2017 Annual Management's Discussion and Analysis

Cordy

Oilfield Services Inc.

READER ADVISORY

This Management's Discussion & Analysis discussion (MD&A) of the financial condition and results of operations of Cordy Oilfield Services Inc. ("Cordy" or the "Corporation") is prepared as at April 12, 2018. This discussion should be read in conjunction with the Corporation's audited Annual Consolidated Financial Statements for the years ended December 31, 2017 and 2016 and notes thereto, other information on Cordy is available on SEDAR at www.sedar.com and on the Corporation's website at www.cordy.ca. This discussion should not be considered all-inclusive as it does not include all changes regarding general economic, political, governmental and environmental events.

This MD&A contains certain statements that constitute forward-looking statements under the meaning of applicable securities laws. Please see "*Forward looking information, assumptions and risk factors*" on page 16 for a discussion concerning the Corporation's use of such information. For the reader's reference, the definition, calculation and reconciliation of non-GAAP terms are provided in "Non-GAAP Terms" below. Readers are cautioned that these non-GAAP terms should not replace net earnings (loss), earnings (loss) per share, purchases and proceeds on sale of property, plant and equipment and debt as indicators of GAAP performance.

This MD&A and the annual financial statements were reviewed by the Audit Committee of the Corporation's Board of Directors and approved by Cordy's Board of Directors on April 12, 2018.

CORPORATE OVERVIEW

Cordy provides construction and environmental services in western Canada. Cordy is headquartered in Calgary, Alberta, Canada, and is listed on the TSX Venture Exchange under the trading symbol "CKK". Cordy's operating businesses are separate legal entities that service two business segments in Alberta. The entities are:

Cordy Environmental Inc. ("Environmental Services"); The Environmental Services segment accounted for 95 percent of the Corporation's 2017 revenue (2016 – 96 percent). The segment's clean-up, hazardous goods transportation and containment services are provided 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.

Cordy Construction Inc. ("Heavy Construction"); The Heavy Construction segment accounted for 4 percent of Corporations revenue in 2017 (2016 – 4 percent). Heavy Construction services include pipeline integrity management; clean-up services; low-pressure gas tie-ins; insulated pipeline installation; cement-lined pipeline installation; fibreglass 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.

OUTLOOK

Fresh off the appointment of a new executive team in late 2016, as well as a $2.3 million equity injection, in which the new management team participated, 2017 marked Cordy's first year post organizational realignment. The oil and gas industry began to show signs of recovery, with oil prices rebounding in late 2017, to their highest levels since mid-2015. Evidence continues to suggest that the oil and gas industry is in the early stages of recovery; however, confidence in oilfield services remains shaky and investment uncertain.

The Company benefited, in 2017, from increased provincial and municipal infrastructure spending, as management continued to focus on its diversification strategy, specifically, general industrial and municipal support services. The acquisition of Hornet Hydrovac in December 2017, increased Cordy's market share in the municipal market and aligns with management's strategy to build a broader client base in non-oilfield related businesses.

In mid-2017, Cordy and its lender agreed on revised terms for its equipment finance leases (the "Revised leases") which included; flexible payments during periods of increased working capital requirements, a reduction in Cordy's interest rate from 8.5% to 4.95%, and support from its lender in the form of additional financing, when required, to support the Company's diversification strategy. The Revised Leases provide the foundation for the attainment of its business objectives for the foreseeable future.

Looking to 2018, management believes the Canadian Oil and Gas industry it serves will continue to experience a slow recovery amidst the absence of infrastructure, namely pipeline capacity. To make matters worse, relentless pipeline opposition continues to stifle new infrastructure, causing delays, cancellations and limiting growth in the industry. Despite the continued uncertainty in the oil and gas industry, management anticipates modest year over year growth. In addition, Cordy will continue to seek out acquisitions and consolidation opportunities that complement its diversification strategy and provide platforms for organic growth.

SELECTED FINANCIAL AND OPERATING INFORMATION

Year ended December 31 *($ 000's)*	2017	2016	2015
Financial results			
Revenue	11,182	9,775	20,777
Gross Margin[1]	2,971	2,547	(398)
Operating earnings (loss)	1,558	626	(4,211)
Net loss from continuing operations	(1,402)	(3,520)	(6,992)
Net loss from discontinued operations	-	-	(1,128)
Cash flow from (used in) operating activities from all operations	776	662	(1,880)
Share Information			
Loss per share from continuing operations	(0.01)	(0.03)	(0.08)
Loss per share from discontinued operations	-	-	(0.01)
Loss per share from all operations	(0.01)	(0.03)	(0.09)
Share price	0.03	0.04	0.01
Other Information			
Capital expenditures	1,205	227	12
Financial Position			
Total assets	15,704	18,518	22,298
Total debt obligations (includes current portion)	15,663	15,845	17,413
Total liabilities	17,133	18,505	21,229
Net assets	(1,429)	13	1,069

(1) Gross Margin is a non-IFRS term and is defined as revenue less direct operating expenses. See reconciliation on page 15 of this document.

OVERALL PERFORMANCE

In 2017, Cordy's consolidated revenues increased by $1.4 million or 14 percent, from the same period in 2016. 2017 saw a recovery of crude oil prices, as they rose to the highest levels in years, Cordy saw increased demand for services as conventional investment increased. Increased commodity prices coupled with efforts on organic growth from within the organization have resulted in the year over year increase.

Cordy's operating earnings increased by $0.9 million or 149 percent over 2016. Cordy completed its restructuring initiatives in September 2016; Cordy right sized the business and focused on earning margins in the new market realities facing service companies. All costs, at all levels of business were scrutinized, the cost conscious culture that management implemented is continuing to benefit margins.

