Lyncorp (see note 21).

The Corporation has recorded a net loss of $0.6 million for the year ended December 31, 2018. Earnings and cash flow from operations need to increase further to support the future obligations of the Corporation. These conditions create a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

The ability of the Corporation to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due, is dependent on the continuation of the improvements in the financial results. Management believes that the regular payment of the lease obligations will be met out of operating cash flows or cash from equipment sales or alternate financing or the raising of funds. If for any reason the Corporation is unable to continue as a going concern, it could impact the Corporation's ability to realize assets at their recognized values and to meet liabilities in the ordinary course of business at the amounts stated in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The use of judgments and estimates used in the preparation of these consolidated financial statements has been applied consistently for all periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below.

Such estimates primarily relate to the accrual of unsettled transactions, collectability of accounts receivable, recognition of provisions and contingent obligations, the useful lives of property and equipment, recognition of deferred tax assets, and the classification of leases. Accordingly, actual results may differ from estimated amounts. Management has also used judgment in the determination of cash generating units.

If the underlying estimates and assumptions, upon which the consolidated financial statements are based, change in future periods, actual amounts may differ from those included in the accompanying consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

The Corporation has to make several significant accounting judgments and estimates as detailed below:

Judgments

Property, Plant and Equipment
Depreciation expense is a judgment designed to apportion the value of depreciable assets over their pattern of economic benefits. The Corporation estimates the useful life of its property and equipment based on experience, industry practices and the market for these assets. Differences between the actual useful lives of these assets and estimates can materially affect future results and depreciation expense.

Lease Classifications
The classification of a lease between an operating or finance lease depends on certain judgments to determine whether substantially all the risk and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee. Cordy uses its best judgment, based on historical experience and the terms of the agreement, when determining the classification of a lease.

Impairment Tests
Cordy assesses, at the end of each reporting period, whether there is an indication that an asset group may be impaired. If any indication of impairment exists, Cordy determines the recoverable amount of the asset group. External triggering events include, for example, changes in customer or industry dynamics and economic declines. Internal triggering events for impairment include but are not limited to lower profitability or planned restructuring.

The carrying amount of property, plant and equipment is assessed for indicators of impairment by individual asset or group of assets when there is an indication that they may be impaired. Assets are written down to the lower of the recoverable amount and carrying value. The recoverable amount is the higher of an asset’s value in use (VIU) and its fair value less costs to sell (FVLCS).

Estimates

Tax Assets
The realization of deferred tax assets depends on the future taxable income of the respective Cordy subsidiaries. The continued recognition of deferred tax assets is based on estimates of internal projections of future earnings, tax deductions and anticipated income tax rates.

Bad debt expense
Cordy regularly reviews its accounts receivable for bad debts and provides a reserve for accounts that may be deemed to be uncollectible. This is an estimate as some of the reserved accounts may subsequently be collected whereas other accounts currently deemed collectible may become uncollectible.

The significant accounting policies have been applied consistently by the Corporation's entities as noted below.

A. Basis of consolidation

The Corporation applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Corporation. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

i. Subsidiaries

Subsidiaries are all entities over which the Corporation has the power to govern the financial and operating policies, generally accompanying more than one half of the shareholder voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity.

Intercompany transactions, balances, income and expenses on transactions between Corporation companies are eliminated on consolidation.

B. Financial instruments

The Corporation adopted IFRS 9 Financial Instruments effective January 1, 2018. The adoption had no material impact to the financial statements.

i. Non-derivative financial assets

The Corporation initially recognizes trade and other receivables on the date that they originate. Impairment of trade and other receivables is recognized in selling and administrative expenses when evidence of impairment arises. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss, or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

All other financial assets are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Trade and other are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method, less any impairment losses.

Cash and cash equivalents are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial assets are measured at amortized cost using the effective interest method.

ii. Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Corporation has the following non-derivative financial liabilities: bank indebtedness, financing leases, and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest rate method.

iii. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects. Share purchase warrants issued in connection with share capital are fair valued and recorded separately from share capital.

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

C. Property and equipment

i. Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses unless acquired in a business combination, in which case they are measured at fair value at the date of acquisition.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in profit or loss.

ii. Subsequent costs
The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment (repairs and maintenance) are recognized in profit or loss as incurred.

iii. Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognized in profit or loss on a diminishing-balance basis over the estimated useful life of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not amortized.

