

Interim Financial Report

Period Ended June 30, 2021



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)	June 30, 2021	December 31, 2020
Assets		
Current assets		
Cash	47	-
Trade and other receivables (note 5)	6,692	5,237
Inventory	80	80
Prepaid and other assets	246	292
	7,065	5,609
Non-current assets		
Property and equipment (note 6)	13,395	11,951
Total assets	20,460	17,560
Liabilities and equity		
Current liabilities		
Bank indebtedness (note 7)	2,759	2,371
Trade and other payables	3,529	2,655
Related party note payable (note 7)	750	750
Current portion of lease liability (note 7)	3,498	2,695
	10,536	8,471
Non-current liabilities		
Lease liability (note 7)	11,118	10,754
	11,118	10,754
Equity		
Share capital	44,145	44,145
Contributed surplus	7,864	7,864
Deficit	(53,203)	(53,674)
	(1,194)	(1,665)
Total liabilities and equity	20,460	17,560

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 (Loss)

For the periods ended June 30, (unaudited) (\$000s except per share amounts)	Three months		Six months	
	2021	2020	2021	2020
Revenue	6,105	2,114	12,602	9,760
Expenses				
Direct operating expenses	3,905	1,346	9,075	7,215
General and administrative expenses	593	336	1,174	667
	1,607	432	2,353	1,878
Depreciation expense (note 6)	644	652	1,232	1,117
Financing expense	335	357	650	467
Earnings (loss) before tax	628	(577)	471	294
Income tax expense	-	-	-	-
Net and comprehensive income (loss)	628	(577)	471	294
Earnings (loss) per share (note 8)				
Basic and diluted (\$)	0.00	0.00	0.00	0.00

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	Share Capital	Share Purchase Warrants	Contributed Surplus	Deficit	Total
	(000's)	\$	\$	\$	\$	\$
Balance at January 1, 2020	206,162	43,395	163	7,701	(53,741)	(2,482)
Earnings for the period	-	-	-	-	294	294
Issued common shares - acquisition	25,000	750	-	-	-	750
Expiry of warrants	-	-	(163)	163	-	-
Balance at June 30, 2020	231,162	44,145	-	7,864	(53,447)	(1,438)
Balance at January 1, 2021	231,162	44,145	-	7,864	(53,674)	(1,665)
Earnings for the period	-	-	-	-	471	471
Balance at June 30, 2021	231,162	44,145	-	7,864	(53,203)	(1,194)

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30,

(Unaudited)

(\$000's)

	2021	2020
Cash flows from operating activities		
Net earnings	471	294
Add (deduct) non-cash items:		
Depreciation expense	1,232	1,117
Finance costs	650	467
Changes in non-cash working capital	(535)	(67)
Cash flows generated from operating activities	1,818	1,811
Cash flows from financing activities		
Increase (decrease) in bank indebtedness	388	(1,025)
Proceeds from related party note payable	-	1,000
Repayment of lease liabilities	(1,498)	(1,224)
Interest paid	(650)	(477)
Cash flows used in financing activities	(1,760)	(1,726)
Cash flows from investing activities		
Purchase of property and equipment	(11)	(151)
Cash flows generated from investing activities	(11)	(151)
Increase (decrease) in cash	47	(66)
Cash - beginning of the period	-	397
Cash - end of the period	47	331

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 and six months ended June 30, 2021 and 2020 (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. ("Cordy" or the "Corporation") was incorporated under the Business Corporations Act of Alberta and is a publicly-traded Corporation listed on the TSX Venture Exchange under the symbol "CKK". The address of the Corporation's registered office is 5366 55 St SE, Calgary, Alberta, T2C 3G9. These unaudited interim condensed consolidated financial statements of the Corporation as at and for the three and six months ended June 30, 2021 and 2020 comprise the Corporation and its subsidiaries. Cordy and its subsidiaries are primarily providing environmental services, specifically waste transportation and logistics solutions, to the energy, municipal and construction industries, 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 Financial Reporting Standards applicable to the preparation of interim financial statements (IAS 34).

The unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on August 18, 2021.

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 reporting 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.

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Measures enacted to prevent the spread of the virus have resulted in global business disruption with significant economic repercussions. The economic climate caused uncertainty and extraordinary volatility in the oil and gas industry, particularly in the Western Canadian Sedimentary Basin.