Cordy's net loss for 2017 improved by $2.1 million or 60 percent as compared to 2016. Cordy's improving operating results, coupled with reduced interest rate on debt continue to improve earnings.

The following significant transactions occurred in the year:

- During the fourth quarter of 2017, the Corporation entered into two Amended Leases with its equipment lender which amend the terms of amounts payable under its existing finance leases. Part of the renegotiation included a reduced interest rate to 5 percent.
- Cordy has reduced operating and overhead costs, this has been achieved through staff reductions, pay cuts, consolidation of operations and multiple cost cutting measures implemented by management. Cordy will continue to monitor and reduce costs to remain competitive.
- Cordy increased efforts on organic sales growth in 2017 through the hiring of sales personnel, coupled with an organization wide sales effort at all levels of the business.
- Cordy completed the acquisition of Hornet Hydrovac at the end of 2017, this will continue to diversify Cordy's client base while strategically aligning the Corporation to further capitalize on municipal infrastructure projects.

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATION

	Three months ended December 31			Twelve months ended December 31		
($ 000's)	**2017**	**2016**	**($) Change**	**2017**	**2016**	**($) Change**
Revenue						
Environmental Services	2,580	2,590	(10)	10,659	9,399	1,260
Heavy Construction	155	49	106	471	354	117
Corporate	4	1	3	52	22	30
	2,739	2,640	99	11,182	9,775	1,407
Direct operating expenses						
Environmental Services	2,012	2,022	(10)	8,078	6,937	1,141
Heavy Construction	(1,010)	(126)	(884)	(1,028)	286	(1,314)
Corporate	1,148	17	1,131	1,161	5	1,156
	2,150	1,913	237	8,211	7,228	983
General and administrative expenses						
Environmental Services	(1)	260	(261)	394	525	(131)
Heavy Construction	(52)	54	(106)	(46)	78	(124)
Corporate	299	369	(70)	1,065	1,318	(253)
	246	683	(437)	1,413	1,921	(508)
Operating earnings (loss)						
Environmental Services	569	308	261	2,187	1,937	250
Heavy Construction	1,217	121	1,096	1,545	(10)	1,555
Corporate	(1,443)	(385)	(1,058)	(2,174)	(1,301)	(873)
	343	44	299	1,558	626	932
Depreciation	550	662	(112)	2,211	2,693	(482)
Financing expense	110	385	(275)	870	1,398	(528)
Impairments	-	37	(37)	-	37	(37)
Gain (loss) on disposal	(5)	(6)	1	(81)	52	(133)
Share-based recovery	-	(18)	18	(40)	(34)	(6)
Loss before tax	(312)	(1,016)	704	(1,402)	(3,520)	2,118
Income tax expense	-	-	-	-	-	-
Net loss	(312)	(1,016)	704	(1,402)	(3,520)	2,118

Revenue

For the three months ended December 31, 2017, Cordy's consolidated revenue increased by $0.1 million or 4 percent as compared to the same period ended December 31, 2016. A majority of the revenue relates to the Environmental segment, of which revenue remained consistent at $2.6 million for the three months ended December 2017 and 2016. The increase of $0.1

million of consolidated revenue for the three months is attributed to the Heavy Construction segment that saw increased demand for facility services from its oil and gas customers.

For the twelve month period consolidated revenue was $11.2 million compared to $9.8 million for 2016. The Heavy Construction segment had revenue increase by $0.1 million or 33 percent over 2016. This is a result of the aforementioned increase demand for facility services. The Environmental Services segment saw increased revenue of $1.3 million or 13 percent, this is attributed to recovering commodity prices, coupled with Cordy's efforts on organic sales growth.

Direct Operating Expenses ("DOE")
For the three months ended December 31, 2017, consolidated DOE were $2.2 million compared to $1.9 million in the same period of 2016. As a percentage of revenue DOE increased to 78 percent from 72 percent. The Construction segment saw an expense recovery of $1.0 million in 2017 as compared to an expense recovery $0.1 million in 2016. The increase is due to increased payable negotiations coupled with write offs. The Environmental Services segment DOE remained consistent at $2.0 million, and remained consistent as a percentage of revenue at 78 percent. The Environmental Segment saw cost reductions, specifically reduced facilities expense and salaries and wages stemming from reduced headcount. This was offset by increased repairs and maintenance as the business unit readied its fleet for the upcoming 2018 winter drilling season above and beyond 2017's repair costs. Corporate saw an increase of DOE of $1.1 million; this is due to a inventory write down.

For the twelve month period, consolidated DOE was $8.2 million in 2017 compared to $7.2 million in 2016. As a percentage of revenue DOE decreased to 73 percent from 74 percent. The majority of the expenses relate to the Environmental Services segment; where DOE as a percentage of revenue was 76 percent compared to 74 percent in 2016. The increase is due to increased fuel costs and pricing pressures from Cordy's customers, resulting in Cordy unable to increase rates to recoup additional costs of doing business. The increase in Environmental expenses were offset by the expense recoveries in Construction that were partially offset by the inventory write down.

General and Administrative Expenses ("G&A")
G&A includes the cost of maintaining a corporate office, all publicly traded company-related expenses as well as the general and administrative expenses incurred at each of the business units. For the three months ended December 31, 2017 G&A was $0.2 million as compared to $0.7 million in 2016. The reduced G&A costs can be attributed to legal costs of $0.1 million and $0.2 million bad debt expense in 2016 that didn't reoccur in 2017, coupled with continual cost savings in 2017.

For the twelve month ended December 31, 2017, G&A was $1.4 million as compared to $1.9 million for prior year. The reduction is due to reduced head count and cost saving initiatives in all business segments, coupled with the aforementioned costs in 2016.