The estimated useful lives are as follows:

Type	Method	Rate
Buildings	Diminishing balance	4% - 5%
Heavy equipment and vehicles	Diminishing balance	10% - 20%
Vehicles	Diminishing balance	15% - 30%
Other equipment and shop tools	Diminishing balance	10% - 25%
Computer equipment	Diminishing balance	20% - 45%
Furniture and fixtures	Diminishing balance	20% - 30%

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

D. Leased assets

Leases are classified as finance or operating. A lease which transfers substantially all the risks and rewards of ownership of the asset is classified as a finance lease. Factors reviewed in the determination include, but not limited to, the term of the lease, whether ownership is transferred at the end of the term, bargain purchase arrangements and a comparison of the present value of the minimum lease payments versus the fair value of the asset.

At the inception of a finance lease, an asset is capitalized in the Statement of Financial Position and depreciated over the shorter of the lease term or the asset's useful life. The asset is recorded at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. The capital elements of future obligations under finance leases are included in liabilities in the Statement of Financial Position and analysed between current and non-current amounts. The interest elements of future obligations under finance leases are charged to the Statement of Comprehensive Income over the periods of the lease and represent a constant proportion of the balance of capital repayments outstanding in accordance with the effective interest rate method.

All other leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases and are not recognized on the Company's Statement of Financial Position. The cost of operating leases is charged to the Statement of Comprehensive Income on a straight line basis over the periods of the leases.

E. Inventories

Inventory consists primarily of spare parts and fuel. Inventory is stated at the lower of cost or net realizable value. The cost of inventory is accounted for on a first-in first-out principle and includes expenditures incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

F. Impairment

i. Financial assets including receivables
The Corporation applies an expected credit loss (ECL) approach in determining provisions for financial assets carried at amortized cost or fair value through net income and total comprehensive income. Due to the nature of its financial assets, the Corporation measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset.

ii. Non-financial assets
The carrying amounts of the Corporation's property plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If so, the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use (VIU) and its fair value less costs to sell (FVLCS). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, known as the cash-generating unit, or CGU.

The Corporation's corporate assets do not generate separate cash flows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit or Corporation on a pro-rata basis.

G. Employee benefits

i. Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Corporation has a current legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii. Stock-based compensation
Cordy accounts for share-based compensation plans in accordance with IFRS 2 Share-based Payments which requires companies to recognize the cost of such awards of equity instruments based on the grant date fair value of those awards. Cordy estimates the fair value of share-based payment awards on the date of grant utilizing a Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of short-term traded options that have no vesting restrictions and are fully transferable. Certain key assumptions used in the Black-Scholes model include the expected stock price volatility, forfeitures, dividend yield and expected term. When stock options are exercised, the cash proceeds, along with the amount previously recorded as contributed surplus, are recorded as share capital.

H. Share purchase warrants

The Corporation has issued warrants to purchase common shares at a specified price in conjunction with the issue of common shares of the Corporation. These warrants are accounted for in accordance with the fair value method of accounting, and as such the cost of the warrants is accounted for in the same manner as if the transaction was settled in cash with a corresponding amount recorded to warrants, based upon an estimate of the fair value using a Black-Scholes pricing model. Any consideration paid on the exercise of warrants is credited to share capital.

I. Provisions

A provision is recognized if, as a result of a past event, the Corporation has a current legal or constructive obligation that can be estimated reliably, and it is probable that payment will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

J. Revenue

Effective January 1, 2018, the Corporation adopted IFRS 15 - Revenue from Contracts with Customers replacing IAS 18 - Revenue and several revenue-related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. The impacts of adopting IFRS 15 on the Corporation's Consolidated Statement of Financial Position as at December 31, 2018, the Consolidated Statement of Comprehensive Loss and the Consolidated Statement of Cash Flow, did not result in adjustments and did not materially impact the timing or measurement of revenue.

The Corporation's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision of post-service obligations. The Corporation recognizes the amount of revenue to which it expects to be entitled for the transfer of promised services to customers. Revenue is measured based on the consideration specified in a contract with a customer on either an "over time" or "point in time" basis.

K. Finance costs

Finance costs comprise interest expense, the unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest-rate method.

L. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not be reversed in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

M. Per share Amounts

The Corporation presents basic and diluted Earnings Per Share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss of the Corporation attributable to ordinary equity holders of the parent entity by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted to employees and warrants.

N. Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other segments. The operating results of all segments and other subsidiaries and corporate entities for which discrete financial information is available are reviewed regularly by the Corporation's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to make decisions about resources to be allocated to the segment and assess its performance.

Segment results reported to the CEO and CFO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Corporation's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment.

5. RECENT ACCOUNTING PRONOUNCEMENTS

New Standards and Interpretations not yet adopted

The Corporation has reviewed new and revised standards and interpretations that have been approved by the International Accounting Standards Board ("IASB"). The following accounting pronouncements is applicable to or may have a future impact on the Corporation:

IFRS 16, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company is required to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company anticipates that the most significant impact of adopting IFRS 16 will be the recognition of right-of-use ("ROU") assets and corresponding lease obligations on its operating leases for office space. As a result, the nature of the expenses related to these leases will change as IFRS 16 replaces the straight-line operating lease expense with depreciation expense on the ROU asset and a finance charge on the lease obligation. On adoption of IFRS 16. The Company will recognize lease liabilities in relation to leases under the principles of the new standard. These liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The associated ROU asset will initially be measured at the amount equal to the lease liability on January 1, 2019 with no impact on retained earnings. The Company has identified cash flow from operating activities will increase and cash flow from financing activities will decrease as lease obligations repayments will be reported as financing activities on the Consolidated Statement of Cash Flows. There will be no net impact on cash flows.

6. DETERMINATION OF FAIR VALUES

Some of the Corporation's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values are disclosed in the notes specific to that asset or liability.

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

Property and equipment

The fair value of property, plant and equipment recognized as a result of a business combination or used in an impairment test is based on market or cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance type leases, the market rate of interest is determined by reference to similar lease agreements.

Share-based payments

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience and general option-holder behaviour), the expected dividends, and the risk-free interest rate (based on Government of Canada bonds). Service and non-market performance conditions are not taken into account in determining fair value.

Share purchase warrants

The fair value of the share purchase warrants is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience and general option-holder behaviour), the expected dividends, and the risk-free interest rate (based on Government of Canada bonds).

7. TRADE & OTHER RECEIVABLES

	December 31, 2018	December 31, 2017
Trade receivables	**3,631**	2,351
Other receivables	**108**	128
Total receivables	**3,739**	2,479
Current	**954**	1,224
31 – 60 days	**823**	563
61 – 90 days	**486**	203
Over 90 days	**1,476**	489
	3,739	2,479
Allowance for doubtful accounts	**(392)**	(155)
Total net receivables	**3,347**	2,324

The Corporation has received a notice and statement (the "Notice") from the court appointed receiver and manager of Ranch Energy Corporation, OpsMobil Inc., OpsMobil Construction Inc., OpsMobil Energy Corporation Air Dallaire Ltd., 1734163 Alberta Inc., 1859821 Alberta Inc. and K.L. Capital Corp. (collectively, the "Corporations") as to its appointment in such capacity on July 19, 2018 and that it has taken possession and control of the property of Corporations. Cordy provided logistic services related to soil reclamation and remediation of BC Crown land, pursuant to General Order 2017-091 issued by the BC Oil and Gas Commission, (the "Project") to the Corporations in the spring of 2018, and has an unsecured receivable owing from the

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

Corporations in the amount of $0.76 million. Cordy is pursuing all available options for amounts owing, however timing and amount of collection is uncertain. The Corporation has recorded a bad debt provision of $0.2 million.

8. INVENTORY

	December 31, 2018	December 31, 2017
Raw materials	**458**	458
Finished goods	**2,193**	2,204
Provisions	**(2,571)**	(2,571)
Total inventory	**80**	91

In 2018 raw materials, consumables and changes in finished goods, recognized as cost of sales amounted to $22,000 (2017 – $1.2 million). There were no inventory write-downs included in cost of goods sold in 2018 (2017 – $1.1 million).