The significant volatility in demand for crude oil and related hydrocarbons resulted in several of Cordy's major customers swiftly cutting or suspending capital programs for Canadian operations. The uncertainty of the coronavirus pandemic continues to plague the energy industry.

Although the debts of the Corporation contain no financial covenants, its ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due, will be impacted by the economic conditions that will exist over the next twelve months. The overall impact and influence these conditions will have on demand for the Company's services, remains highly uncertain and is directly correlated to the impact it has on the capital spending of the Company's customers. Earnings and cash flow from operations need to continue to increase to support the future obligations of the Company. These conditions create a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

Management has taken several steps, including revising the terms of its lease and lending agreements, and participating in various government emergency relief programs, to improve its short-term liquidity. 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.

Notes to the Interim Condensed Consolidated Financial Statements

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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, 2020.

5. TRADE AND OTHER RECEIVABLES

	June 30, 2021	December 31, 2020
Trade receivables	6,779	5,327
Other receivables	228	225
Allowance for doubtful accounts	(315)	(315)
Total net receivables	6,692	5,237
Current	4,850	1,750
31 – 60 days	312	1,765
61 – 90 days	258	680
Over 90 days	1,359	1,132
Total trade receivables	6,779	5,327

On July 19, 2018, the Corporation received a notice and statement (the "Notice") from a 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") 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, which includes filing a claim during Q1 2020, in the province of British Columbia, against all parties, including naming the BC Oil and Gas Commission, for amounts owing. Timing and amount of collection is uncertain, therefore, Corporation has a bad debt provision of \$0.2 million specific to this item.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (unaudited)

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6. PROPERTY AND EQUIPMENT

	Heavy equipment and Vehicles	Other	Office and Shop	Total
Cost				
Balance at January 1, 2021	20,012	2,520	1,253	23,785
Additions	2,417	-	259	2,676
Disposals	-	-	-	-
Balance at June 30, 2021	22,429	2,520	1,512	26,461
Accumulated Depreciation				
Balance at January 1, 2021	9,770	1,329	735	11,834
Depreciation for the period	1,020	4	208	1,232
Disposals	-	-	-	-
Balance at June 30, 2021	10,790	1,333	943	13,066
Net book value				
Balance at June 30, 2021	11,639	1,187	569	13,395

7. LOANS AND OTHER BORROWING

	June 30, 2021	December 31, 2020
Current liabilities		
Bank indebtedness	2,759	2,371
Related party note payable	750	750
Lease obligations - equipment and vehicles	2,979	2,327
Lease obligations - office and shop	519	368
Current portion of debt	7,007	5,816
Non-current liabilities		
Lease obligations - equipment and vehicles	10,800	10,173
Lease obligations - office and shop	318	581
Non-current portion of debt	11,118	10,754
Total debt obligations	18,125	16,570

Bank indebtedness

In 2020, the Corporation revised certain terms of its line of credit agreement, financed through a private lender (the "Lender"), which provides the Corporation with increased financial flexibility throughout the COVID-19 pandemic. The revised terms with the Lender allow the Corporation to borrow up to an amount totalling 90% of eligible receivables (the "Maximum Amount"), on a revolving basis ("the Revised Credit Facility"). As at June 30, 2021 Cordy had drawn \$2.8 million, or 48% of eligible receivables, leaving a remaining amount available under the Revised Credit Facility of approximately \$3.0 million.

The key terms of the Revised Credit Facility are as follows:

- General Security Agreement ("GSA") that grants the Lender a continuing security interest in all present and after acquired property of Cordy and its subsidiaries;
- interest at Bank of Canada prime rate plus 4% per annum; and
- payable on demand at the request of the Lender.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (unaudited)

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Related party note payable

On March 18, 2020, as partial consideration for the acquisition of the assets and business of Platinum North Resources Ltd. (the "Transaction"), the Corporation issued a promissory note to 1279107 AB Ltd. ("107") for \$0.75 million (the "Note"). The Note bears interest at 5.0%, payable monthly, with an amended maturity date of December 31, 2021. The Note is secured by a GSA on all present and after-acquired personal property; subordinate to security held by the Lender. 107 is considered a related party; being wholly-owned by Craig Heitrich ("Heitrich"), the Chief Operating Officer ("COO") of Cordy. At the time of the Transaction Cordy, Heitrich, and 107 were considered arm's length parties.