Depreciation
Depreciation was $0.6 million for the three months ended December 31, 2017 compared to $0.7 million for the three months ended December 31, 2016 and $2.2 million for the twelve months ended December 31, 2017 compared to $2.7 million for the twelve months ended December 31, 2016. The decrease is due to less equipment and less depreciation annually due to the diminishing balance calculation of depreciation.

Financing expense
Finance costs were $0.1 million for the three months ended December 31 2017 compared to $0.4 million for the same period of 2016 and $0.9 million for twelve months ended December 31 2017 compared to $1.4 for the same period of 2016. Finance costs are lower due to a reduced borrowing rate on interest.

Impairment
The Corporation recognized no impairment in 2017, as compared to $0.03 million for the year ended 2016.

Loss (gain) on disposal
For the twelve months ended December 31, 2017 the Corporation disposed of property and equipment with a carrying value of $0.4 million (2016 - $0.8 million) for proceeds of $0.5 million (2016 - $0.7 million) resulting in a gain of $0.1 million (2016 - $0.1 million loss).

Share-based Payments
For the twelve month ended December 31, 2017 Cordy had a recovery of $0.04 million compared to a recovery of $0.03 million in 2016. The recovery is due to the forfeiture of options, stemming from a large reduction in staff.

FINANCIAL RESULTS

	2017				2016			
($ millions) (except per share information)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	2.7	2.6	2.1	3.7	2.6	2.3	2.1	2.7
Operating earnings	0.3	0.3	0.2	0.7	0.1	0.3	0.2	0.2
Net loss	(0.3)	(0.4)	(0.5)	(0.1)	(1.0)	(0.7)	(0.9)	(0.9)
Loss per share	0.00	0.00	0.00	0.00	(0.01)	(0.01)	(0.01)	(0.01)
Operating cash flow from (used in) operations	0.2	0.3	0.2	0.1	(0.3)	0.1	0.1	0.5

The following items are key events that occurred in each quarter:

- Q4 2017 trended similarly to Q4 2016. Operating earnings was $0.2 million higher due to 2016 incurring legal costs and a bad debt expense that did not reoccur in 2017.
- Q3 2017 showed a slight improvement in activity over Q3 2016. A majority of the increase came from the municipal market with Oilfield sales trending slightly higher quarter over quarter. Subsequent to Q3 2017, the Corporation entered into two restated lease agreements, these agreements reduced payments, reduced interest rate and reduce cash flow pressures for 2018.
- Q2 2017 trended consistently with the prior year; historically Q2 is a slower quarter for Cordy based on the seasonality of oilfield work. Cordy continues to closely monitor margins and maintain a tight cost structure.
- Q1 2017 saw consolidated revenue growth of $1.0 million. This increase can be attributed to a slight increase in oilfield demand from Cordy's major oilfield customers.
- Q4 2016 provides evidence that optimism and a slow recovery of commodity prices are beginning to have an effect on Cordy's revenue. Cordy's Environmental segment showed revenue growth from Q4 2015, and improving margins as Cordy's cost cutting focus began to yield results. During the quarter Cordy also completed a private placement for proceeds of $1.0 million.
- Q3 2016 trends similar to Q2 2016, Cordy continued to scrutinize all costs while focusing on revenue growth and servicing customers. The downturn coupled with a competitive pricing environment continued to effect demand for Cordy's services. In the quarter Cordy announced a new executive management team and completed a rights offering for proceeds of $1.3 million.
- Q2 2016 continued to be impacted by the struggling Alberta economy, despite reduced demand for services and pricing pressures, Cordy continued to improve margins and remain competitive in the new market realities.
- Q1 2016 Cordy continued to be impacted by underinvestment in capital projects, infrastructure and drilling programs. This is evidenced by Cordy's reduced revenue; Cordy continued to cut costs and worked towards improving margins despite reduced demand for Cordy's services.

FINANCIAL RESOURCES AND LIQUIDITY

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 the financial statements, then adjustments would be necessary to the carrying values of assets and liabilities.

An analysis of the Corporation's short-term liquidity is as follows:

as at December 31, 2017 ($000's)	Environmental Services	Heavy Construction	Corporate	Total
Liquid assets [(1)]	1,971	313	370	2,654
Current liabilities	2,066	109	596	2,771
Net liquid assets	(95)	204	(226)	(117)

as at December 31, 2016 ($000's)	Environmental Services	Heavy Construction	Corporate	Total
Liquid assets [(1)]	1,415	80	1,341	2,836
Current liabilities	3,078	1,624	562	5,264
Net liquid assets	(1,663)	(1,544)	779	(2,428)

[(1)] Liquid assets is a non-IFRS term and is defined as assets quickly converted into cash, and trade and other receivables as defined on page 15.

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, reducing the working capital deficit and settling the amount owing to Lyncorp.

The Corporation has recorded a net loss of $1.4 million for the year ended December 31, 2017. 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.

FINANCIAL MANAGEMENT

Twelve months ended December 31, ($ 000's)	2017	2016	$ Change
Cash generated provided by (used in):			
Operating activities	776	662	114
Financing activities	(2,179)	(741)	(1,438)
Investing activities	400	486	(86)
Increase (decrease) in cash	(1,003)	407	(1,410)

Cash flows from operating activities increased in the twelve month period ended December 31, 2017 from the same period in 2016 by $0.1 million due to increased earnings, offset by a decrease in working capital.

Cash flows used in financing activities was $2.2 million in 2017 as compared to using $0.7 million in 2016. The additional funds used in 2017 is due to 2016 containing two equity raises, partially offset by additional repayments of debt. 2017 funds used in financing activities consist of interest and finance lease repayments.