9. PROPERTY AND EQUIPMENT

	Heavy equipment and Vehicles	Other	Total
Cost			
Balance at January 1, 2017	18,914	2,900	21,814
Additions	1,162	43	1,205
Disposals	(540)	(285)	(825)
Balance at December 31, 2017	**19,536**	**2,658**	**22,194**
Additions	1,458	-	1,458
Disposals	(4,053)	(214)	(4,267)
Balance at December 31, 2018	**16,941**	**2,444**	**19,385**
Accumulated Depreciation			
Balance at January 1, 2017	6,165	1,514	7,679
Depreciation for the year	2,082	129	2,211
Disposals	(132)	(295)	(427)
Balance at December 31, 2017	**8,115**	**1,348**	**9,463**
Depreciation for the year	1,830	70	1,900
Disposals	(2,311)	(123)	(2,434)
Balance at December 31, 2018	**7,634**	**1,295**	**8,929**
Carrying amounts			
At December 31, 2017	11,421	1,310	12,731
At December 31, 2018	**9,307**	**1,149**	**10,456**

Leased Vehicles and Equipment

The Corporation leases vehicles and equipment under a number of financing lease agreements. At December 31, 2018, the net book value of finance leased vehicles and equipment was $10.2 million (2017 – $12.5 million).

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

Gain on Disposal of Property and Equipment

In the year ended December 31, 2018, the Corporation disposed of property and equipment with a carrying value of $1.8 million (2017 - $0.4 million) for proceeds of $2.2 million (2017 - $0.5 million) resulting in a gain of $0.4 million (2017 - $0.1 million).

Impairment of Equipment

Property, plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. During the years ended December 31, 2018 and 2017, the Corporation determined no indicators were present and no impairment has been recorded in 2018.

10. TRADE AND OTHER PAYABLES

	December 31, 2018	December 31, 2017
Trade payables	**1,882**	1,061
Non-trade payables/accrued expenses	**234**	409
Total trade and other payables	**2,116**	1,470

The Corporation's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 18.

11. LOANS AND OTHER BORROWING

Financing Leases

The Corporation operates under several finance lease agreements with its equipment lender ("the Leases"), the Leases consist of consolidated monthly payments of $210,000 with an increase to $220,000 in July 2019. The Leases bear interest at 4.95% to 5.95% until August 2020 at which point the interest rate will be a variable rate equal to prime plus 2.0%. All future payments are subject to change as the Corporation has the option to sell the equipment and have all proceeds applied against the remaining principal balance. In the event of default the Corporation is subject to additional interest and penalties.

Bank indebtedness

During the year the Corporation entered into a line of credit agreement, with a private lender, pursuant to which it may borrow up to an amount equal to 50% of eligible receivables, on a revolving basis (the "Credit Facility"). Based on the current level of eligible receivables at December 31, 2018, Cordy's availability under the Credit Facility is approximately $1.2 million. As at December 31, 2018 Cordy has borrowed $0.5 million. The Agreement includes a General Security Agreement that grants the Creditor a continuing security interest in all present and after acquired property of Cordy and its subsidiaries. The Credit Facility bears interest at the rate equal to the Bank of Canada prime rate plus 4% per annum and has an initial term of two years subject to earlier demand being made by the lender.

Related Party Loan Payable

The Corporation entered into a loan agreement on December 22, 2014 with Lyncorp. The loan bore interest at 15%. During the first quarter of 2018, the Corporation entered into a settlement agreement with Lyncorp. Pursuant thereto, the Corporation made a payment of $0.125 million in January 2018, $0.125 million in March 2018 for full and final settlement of all interest and debt owing to Lyncorp.

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

Terms and debt repayment schedule for obligations under financing lease

				December 31, 2018		December 31, 2017	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Financing lease liabilities	CAD	4.95% - 5.95%	2021-2025	**13,765**	**13,765**	15,380	15,380
Total finance leases				**13,765**	**13,765**	15,380	15,380

The financing leases are secured by equipment with a carrying amount of $10.2 million at December 31, 2018 (December 31, 2017 – $12.5 million) (see note 9). The current portion of finance lease obligations are $1.9 million at December 31, 2018 (December 31, 2017 – $1.0 million).