Lease obligations – equipment and vehicles

During Q2-2020, the Company consolidated and revised certain terms of its leases with the Company's equipment lender (the "Revised Leases"). The Revised Leases consist of three leases, which bear interest at fixed rates of 6.45% to 6.95% and contain terms of 36 months (\$0.5 million), 48 months (\$3.8 million) and 60 months (\$9.0 million) respectively. In addition, during Q2-2021, the Company entered into two additional leases that contain terms of 12 months (\$0.1 million) and 42 months (\$0.4 million) respectively. The Revised Leases consist of consolidated monthly payments, including interest, of \$0.3 million. All future payments are subject to change as the Corporation has the option, with no early payment penalties or fees, 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

In Q1-2021, the corporation operated under a single lease agreement with its landlord ("the Landlord") where the lease consists of monthly payments of \$36,000 per month, with an amended maturity date of August 2022. During Q2-2021, a secondary two-year term lease was signed adding an additional monthly payment of \$11,000 per month.

8. PER SHARE AMOUNTS

The calculation of basic and diluted earnings was based on the net earnings (loss) divided by the weighted average number of Common Shares outstanding for the period. Net earnings (loss) for the three months and six months ended June 30, 2021 was \$0.6 million and \$0.4 million respectively (2020 net earnings (loss) (\$0.6) and \$0.3 million). Cordy has no outstanding dilutive securities. The weighted average number of Common Shares outstanding for the three and six months ended June 30, 2021 and 2020 was calculated as follow:

Weighted average number of ordinary shares

(000's)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Weighted average number of common shares (basic and diluted)	231,162	231,162	231,162	220,527

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, with each having a number of business units which offer similar products and services. All activities and equipment of the Corporation are located in one geographical segment, Canada.

Environmental Services

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

Heavy Construction

The Heavy Construction segment services include pipeline integrity management; clean-up services; low-pressure gas tie-ins; insulated pipeline installation; cement-lined pipeline installation; fiberglass pipeline installation; water injection lines; construction and installation of compressors, line heaters, separator buildings and header systems; pipeline maintenance and repairs; tying-in wellheads; decommissioning old well sites; and transportation of facility components to production

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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.

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

Selected segmented information from operations for the three and six month periods ended June 30, 2021 and 2020 is as follows:

Three months ended June 30, 2021	Environmental Services	Heavy Construction	Corporate	Total
Revenue	5,997	108	-	6,105
Operating earnings (loss)	1,851	38	(282)	1,607
Net earnings (loss)	875	36	(283)	628
Depreciation	641	2	1	644
Capital additions	1,656	-	-	1,656
Total assets at June 30, 2021	19,918	155	387	20,460

Three months ended June 30, 2020	Environmental Services	Heavy Construction	Corporate	Total
Revenue	2,043	63	8	2,114
Operating earnings (loss)	610	35	(213)	432
Net earnings (loss)	(368)	35	(244)	(577)
Depreciation	651	-	1	652
Capital additions	-	-	-	-
Total assets at June 30, 2020	16,108	240	453	16,801

Six months ended June 30, 2021	Environmental Services	Heavy Construction	Corporate	Total
Revenue	12,458	144	-	12,602
Operating earnings (loss)	2,875	43	(565)	2,353
Net earnings (loss)	1,000	39	(568)	471
Depreciation	1,227	4	1	1,232
Capital additions	2,676	-	-	2,676
Total assets at June 30, 2021	19,918	155	387	20,460

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (unaudited)

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Six months ended June 30, 2020	Environmental Services	Heavy Construction	Corporate	Total
Revenue	9,533	212	15	9,760
Operating earnings (loss)	2,173	112	(407)	1,878
Net earnings (loss)	645	112	(463)	294
Depreciation	1,115	-	2	1,117
Capital additions	9	-	-	9
Total assets at June 30, 2020	16,108	240	453	16,801

Corporate Information

DIRECTORS AND OFFICERS

Darrick Evong, CPA, CA, CBV

Chief Executive Officer

Craig Heitrich

Chief Operating Officer

Amber Johnson, CPA, CGA

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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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