Cash flows used in investing activities was $0.4 million compared to cash flows generated from investing activities of $0.5 million in 2016. The funds generated in 2017 were from the sale of underutilized equipment.

Management will continue to re-evaluate its available financing options. The Corporation expects to fund its ongoing operations and debt repayments from a combination of cash flow, the refinancing of debt, obtaining a receivables line and asset dispositions as needed.

Year ended December 31 ($ 000's)	2017	2016	$ Change
Cash	280	1,283	(1,003)
Loans and finance leases	15,380	15,845	(465)
Net cash	(15,100)	(14,562)	(538)
Working capital (deficit) (1)	202	(881)	1,083

(1) Working capital is calculated as current assets less current liabilities.

At December 31, 2017, Cordy had working capital of $0.2 million (December 31, 2016 - working capital deficit $0.9 million), Cordy's working capital increased $1.1 million in 2017 over 2016, this is directly related to reduced outstanding payables, renegotiation of finance leases, resulting from a reduced current liability based on the new payment regime, this has been partially offset by an increase in receivables.

LOANS AND BORROWING

The Corporation finances its equipment purchases with debt to allow it to utilize its working capital to fund operations. The amortization periods on the equipment loans are correlated to the expected useful life and expected cash flows of each asset. As at December 31, 2017 finance lease obligations attributable to equipment financing was $15.4 million or 98 percent of the total debt outstanding. Management will continue to review Cordy's capital structure and consider various options to support the Corporation's debt payments and future cash-flow requirements.

Year ended December 31 ($ 000's)	2017	2016
Current liabilities:		
Related party loan payable	283	283
Current portion of finance lease obligations	1,018	2,321
Current portion of debt and finance lease obligations	1,301	2,604
Non-current liabilities:		
Finance lease obligations	14,362	13,241
Non-current portion of debt and finance lease obligations	14,362	13,241
Total term debt and lease obligations	15,663	15,845

Terms and conditions of equipment loans and obligations under financing lease were as follows:

				December 31, 2017		December 31, 2016	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Financing lease liabilities	CAD	4.95% - 5.00%	2021-2024	15,380	15,380	15,562	15,562
Total finance leases				15,380	15,380	15,562	15,562

The financing leases are secured by equipment with a carrying amount of $12.5 million at December 31, 2017 (December 31, 2016 – $13.5 million). The current portion of finance lease obligations are $1.0 million at December 31, 2017 (December 31, 2016 – $2.3 million).

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

	December 31, 2017			December 31, 2016		
	Future lease payments	Interest	PV lease payments	Future lease payments	Interest	PV lease payments
Less than one year	1,532	514	1,018	3,607	1,286	2,321
Between one and five years	16,712	2,350	14,362	14,458	1,217	13,241
Total finance leases	18,244	2,864	15,380	18,065	2,503	15,562

TRANSACTIONS WITH RELATED PARTIES

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% (2016 – 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.

	December 31, 2017	December 31, 2016
Related party loan	283	283

Related party loan payable

The Corporation entered into a loan agreement on December 22, 2014 with Lyncorp International Ltd. (“Lyncorp”). The loan is payable in increments of $0.3 million and bears interest at 15%. Accrued interest as at December 31, 2017 was $0.04 million (December 31, 2016 - $Nil). Subsequent to year end 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.

As at December 31, 2017, the Corporation had $0.3 million (2016 – $0.3 million) payable to the related party.

SHARE CAPITAL

	December 31, 2017	December 31, 2016
Balance at January 1	43,395	41,333
Issued common shares on exercise of rights offering (net of share issue costs)	-	1,220
Issued common shares on exercise of private placement (net of share issue costs)	-	842
Balance at December 31	43,395	43,395

Common shares
As at December 31, 2017 the Corporation had 206,161,981 shares outstanding (2016 – 206,161,981), the Corporation was authorized to issue an unlimited number of common shares. There were no changes in the number of common shares outstanding as at April 12, 2018.

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, 2017, 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. There were no changes in the number of warrants outstanding as at April 12, 2018.

Equity (000's)	2017	2016
Balance at January 1	13	1,069
Loss for the period	(1,402)	(3,520)
Share-based payments	(40)	(34)
Sale of Cordy Tank IP to related party	-	273
Issued common shares on exercise of rights offering (net of costs)	-	1,220
Issued common shares on exercise of private placement (net of costs)	-	842
Issue of warrants	-	163
Balance at December 31	(1,429)	13

Summary information with respect to share options outstanding at December 31, 2017 is provided below:

Expiry Date	Exercise Price in $ Per Share	Weighted Average Remaining Contractual Life (Years)	Options Outstanding
August 14, 2019	0.18	1.6	1,200,000

There were no changes in the number of options outstanding as at April 12, 2018.

PRINCIPAL RISKS AND UNCERTAINTIES
The Corporation has a risk management review process to ensure that risks are identified, discussed and mitigated where possible. The risk management review process highlights the significant risks which then lead to mitigation plans through, among other things, the establishment of standards and other controls. The inability to identify, assess and respond to risks through the risk management review process could lead to, among other things, an inability to capture opportunities, threats materializing, inefficiencies and non-compliance with laws and regulations.

The Corporation has established and enforces a corporate wide Code of Conduct and has an anonymous Whistleblower protocol that compliments its risk management process.

Management believes that the risks described below are the ones that could have the most significant impact on the Corporation. Readers are cautioned that the list of risks is not exhaustive and new information, future events or changing circumstances could affect the operations and financial results of the Corporation. Many of these risks, for example, the cyclical nature of the energy and construction industries, can be mitigated to a certain degree but are influenced by numerous factors over which the Corporation has no control.