Financing lease liabilities (payments, interest and present value “PV”)

	December 31, 2018			December 31, 2017		
	Future lease payments	Interest	PV lease payments	Future lease payments	Interest	PV lease payments
Less than one year	**2,546**	**643**	**1,903**	1,532	514	1,018
Between one and five years	**13,366**	**1,504**	**11,862**	16,712	2,350	14,362
Total finance leases	**15,912**	**2,147**	**13,765**	18,244	2,864	15,380

12. INCOME TAXES

Recognized deferred tax assets and liabilities

Temporary differences comprising the net deferred income tax asset and the amounts of deferred tax recovery recognized in the consolidated statement of income (loss) for each temporary difference are estimated as follows:

	2018	Recognized in Profit or Loss	2017	Recognized in Profit or Loss
Property and equipment	**-**	**1,815**	(1,815)	(238)
Tax loss carry-forwards	**-**	**(1,815)**	1,815	238
	-	**-**	-	-

Unrecognized deductible temporary differences

	December 31, 2018	December 31, 2017
Deductible temporary differences	**8,389**	5,079
Tax loss carry-forward	**45,101**	40,081
	53,490	45,160

Reconciliation of effective tax rate

Income tax expense differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate to the loss before income taxes as follows:

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

	December 31, 2018	December 31, 2017
Net loss	**(581)**	(1,402)
Combined federal and provincial income tax rate	**27.00%**	27.00%
Computed income tax provision	**(157)**	(379)
Non-deductible expenses	**-**	(11)
Unrecognized deferred tax assets	**157**	390
Total income tax expense	**-**	-

13. SHARE CAPITAL

	December 31, 2018	December 31, 2017
Balance at January 1	**43,395**	43,395
Balance at December 31	**43,395**	43,395

Common shares

As at December 31, 2018 the Corporation had 206,161,981 shares outstanding (2017 – 206,161,981), the Corporation was authorized to issue an unlimited number of common shares.

Share purchase warrants

The Corporation has 17,127,183 warrants outstanding that expire on December 14, 2019, or upon a trigger of accelerated expiration. As at December 31, 2018, all 17,127,183 outstanding warrants were vested and exercisable at a price of $0.05. In the event the closing price of the common shares on the TSX Venture Exchange exceeds $0.10 per common share for 20 consecutive trading days at any time after the first year anniversary of the closing date of the Private Placement, the warrants will expire and terminate on the 30th day after the date on which notice thereof from the Company has been given to warrant holders. The Corporation calculated the fair value of the share purchase warrants using the Black-Scholes pricing model to estimate the fair value of the warrants issued at the date of grant. The warrants were valued using a risk-free interest rate of 0.95% and volatility of 75%. The fair value of warrants issued is $0.2 million and has been recorded separately from share capital under the caption of share purchase warrants.

14. DIRECT OPERATING EXPENSES

	December 31, 2018	December 31, 2017
Salaries, wages, and subcontractors	**6,970**	4,377
Equipment rental	**306**	(104)
Cost of goods sold	**23**	1,172
Fuel	**1,109**	815
Repair and maintenance	**1,209**	818
Job costs	**1,817**	1,148
Facility costs	**615**	595
Other direct operating expenses	**543**	479
Expense recovery	**(44)**	(1,089)
Total direct operating expenses	**12,548**	8,211

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

15. PERSONNEL COSTS

	December 31, 2018	December 31, 2017
Wages, salaries and benefits	**7,123**	4,441
Share-based recovery	**-**	(40)
Total personnel costs	**7,123**	4,401

In 2018, personnel costs of $6.3 million (2017 - $3.7 million) were recognized within direct operating expenses and $0.8 million (2017 - $0.8 million) were recognized within general and administrative expenses.

16. EXPENSES BY FUNCTION

Expenses by function are summarized as follows:

	December 31, 2018	December 31, 2017
Revenue	**15,806**	11,182
Direct operating expenses	**12,548**	8,211
Selling and administrative expenses and depreciation	**3,615**	3,624
Other (income)	**(428)**	(121)
Financing expense	**652**	870
Loss before tax	**(581)**	(1,402)
Income tax expense	**-**	-
Loss after tax	**(581)**	(1,402)

17. FINANCING EXPENSE

	December 31, 2018	December 31, 2017
Interest on bank indebtedness	**5**	-
Interest on related party payable	**-**	43
Interest on finance leases	**647**	827
Financing expense	**652**	870

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Corporation has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk
- Market risk; and
- Interest rate risk

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

Credit risk

Credit risk represents the financial loss to the Corporation if a customer fails to meet its contractual obligations. The Corporation is exposed to credit risk related to the collection of its trade accounts receivable, of which approximately three quarters are due from customers connected to the oil and natural gas industry. Management regularly assesses the Corporation's exposure to credit risk and provides allowances for potentially uncollectible accounts receivable as they become known. Although collection of these receivables could be influenced by economic factors, management considers the risk of significant loss to be mitigated by the number, reputation and diversified nature of the companies with which the Corporation does business. The Corporation's maximum exposure to credit risk on trade accounts receivable at December 31, 2018 is the carrying value of $3.3 million (December 31, 2017 – $2.3 million). The Corporation believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behaviour and an analysis of the customers' ability to pay.

