Interim Financial Report

Period Ended March 31, 2019

Q1

Cordy
Oilfield Services Inc.

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS
Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Cordy Oilfield Services Inc. ("Cordy or the "Corporation") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements.

Interim Condensed Consolidated Statement of Financial Position

(Unaudited) ($000's)	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash	**708**	257
Restricted cash	**25**	25
Trade and other receivables (note 5)	**4,585**	3,347
Inventory	**80**	80
Prepaid and other assets	**211**	206
	5,609	3,915
Non–current assets		
Property and equipment (note 6)	**11,732**	10,456
Total assets	**17,341**	14,371
Liabilities and equity		
Current liabilities		
Bank indebtedness (note 7)	**1,650**	500
Trade and other payables	**2,428**	2,116
Current portion of lease liability (note 7)	**2,344**	1,903
	6,422	4,519
Non–current liabilities		
Lease liability (note 7)	**12,638**	11,862
	12,638	11,862
Equity		
Share capital	**43,395**	43,395
Share-purchase w arrants	**163**	163
Contributed surplus	**7,701**	7,701
Deficit	**(52,978)**	(53,269)
	(1,719)	(2,010)
Total liabilities and equity	**17,341**	14,371

Going concern (note 3)

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the periods ended March 31, (unaudited) ($000s except per share amounts)	Three months 2019	 2018
Revenue	**5,156**	5,127
Expenses		
Direct operating expenses	**3,824**	4,041
General and administrative expenses	**360**	314
Depreciation expense (note 6)	**496**	481
Financing expense	**185**	114
Gain on disposal of equipment	**-**	(18)
Earnings before tax	**291**	195
Income tax expense	**-**	-
Net and comprehensive income	**291**	195
Earnings per share from (note 9)		
Basic and diluted ($)	**-**	-

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

Interim Condensed Consolidated Statement of Changes in Equity (Deficit)

(unaudited) ($000's except numbers of shares)	Shares Outstanding (000's)	Share Capital $	Share Purchase Warrants $	Contributed Surplus $	Deficit $	Total $
Balance at January 1, 2018	**206,162**	**43,395**	**163**	**7,701**	**(52,688)**	**(1,429)**
Earnings for the period	-	-	-	-	195	195
Balance at March 31, 2018	**206,162**	**43,395**	**163**	**7,701**	**(52,493)**	**(1,234)**
Balance at January 1, 2019	**206,162**	**43,395**	**163**	**7,701**	**(53,269)**	**(2,010)**
Earnings for the period	-	-	-	-	291	291
Balance at March 31, 2019	**206,162**	**43,395**	**163**	**7,701**	**(52,978)**	**(1,719)**

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

Interim Condensed Consolidated Statement of Cash Flows

For the three months ended March 31, (Unaudited) ($000's)	2019	2018
Cash flows from operating activities		
Net earnings:	**291**	195
Add (deduct) non-cash items:		
Depreciation expense	**496**	481
Gain on disposal of property and equipment	**-**	(18)
Gain on related party loan settlement	**-**	(76)
Finance costs	**185**	114
Changes in non–cash working capital	**(931)**	(482)
Cash flows generated from operating activities	**41**	214
Cash flows from financing activities		
Increase in bank indebtedness (note 6)	**1,150**	-
Repayment of related party loan payable	**-**	(250)
Repayment of lease liabilities	**(548)**	(317)
Financing expense	**(185)**	(114)
Cash flows generated from (used in) financing activities	**417**	(681)
Cash flows from investing activities		
Purchase of property and equipment	**(7)**	(7)
Proceeds on disposal of property and equipment	**-**	350
Cash flows generated from (used in) investing activities	**(7)**	343
Increase (decrease) in cash	**451**	(124)
Cash - beginning of the period	**257**	280
Cash - end of the period	**708**	156

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018 (unaudited)

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

1. REPORTING ENTITY

Cordy Oilfield Services Inc. 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 unaudited interim condensed consolidated financial statements of the Corporation as at and for the three months ended March 31, 2019 and 2018 comprise the Corporation and its subsidiaries. Cordy and its subsidiaries are primarily involved in energy services, municipal services and construction throughout western Canada. The business of Cordy is conducted through two reportable segments: Heavy Construction and Environmental Services.