FINANCIAL RISKS

Financial risk is the risk of loss that results from changes in market prices. Financial risk is comprised of credit risk, interest rate risk, and other price risks. The level of financial risk to which the Corporation is exposed 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 financial 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.

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.

The Corporation has the following commitments tied to operating leases:

As at	December 31, 2017	December 31, 2016
Not later than 1 year	432	471
Later than 1 year not later than 5 years	1,464	1,715
Later than 5 years	-	205
Total	1,896	2,391

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, 2017 is the carrying value of $2.3 million (December 31, 2016 – $1.6 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, 2017, the Corporation had an allowance for doubtful accounts of $0.2 million (December 31, 2016 – $0.3 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, 2017	December 31, 2016
Trade receivables	2,197	1,412
Other receivables (includes accrued revenue, GST and other receivables)	127	141
Total	2,324	2,836

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.

Interest 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 the majority of the Corporation's borrowing bears interest at fixed rates.

At December 31, 2017 and 2016, the interest rate profile of the Corporation's interest-bearing financial instruments was:

As at	December 31, 2017	December 31, 2016
Fixed-rate instruments		
Related party loan payable	283	283
Financial liabilities	15,380	15,562
Total	15,663	15,845

Fair values versus carrying amounts

Financial instruments include cash and cash equivalents, trade and other receivables, trade and other payables and obligations under financing leases. The Corporation's cash and cash equivalents are designated as held-for-trading and are recorded at fair value. Trade and other receivable are designated as loans and receivables and recorded at amortized cost, which approximates fair value due to the short-term nature of the instrument, trade and other payables and equipment loans and obligations under financing leases are designated as other liabilities and 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 values 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 and obligations under finance leases. 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 to 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.

As at	December 31, 2017	December 31, 2016
Related party loan payable	283	283
Obligations under finance lease	15,380	15,562
Total debt	15,663	15,845
Total equity	(1,413)	13
Less: Cash	(280)	(1,283)
Total capitalization	13,970	14,575

MARKET RISK

Oil and Natural Gas Drilling Activity

A portion of Cordy's revenue and operating income is directly related to oil and natural gas drilling activity in western Canada. As a service provider to the oil and natural gas industry we are reliant on the levels of capital expenditures made by oil and natural gas producers. The level of drilling activity by exploration and production companies is based on several factors including, but not limited to, hydrocarbon prices, production levels and access to capital. Oil and natural gas development is also influenced by the long-term takeaway pipeline capacity to transport these products out of western Canada. There can be no certainty that investments will be made, or that approvals by regulators will be forthcoming, to provide this capacity. As a service provider to the oil and natural gas industry, Cordy is highly reliant on the levels of capital allocated by oil and natural gas producers to drilling activity in western Canada. In recent years, natural gas prices have been volatile, nearing ten year lows, thereby reducing the level of natural gas drilling activity. Oil prices have fluctuated significantly and may remain volatile.

A prolonged decline of oil and/or natural gas prices may have a negative impact on drilling activity that would negatively affect the operations as well as the overall financial condition. Conversely, a resurgence of oil and/or natural gas prices may have a positive impact on the operations as well as the overall financial condition. Cordy recognizes the cyclical and volatile nature of drilling activity and mitigates the risks associated with this volatility through the combination of a disciplined capital allocation process and a focus on maintaining long-term relationships with large-cap oil and gas companies.

Competition

The various business segments in which Cordy participates are highly competitive. The Corporation competes with several large companies in the energy, industrial and municipal services that may have greater financial and other resources than the Corporation. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Corporation's or that new competitors will not enter the various markets in which Cordy is active.

The Corporation endeavours to use modern fleet, high standard of safety, strong relationships, customer services and full value chain of waste to remain competitive in its various industries.

Dependence on Suppliers

The ability of the Corporation to compete and grow will be dependent on the Corporation having access, at a reasonable cost and in a timely manner, to products, equipment and equipment parts and components and technology resources. Failure of suppliers to deliver such products, equipment, parts and components and technology resources at a reasonable cost and in a timely manner could be detrimental to the Corporation's ability to maintain existing customers and expand its customer base.

The Corporation maintains a diverse and large supplier base to mitigate the risk of not being able to attain required parts or products.

Climate Change Regulations and Carbon Pricing/Taxes

Effective January 1, 2017 the Alberta Government announced an implementation of a Provincial carbon tax. This has had an impact on all diesel, gasoline, natural gas, propane purchases and utilities. This tax has impacted our customers and our operations. Climate change regulations and carbon taxes have led to additional costs to producers and services providers affecting both their profitability and their investments in oil and natural gas. Given the evolving nature of the debate related to climate change, it is not currently possible to predict the nature of, or the impact on, Cordy and its operations and financial condition in the years to come.

Economic Dependence

The Corporation's businesses within each operating segment are, to a large extent, economically dependent on a limited number of key customers. There can be no assurance that the Corporation's relationship with these customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Government Regulation

The Corporation's operations and those of its customers are subject to a variety of Canadian federal, provincial and local laws, regulations and guidelines, including laws and regulations related to health and safety, the conduct of operations, the protection of the environment and the manufacture, management, transportation, storage and disposal of certain materials used in the Corporation's operations.

Management believes the Corporation is in compliance with such laws, regulations and guidelines. The Corporation has invested financial and managerial resources to ensure compliance with applicable laws, regulations and guidelines and will continue to do so in the future. Although such expenditures have not historically been material to the Corporation, such laws, regulations and guidelines are subject to change. Accordingly, it is impossible for the Corporation to predict the cost or impact of such laws, regulations or guidelines on its future operations.

Government regulations may change from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the energy industries could reduce demand for the Corporation's services or increase its costs, either of which could have a material adverse impact on the Corporation. It is not expected that any such changes to current laws, regulations or guidelines would affect the operations of the Corporation in a manner materially different than they would affect other companies of a similar size in the industry segments where the Corporation's services are provided.