At December 31, 2018, the Corporation had an allowance for doubtful accounts of $0.4 million (December 31, 2017 – $0.2 million) on trade accounts receivable. Normal collection periods vary across the Corporation's business segments. Management considers its trade accounts receivable to be overdue if outstanding for more than 30 days, excluding any construction hold-back receivables.

Carrying amount	December 31, 2018	December 31, 2017
Trade and other receivables	**3,347**	2,324
Cash and cash equivalents	**257**	280
Total	**3,604**	2,604

Impairment losses

The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the Corporation is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation is exposed to liquidity risk if it is unable to collect its trade accounts receivable balances on a timely basis, which in turn could impact the Corporation's ability to meet commitments under its financing structure. In order to manage its liquidity risk, the Corporation has a policy to maintain positive working capital, a diverse clientele of well-established and well-financed entities, and sufficient capacity within its financing structure to meet any immediate liquidity requirements. The Corporation believes that forecasted cash flows from operating activities, available financing, and asset disposals will provide a sufficient cash resource to fund the Corporation's operating requirements. Management acknowledges that uncertainty remains over the ability of the Corporation to meet its funding requirements. If for any reason the Corporation is unable to continue as a going concern, it could impact the Corporation's ability to realize assets at their recognized values and to meet liabilities in the ordinary course of business at the amounts stated in the consolidated financial statements. See going concern note 3.

The Corporation has the following commitments tied to operating leases:

As at	December 31, 2018	December 31, 2017
Not later than 1 year	**439**	432
Later than 1 year not later than 5 years	**1,075**	1,464
Later than 5 years	**-**	-
Total	**1,514**	1,896

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

Market risk

Market risk is the risk of loss that results from changes in market prices. Market risk is comprised of foreign currency risk, interest rate risk, and other price risks. The level of market risk to which the Corporation is exposed to depends on market conditions, expectations of future price or market rate movements and the composition of the Corporation's financial assets and liabilities. The Corporation regularly monitors market risk exposure, tolerances and control processes in order to manage the exposure related to changes in market risk and to stay within acceptable market risk limits.

Interest rate risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Corporation's financial assets or liabilities. The Corporation is exposed to interest rate risk on certain debt instruments to the extent of changes in the underlying market interest rates. Exposure to interest rate risk is minimal at this time as all finance leases bear interest at a fixed term, the only variable instrument is Cordy's line of credit that bears interest at the Bank of Canada prime rate plus 4% per annum.

The interest rate profile of the Corporation's interest-bearing financial instruments was:

Carrying amount

As at	December 31, 2018	December 31, 2017
Fixed-rate instruments		
Related party loan payable (note 11)	**-**	283
Financial liabilities (note 11)	**13,765**	15,380
Total	**13,765**	15,663
Variable rate instruments		
Financial liabilities (credit facility)	**500**	-
Total	**500**	-

Interest rate risk arises on borrowings issued at variable rates, which exposes risk to future cash flows if interest rates were to rise.

Fair values versus carrying amounts

Financial instruments include cash and cash equivalents, trade and other receivables, trade and other payables, bank indebtedness and obligations under financing leases. Trade and other receivable are recorded at amortized cost, which approximates fair value due to the short-term nature of the instrument. Trade and other payables, obligations under financing leases and bank indebtedness are recorded at amortized cost. The fair values of trade and other payables approximate their carrying values due to the short-term nature of these instruments. The fair value of the financing leases approximate their carrying values as the interest rates applicable to these instruments reflect current market rates.

Capital management

The Corporation's capital structure is comprised of shareholders' equity, obligations under finance leases and bank indebtedness. Cordy's objectives in managing its capital are the following:

- To preserve the Corporation's access to capital and its ability to meet its financial obligations.
- To maintain flexibility of capital as to allow for a quick response on business opportunities.