2. BASIS OF PRESENTATION

A. Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). The unaudited interim condensed consolidated financial statements should be read in conjunction with the Corporation’s annual audited consolidated financial statements and accompanying notes for the year ended December 31, 2018.

The unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on May 30, 2019.

B. Basis of measurement

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

C. 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

The unaudited interim condensed 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 and increasing margins.

The Corporation has recorded net earnings of $0.3 million for the three months ended March 31, 2019. Earnings and cash flow from operations need to continue to increase 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 accounting policies and use of judgments and estimates used in the preparation of these unaudited interim condensed consolidated financial statements have been applied consistently for all periods presented and are unchanged from the accounting policies, judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2018, except as noted below.

The company adopted the following accounting policies effective January 1, 2019:

In January 2016, the IASB issued IFRS 16 Leases (“IFRS 16”), which replaces the existing IFRS guidance on leases: IAS 17 Leases (“IAS 17”). Under IAS 17, lessees were required to determine if the lease is a finance or operating lease, based on specified criteria of whether the lease transferred significantly all the risks and rewards associated with ownership of the underlying asset. Finance leases were recognized on the balance sheet while operating leases were recognized in the Consolidated Statements of Income when the expense is incurred. IFRS 16 introduced a single lease accounting model for lessees which require a Right-of-Use (ROU) asset and lease liability to be recognized on the balance sheet for contracts that are, or contain, a lease. The Company’s leases under IFRS 16 primarily consist of vehicle leases, which were previously classified as finance leases, and office leases, which were previously classified as operating leases.

The Company has adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company’s financial statements are not restated.

For leases that were previously classified as finance leases under IAS 17, the carrying amount of the ROU asset and lease liability remain unchanged upon transition and were determined at the carrying amount immediately before the adoption date.

For leases that were previously classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments discounted using the Company’s incremental borrowing rate on January 1, 2019. ROU assets were measured at an amount equal to the lease liability. The recognition of the present value of minimum lease payments, as at January 1, 2019, resulted in additional $1.3 million of ROU assets and associated lease liabilities.

The adoption of IFRS 16 included the following elections:
• Elected to not recognize ROU assets and liabilities for leases term of less than 12 months, or for leases of low value.
• Elected to exclude initial direct costs from measuring the ROU asset at the date of initial application.
• Elected to apply a single discount rate to portfolio of leases with similar characteristics.
• Elected to use hindsight in determining lease term.

As a result of this adoption, the Company has revised the description of its accounting policy for leases as follows:

Leases
A contract is, or contains, a lease if the contract conveys the right of control the use of an identified asset for a period of time in exchange for considerations. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation. At the commencement date, a corresponding ROU is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. Depreciation is recognized on the ROU asset over the lease term.

The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make judgements, estimates, and key assumptions that affect the reported amount of asset, liabilities, income, and expense. Actual results could differ significantly from these estimates. Key areas where management has made judgements, estimates, and assumptions related to IFRS 16 include:

• Incremental borrowing rate: The incremental borrowing rates are based on judgements including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the ROU asset, lease obligations, and the resulting interest and depletion and depreciation expense, may differ due to changes in the market conditions and lease term.

• Lease term: Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

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

5. TRADE AND OTHER RECEIVABLES

	March 31, 2019	December 31, 2018
Trade receivables	**4,846**	3,631
Other receivables	**123**	108
Allowance for doubtful accounts	**(384)**	(392)
Total net receivables	**4,585**	3,347
Current	**1,826**	846
31 – 60 days	**1,065**	823
61 – 90 days	**267**	486
Over 90 days	**1,688**	1,476
Total trade receivables	**4,846**	3,631

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 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.