Environmental Liability

Certain segments of the Corporation routinely deal with potentially hazardous materials. The Corporation has programs to address compliance with current environmental standards and has policies and procedures to deal with the handling of potentially hazardous materials. There can be no assurance that the Corporation's procedures will prevent environmental damage occurring from spills of materials handled by the Corporation or that such damage has not already occurred. Canadian laws generally impose potential liability to the present or former owner or occupants of properties on which contamination has occurred. Although the Corporation is not aware of any contamination which, if remediation or clean-up were required, would have a material adverse effect on the Corporation, there can be no assurance that the Corporation will not be required, at some future date, to incur significant costs to comply with environmental laws, or that its operations, business, assets or cash flow will not be materially adversely affected by current or future environmental laws. The Corporation may have the benefit of insurance maintained by it or the operator, however, the Corporation may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

The Corporation's customers are subject to similar environmental laws and regulations, as well as limits on emissions to the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Corporation cannot predict the nature of the restrictions that may be imposed. The Corporation may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Operating Risks and Insurance

Certain of the Corporation's operations are subject to hazards inherent in their respective industries, such as equipment defects, malfunctions and failures, and natural disasters. These hazards could result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruptions, and damage to or destruction of property and equipment. Although such hazards are primarily the responsibility of the oil and natural gas companies which contract with the Corporation, these risks and hazards could expose the Corporation to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages.

The Corporation continuously monitors its activities for quality control and safety and maintains an insurance and risk management program to protect its employees, assets and operations that it believes to be adequate and customary in the industry. However, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Corporation is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Corporation's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable.

If the Corporation were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Corporation were to incur such liability at a time when it is not able to obtain liability insurance, this could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation also has programs in place to address compliance with current safety and regulatory standards.

Operating Equipment Risks

The ability of the Corporation to meet customer demands in respect to performance and cost will depend upon continuous improvements to its operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. No assurances can be given that its competitors will not achieve technological advantages over the Corporation.

Legal Proceedings

The Corporation is involved in litigation from time to time in the ordinary course of business. Although the Corporation is not currently a party to any material legal proceedings, legal proceedings could be filed against the Corporation in the future. No assurance can be given as to the final outcome of any legal proceedings or that the ultimate resolution of any legal proceedings will not have a material adverse effect on the Corporation.

Access to Additional Financing

The economic slowdown and uncertainty over the recent year has had an adverse impact on financial markets. These conditions have impacted, and continue to impact, the expenditure plans of both the Corporation and its customers. As a result, the Corporation's ability to fund growth initiatives or other business combination transactions could be negatively affected as there can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's inability to raise financing to support ongoing operations or to fund capital expenditures could limit the Corporation's growth and may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation manages its balance sheet and cash flows with a view of ensuring that it maintains suitable levels of leverage and liquidity and that it will have sufficient resources to meet its liabilities when due, under both normal and stressed conditions. However, there can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation has reduced both its access and need for additional financing by selling excess equipment.

Vulnerability to Market Changes

Petroleum and natural gas are expected to remain volatile in the near future. As a service provider to the energy industry, the Corporation is highly reliant on the levels of capital expenditures made by the energy producers. A prolonged period of volatile pricing could lead to continued fluctuations in customers' business plans and spending patterns which could result in reduced demand for the Corporation's products and services. Inflation and cost escalations, including costs associated with renting equipment, leasing facilities, labour costs, insurance, interest and fuel costs are other factors over which the Corporation has little or no control. As these costs represent a significant portion of the Corporation's costs, an inability to offset these increases through increased prices or improved operating efficiencies could adversely affect the Corporation's financial performance.

In consideration of this risk, management endeavours to ensure that its cost, pricing, resourcing and investment strategies are appropriate to the existing and anticipated levels of activity during a volatile market.

Volatility of Industry Conditions

The demand, pricing and terms for energy services in the Corporation's existing and anticipated service areas largely depend upon the level of exploration and development activity for coal, oil and natural gas. Oil and natural gas industry conditions are influenced by numerous factors including: oil and natural gas prices; expectations about future oil and natural gas prices; levels of consumer demand; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reservoirs; available pipeline, rail and other oil and natural gas transportation capacity; weather conditions; political, regulatory and economic conditions; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and natural gas exploration and production activities will continue. Oil and gas pricing is currently fragile and any prolonged reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect the demand for services provided by the Corporation to oil and natural gas exploration and production entities. A continued or long-term decline in oil or natural gas prices or industry activity could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Government regulation and uncertainty regarding climate control initiatives continue to impact the energy industries decision making. Any addition to, or elimination or curtailment of, government incentives could have a significant impact on the energy services industry. Lower oil and natural gas prices could also: cause the Corporation's customers to seek to terminate, renegotiate or fail to honour the Corporation's services contracts; affect the fair market value of the Corporation's equipment fleet which in turn could trigger an additional write-down for accounting purposes; affect the Corporation's ability to retain skilled service personnel; and affect the Corporation's ability to obtain access to capital to finance and grow the Corporation's business.

Due to the long-life nature of certain oilfield service equipment the inventory of such equipment does not always correlate with the level of demand for the equipment. Periods of high demand often result in increased capital expenditures on equipment, and those capital expenditures may add capacity that exceeds actual demand in the future. This excess capacity could cause the Corporation's competitors to lower their prices and could lead to a decrease in prices in the oilfield services industry generally, which could have a material adverse effect on the Corporation's operating results and cash flows. Cordy has mitigated this risk by disposing of excess equipment subsequent to year end.