The Corporation manages its capital structure and makes adjustments in light of changing market conditions along with new opportunities, while remaining cognizant of the cyclical nature of the energy services sector and other sectors it operates in. In order to maintain or adjust its capital structure, Cordy may revise capital spending, issue new shares or new debt or repay existing debt.

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

As at	December 31, 2018	December 31, 2017
Related party loan payable	**-**	283
Credit facility	**500**	-
Obligations under finance lease	**13,765**	15,380
Total debt	**14,265**	15,663
Total equity (deficit)	**(2,010)**	(1,429)
Less: cash	**(257)**	(280)
Total capitalization	**11,998**	13,954

19. SHARE-BASED PAYMENTS

In estimating expected stock price volatility at the time of a particular stock option grant, the Corporation relies on observations of historical volatility trends. In determining the expected term of the option grants, Cordy has observed the actual terms of prior grants with similar characteristics and the actual vesting schedule of the grant. Other assumptions required for estimating fair value with the Black-Scholes model is the expected risk-free interest rate of the Corporation's Common Shares. The risk-free interest rates used were the Canadian Treasury zero-coupon rates for bonds matching the expected term of the option on the date of grant. The expected forfeiture rate was determined based on the Corporations prior historical forfeiture rates on the date of grant.

The total number of stock options available to be granted under the Corporation's stock option plan cannot exceed 10 percent of its shares outstanding. Each stock option will entitle the option-holder to acquire one Common Share of Cordy. Under the plan, the exercise price of the stock options granted was determined by the price of the Corporation's stock price at the close of the previous trading day when the options were granted. The details of the stock option grant are as follows:

	Options Outstanding	Range of Exercise Prices	Weighted Average Exercise Price
Outstanding as at January 1, 2017	1,606,000	$0.18-$0.29	$0.21
Issued	-	-	-
Forfeited	(406,000)	$0.29	$0.29
Outstanding as at December 31, 2017	**1,200,000**	**$0.18**	**$0.18**
Issued	**-**	**$0.18**	**$0.18**
Forfeited	**(300,000)**	**-**	**-**
Outstanding as at December 31, 2018	**900,000**	**$0.18**	**$0.18**

The total number of options exercisable as at December 31, 2018 were 900,000 (December 31, 2017 –1,200,000) and they have a remaining term of 0.6 years.

20. LOSS PER SHARE

The calculation of basic and diluted loss per share at December 31, 2018 was based on the loss attributable to common shareholders divided by the weighted average number of Common Shares outstanding at year end. The net loss for the year ended December 31, 2018 was $0.6 million (2017 - net loss of $1.4 million). The weighted average number of Common Shares outstanding at December 31, 2018 and 2017 was calculated as follows.

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

Weighted average number of ordinary shares

	December 31, 2018	December 31, 2017
On issue at January 1	**206,162**	206,162
Weighted average number of common shares	**206,162**	206,162

As the Corporation is in a loss position, the impact of outstanding options and warrants is anti-dillutive.

21. RELATED PARTIES

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the business activities of the Corporation, including all of its directors, along with certain executives. Directors are remunerated for services rendered in their capacity through retainer fees and meeting attendance fees. Compensation of executives is comprised of base salary and benefits. The Corporation does not have a defined benefit or actuarial pension plan. Key management personnel participate in the stock option plan. Total remuneration to key management personnel including directors' fees, salaries and benefits was $0.6 million for the year ended December 31, 2018 (2017 - $0.6 million).

Related party transactions

	December 31, 2018	December 31, 2017
Related party loan	-	283

Lyncorp International Ltd ("Lyncorp") is considered a related party; a company wholly-owned by David Mullen, the Chairman and a director of Cordy. Together, David Mullen and Lyncorp hold approximately 13.2% (2017 – 13.2%) of Cordy's outstanding common shares. All of the transactions with Lyncorp occurred in the normal course of operations with terms consistent with those offered to arm's length parties and are measured at the exchange amount.

The Corporation entered into a loan agreement on December 22, 2014 with Lyncorp. The loan bore interest at 15%. During the first quarter of 2018, the Corporation entered into a settlement agreement with Lyncorp. Pursuant thereto, the Corporation made a payment of $0.125 million in January 2018, $0.125 million in March 2018 for full and final settlement of all interest and debt owing to Lyncorp.