6. PROPERTY AND EQUIPMENT

	Heavy equipment and Vehicles	Other	Office and Shop	Total
Cost				
Balance at January 1, 2019	16,941	2,444	-	19,385
Additions	518	-	1,253	1,771
Disposals	-	-	-	-
Balance at March 31, 2019	**17,459**	**2,444**	**1,253**	**21,156**
Accumulated Depreciation				
Balance at January 1, 2019	7,634	1,294	-	8,928
Depreciation for the year	397	10	89	496
Disposals	-	-	-	-
Balance at March 31, 2019	**8,031**	**1,304**	**89**	**9,424**
Net book value				
Balance at March 31, 2019	**9,428**	**1,140**	**1,164**	**11,732**

Assets under lease/right of use is $9.4 million heavy equipment and vehicles, $0.03 million other, $1.2 million office and shop.

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

7. LOANS AND OTHER BORROWING

	March 31, 2019	December 31, 2018
Current liabilities		
Bank indebtedness	**1,650**	500
Lease obligations - equipment and vehicles	**2,009**	1,903
Lease obligations - office and shop	**335**	
Current portion of debt	**3,994**	2,403
Non-current liabilities		
Lease obligations	**11,807**	11,862
Lease obligations - equipment and vehicles	**831**	
Non-current portion of debt	**12,638**	11,862
Total debt obligations	**16,632**	14,265

Lease obligations – equipment and vehicles
The Corporation operates under several finance lease agreements with its equipment lender ("the Leases"), the Leases consist of consolidated monthly payments of $215,000 with an increase to $225,000 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.

Lease obligations – office and shop
The corporation operates under a single lease agreement with its landlord ("the Landlord"), the lease consists of monthly payments of $33,000 per month, with a maturity date of June 2022.

Bank indebtedness
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 March 31, 2019, Cordy's availability under the Credit Facility is approximately $0.3 million. As at March 31, 2019 Cordy has borrowed $1.65 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.

8. PER SHARE AMOUNTS

The calculation of basic and diluted earnings was based on the net earnings divided by the weighted average number of Common Shares outstanding for the period. Net earnings for the three months ended March 31, 2019 was $0.3 million (2018 net earnings - $0.2 million). The weighted average number of Common Shares outstanding for the three months ended March 31, 2019 and 2018 was calculated as follows and there were no dilutive securities.

Weighted average number of ordinary shares

	Three months ended March 31,	
(000's)	**2019**	2018
Shares outstanding (basic and diluted)	**206,162**	206,162
Weighted average number of common shares (basic and diluted)	**206,162**	206,162

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

9. SEGMENTED INFORMATION

Management regards the Corporation's activities as being conducted in reportable business segments organized according to the products and services they provide. All activities and equipment of the Corporation are located in 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.

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 competitors operating in the same industries.

Selected segmented information from operations for the three month periods ended March 31, 2019 and 2018 is as follows:

Three months ended March 31, 2019	Environmental Services	Heavy Construction	Corporate	Total
Revenue	**5,026**	**129**	**1**	**5,156**
Segment operating earnings (loss)	**1,167**	**58**	**(253)**	**972**
Net earnings (loss)	**507**	**47**	**(263)**	**291**
Depreciation	**483**	**11**	**2**	**496**
Capital expenditures	**7**	**-**	**-**	**7**
Total assets at March 31, 2019	**16,254**	**454**	**633**	**17,341**

Three months ended March 31, 2018	Environmental Services	Heavy Construction	Corporate	Total
Revenue	4,983	142	2	5,127
Segment operating earnings (loss)	908	39	(175)	772
Net earnings (loss)	276	20	(101)	195
Depreciation	461	18	2	481
Capital expenditures	7	-	-	7
Total assets at March 31, 2018	14,477	639	501	15,617

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

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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