Seasonality

The level of activity and equipment utilization in the Environmental Services Heavy Construction segments specifically is influenced by seasonal weather. The spring thaw makes the ground unstable and less capable of supporting vehicles with heavy loads. Consequently, municipalities and transportation departments enforce road bans that restrict the movement of heavy equipment, thereby reducing road building, infrastructure construction, drilling and well servicing activity levels. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting equipment utilization rates and revenues.

There is greater demand for oilfield services provided by the Corporation in the winter season when the occurrence of freezing permits the movement and operation of heavy equipment. Consequently, oilfield services activities tend to increase in the fall and peak in the winter months. However, if an unseasonably warm winter prevents sufficient freezing, the Corporation may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The volatility of weather conditions can therefore create unpredictability in activity and equipment utilization rates, which may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation mitigates some of this risk through its diversification into areas such as manufacturing and supply and environmental services which are not as closely impacted by these volatile conditions.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Reliance on Personnel

The success of the Corporation is dependent upon its ability to attract and retain key personnel. The abilities, expertise, judgment, and unwavering commitment to deliver results are the key elements required of the Corporation's leaders in this challenging environment. The demand for proven and inspirational leadership is high and the supply is limited. Any loss of the services of the Corporation's key individuals could have a material adverse effect on the business, operations and financial results of the Corporation.

The ability of the Corporation to expand its services is dependent upon its ability to attract additional qualified employees. The ability to secure the services of additional personnel is constrained in times of strong industry activity. The Corporation does not maintain key person insurance.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation has made, and anticipates that it will continue to make, strategic acquisitions or mergers and dispositions of businesses and assets in the ordinary course of business.

Acquisitions and mergers involve numerous risks, including:

- unanticipated costs and liabilities;
- difficulty of integrating the operations and assets of the acquired business;
- the ability to properly access and maintain an effective internal control environment over an acquired company;
- potential loss of key employees and customers of the acquired companies;
- excess equipment and capacity; and
- an increase in expenses and working capital requirements.

Any acquisition or merger that the Corporation completes could have unforeseen and potentially material adverse effects on the Corporation's financial position and operating results. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations, procedures and personnel of all of the businesses acquired by the Corporation in a timely and efficient manner, as well as management of the Corporation's ability to realize the anticipated growth opportunities and synergies from integrating each of the acquired businesses. This integration requires a dedication of management's time, effort and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the disruption of ongoing business and customer and employee relationships that may adversely affect the Corporation's ability to achieve all the anticipated benefits of the acquisitions or merger.

Management continually assesses the value and contribution of its personnel, assets, and product and service offerings. Non-core and underutilized assets will be periodically disposed of so the Corporation can focus its efforts and resources more efficiently. Depending on market conditions, such non-core assets, if disposed of could be expected to realize less than their carrying value on the financial statements of the Corporation.

Management will continue to use its best efforts to address all of these uncertainties in the evaluation of acquisitions, mergers or dispositions.

OFF-BALANCE-SHEET ARRANGEMENTS

As at December 31, 2017, the Corporation had no off-balance-sheet arrangements except for operating leases previously described.

NON-GAAP TERMS

Cordy reports on certain key financial performance measures that are used by management to evaluate the performance of Cordy. These key financial performance measures are not recognized financial terms ("Non-GAAP Terms") under Canadian generally accepted accounting principles (Canadian "GAAP"). For publicly accountable enterprises, such as Cordy, Canadian GAAP is governed by principles based on International Financial Reporting Standards ("IFRS") and interpretations of the

International Financial Reporting Interpretation Committee ("IFRIC"). Management believes these Non-GAAP Terms are useful supplemental measures. These Non-GAAP Terms do not have standardized meanings and may not be comparable to similar measures presented by other entities.

LIQUID ASSETS

Liquid assets are defined as current assets less inventory, prepaid and other assets, and current taxes recoverable. Management believes this is useful as supplemental information to current assets as it specifies assets that are quickly convertible into cash. Readers are cautioned that liquid assets should not be construed as an alternative to current assets in accordance with IFRS. The Corporation's method of calculating liquid assets may differ from that of other companies and accordingly, may not be comparable to measures used by other companies.

Years ended December 31, ($000's)	2017	2016
Current assets	2,973	4,383
Deduct:		
Inventory	91	1,247
Prepaid and other assets	228	300
Liquid assets	2,654	2,836

GROSS MARGIN

Gross margin is defined as revenue less direct operating expenses. The Corporation's method of calculating gross margin may differ from that of other companies and accordingly, may not be comparable to measures used by other companies. The Corporation uses gross margin to monitor operational cost efficiency.

Years ended December 31, ($ 000's)	2017	2016	2015
Revenue	11,182	9,775	20,777
Deduct:			
Direct operating expenses	8,211	7,228	21,175
Gross Margin	2,971	2,547	(398)

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation prepares its consolidated financial statements in accordance with IFRS. In preparing its financial statements, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience and various other assumptions believed to be reasonable at the time and under the circumstances in existence when the financial statements were prepared. Anticipating future events cannot be done with certainty; therefore, these estimates may change as new events occur, more experience is acquired or the Corporation's operating environment changes. More detailed information regarding the accounting estimates believed by management to require the most difficult, subjective or complex judgments and which are material to the Corporation's financial reporting results are discussed in the Corporation’s Annual MD&A for the year ended December 31, 2017.

IMPAIRMENT TESTS

Property plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. During the year ended December 31, 2017, the Corporation determined no indicators were present and no impairment has been recorded in 2017 (2016 - $0.03 million).