22. SEGMENTED INFORMATION

Management regards the Corporation's activities as being conducted in reportable business segments organized according to the products and services they provide, with each having a number of business units which offer similar products and services. All activities and equipment of the Corporation are located in one geographical segment, Canada.

Environmental Services

The Environmental Services segment provides clean-up, hazardous goods transportation and containment services to the oil and natural gas industry and also to industrial and commercial customers in Alberta. This segment provides general water truck and vacuum truck services to oilfield and non-oilfield related industries; confined-space entry services; dangerous goods transportation and general transportation services; high-pressure and steam cleaning services; septic and holding tank cleaning; hydro-excavation; liquids and solids spill response services; and 24-hour emergency response coverage.

Heavy Construction

The Heavy Construction segment services include pipeline integrity management; clean-up services; low-pressure gas tie-ins; insulated pipeline installation; cement-lined pipeline installation; fiberglass pipeline installation; water injection lines; construction and installation of compressors, line heaters, separator buildings and header systems; pipeline maintenance and repairs; tying-in wellheads; decommissioning old well sites; and transportation of facility components to production sites. In providing pipeline construction and oilfield maintenance services, the focus is on small to medium-diameter pipeline construction, primarily gathering system pipe under 12" in diameter.

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

Each segment applies the same accounting policies as those described in note 4. Inter-segment transactions are recorded at values that approximate third-party selling prices and are eliminated for segmented reporting. Segment performance is measured based on operating earnings, as included in the internal management reports which are reviewed at least quarterly by the Chief Executive Officer, Chief Financial Officer and other senior management. Segment operating earnings is believed to be the most relevant measure of performance as it enables comparison against the results of the other Cordy entities and of competitors operating in the same industries.

In 2018, one customer accounted for 13 percent of the Corporations total revenue, which was reported in the Environmental Services business segment (2017 – 20 percent).

Selected segmented information for the years ended December 31, 2018 and 2017 is as follows:

December 31, 2018	Environmental Services	Heavy Construction	Corporate	Total
Revenue	**15,337**	**439**	**30**	**15,806**
Segment operating earnings (loss) [1]	**2,357**	**109**	**(923)**	**1,543**
Net earnings (loss)	**239**	**37**	**(857)**	**(581)**
Depreciation	**1,826**	**66**	**8**	**1,900**
Capital expenditures	**1,458**	**-**	**-**	**1,458**
Total assets at December 31, 2018	**13,547**	**406**	**418**	**14,371**

December 31, 2017	Environmental Services	Heavy Construction	Corporate	Total
Revenue	10,659	471	52	11,182
Segment operating earnings (loss) [1]	2,187	1,545	(2,174)	1,558
Net earnings (loss)	(616)	1,469	(2,255)	(1,402)
Depreciation	2,100	99	12	2,211
Capital expenditures	1,149	13	43	1,205
Total assets at December 31, 2017	14,523	733	448	15,704

[1] Operating earnings (loss) is a non-IFRS term and is defined as revenue less direct operating expense and general and administrative expenses.

23. THE CORPORATION’S SUBSIDIARIES

As at December 31	Ownership interest 2018 %	Ownership interest 2017 %
Cordy Construction Inc.	**100**	100
Cordy Environmental Inc.	**100**	100

Corporate Information

DIRECTORS AND OFFICERS
Darrick Evong, CPA, CA, CBV
Chief Executive Officer

Luke Caplette, CPA, CA
Chief Financial Officer

David Mullen (1))(2)
Chairman of the Board

Stuart King, CPA, CA (1)(2)
Director

Timothy H. Urquhart, ICD.D(1)(2)
Director

(1) Member of the Audit Committee
(2)Member of the Governance and Compensation Committee

CORPORATE OFFICE
Cordy Oilfield Services Inc.
5366 55 St SE
Calgary, Alberta T2C 3G9
Phone:403.262.7667
Email: IR@cordy.ca

BANKER
TD Commercial Banking
Calgary, Alberta

LAWYERS
DLA Piper (Canada) LLP
Calgary, Alberta

AUDITORS
KPMG LLP
Calgary, Alberta

STOCK EXCHANGE
TSX Venture
Trading Symbol: CKK

TRANSFER AGENT AND REGISTRAR
Computershare
Calgary, Alberta