The Corporation provides for estimated obsolescence or excess inventory equal to the difference between the carrying value of inventory and its estimated net realizable value based upon assumptions about future demand for the products, market conditions and the risk of obsolescence driven by the introduction of new product. During 2017, the Corporation reviewed inventory for obsolescence and excess and concluded that a $1.1 million reserve (2016 - $18,000) is required. This has been recorded as part of cost of goods sold in direct operating expense.

DEPRECIATION

Depreciation expense is an estimate designed to apportion the value of depreciable assets over their estimated useful lives. The Corporation estimates the useful life of its property and equipment and intangible assets 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. In 2017, the Corporation recorded depreciation expense on property and equipment of $2.2 million (2016 – $2.7 million).

BAD DEBT EXPENSE

The Corporation regularly reviews its accounts receivable for bad debts on a customer-by-customer basis and provides a reserve for accounts that may be deemed uncollectible. This is an estimate as some of the reserved accounts may subsequently be collected whereas other accounts currently deemed collectible may become uncollectible. At December 31, 2017, the Corporation had an allowance for doubtful accounts of $0.2 million (2016 – $0.3 million) netted against accounts receivable of $2.3 million (2016 – $1.9 million). Actual bad debts incurred can differ from the reserves provided.

NEW IFRS PRONOUNCEMENTS

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 9 Financial Instruments, the new standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and a single impairment method replacing the multiple rules in IAS 39. The Corporation currently does not apply hedge accounting and concludes the standard will have no material impact to the financial statements.

IFRS 15 Revenue from Contracts with Customers, the new standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue and several revenue-related interpretations. The Company will adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. Generally, the Corporation's services are provided based on upon orders and contracts with customers that include fixed or determinable prices and are based upon daily and hourly rates. The Corporation has reviewed its various revenue streams and underlying contracts and concludes implementation of the new standard will not result in a material change in revenue.

IFRS 16 Leases, the new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 supersedes IAS 17 Leases and eliminates the classification of leases as either operating or finance leases. Under IFRS 16, all leases are to be capitalized by recognizing the present value of the lease payments as both a financial asset and financial liability. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Corporation is currently evaluating the impact of the standard on the consolidated financial statements.

FORWARD LOOKING INFORMATION, ASSUMPTIONS AND RISK FACTORS

This MD&A contains certain statements that constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements, other than statements of historical fact, that address activities, events or developments that the Corporation or a third party expects or anticipates will or may occur in the future, are forward-looking statements. These include the Corporation's future growth, results of operations, performance and business prospects and opportunities; prevailing economic conditions; commodity prices; sourcing, components and parts, equipment, suppliers, facilities and skilled personnel; dependence on major customers; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; regional competition; and other factors, many of which are beyond the Corporation's control. These other factors include future prices of oil and natural gas and oil and natural gas industry activity, including the effect of changes in commodity prices on oil and natural gas exploration and development activity, the ability to complete strategic acquisitions and realize the anticipated benefits of any acquisitions that are completed, the Corporation's outlook regarding the competitive environment it operates in, and the assumptions underlying any of the foregoing. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the Corporation's control, including those discussed under "Principal Risks and Uncertainties" in the MD&A for the year ended December 31, 2017 that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities laws. The forward-looking statements and assumptions contained in this MD&A are expressly qualified by this cautionary statement.

In particular, forward-looking information, assumptions and statements include discussion reflecting the Corporation's belief that:

- Cordy intends to continue to re-evaluate its business and deploy its people and equipment to achieve a reasonable return on investments over the long term. Management plans to continue to adjust the equipment fleet to reflect business realities.

- Cordy intends to use the anticipated cash flow from operating activities and the proceeds on disposition of equipment and other assets for the remainder of 2018 to finance working capital requirements, debt repayments and capital expenditures, while seeking additional financing.

- Cordy's belief that 2018 will be a growth year, this forward looking statement is based on the assumption that demand for Cordy's services will continue to improve along with the Western Canadian economy.

- Cordy will also continue to evaluate potential mergers and or business combinations. Cordy cannot give assurances of mergers or combinations being consummated, even though the Corporation has had initial discussion with several companies. Suitable candidates include companies with synergistic operations, stable or increasing revenues, sustainable cash flows and access to capital.

- Cordy will use the anticipated cash flow from operating activity, financing activities, and proceeds from disposition of equipment and other assets in 2018 to finance on-going working capital and repay debt. This assumption is based on Cordy's belief that its access to cash will exceed its expected requirements;

- Cordy will continue to benefit from our business restructuring initiatives, execute its strategy and achieve its revenue, net profit, and cash flow forecasts for 2018;

- Our customers and potential customers continuing to invest in the oil sands and other resource developments and to outsource activities for which we are capable of providing services;

- Our success will be dependent on managing our business, maintaining and growing customer relationships, obtaining new customers, competing in the bidding process to secure new projects, and identifying and implementing improvements in our maintenance, fleet management practice and the ability to secure financing;

Forward looking statements address future events and conditions and, therefore, involve inherent risk and uncertainties. Risk factors and other uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements. Canada's oil and natural gas industry is resource rich but market constrained. The oil and natural gas industry and its supporting oilfield services industry sector will continue to be impacted by price fluctuations for oil and natural gas and related products and services; political and economic conditions; industry competition; Cordy's ability to attract and retain key personnel; the availability of future debt and equity financing; changes in laws or regulations, including taxation and environmental regulations; and fluctuations in foreign exchange or interest rates and other market factors.

Readers are cautioned that the foregoing factors are not exhaustive. Additional information on these and other factors that could affect the Corporation's operations and financial results is included in reports on file with securities regulatory authorities in Canada and may be accessed through the SEDAR website (www.sedar.com) or at the Corporation's website. The forward-looking statements and information contained in this MD&A are expressly qualified by this cautionary statement. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.