

Interim Financial Report

Period Ended March 31, 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)	March 31, 2021	December 31, 2020
Assets		
Current assets		
Cash	542	-
Trade and other receivables (note 5)	5,236	5,237
Inventory	80	80
Prepaid and other assets	225	292
	6,083	5,609
Non-current assets		
Property and equipment (note 6)	12,383	11,951
Total assets	18,466	17,560
Liabilities and equity		
Current liabilities		
Bank indebtedness (note 7)	2,759	2,371
Trade and other payables	3,057	2,655
Related party note payable (note 7)	750	750
Current portion of lease liability (note 7)	2,921	2,695
	9,487	8,471
Non-current liabilities		
Lease liability (note 7)	10,801	10,754
	10,801	10,754
Equity		
Share capital	44,145	44,145
Contributed surplus	7,864	7,864
Deficit	(53,831)	(53,674)
	(1,822)	(1,665)
Total liabilities and equity	18,466	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 (Loss) Income

For the periods ended March 31,
(unaudited)
(\$000s except per share amounts)

	Three months	
	2021	2020
Revenue	6,497	7,646
Expenses		
Direct operating expenses	5,170	5,869
General and administrative expenses	581	331
Depreciation expense (note 6)	588	465
Financing expense	315	110
(Loss) earnings before tax	(157)	871
Income tax expense	-	-
Net and comprehensive (loss) income	(157)	871
(Loss) earnings per share from (note 8)		
Basic and diluted (\$)	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	-	-	-	-	871	871
Issued common shares - acquisition	25,000	750	-	-	-	750
Expiry of warrants	-	-	(163)	163	-	-
Balance at March 31, 2020	231,162	44,145	-	7,864	(52,870)	(861)
Balance at January 1, 2021	231,162	44,145	-	7,864	(53,674)	(1,665)
(Loss) earnings for the period	-	-	-	-	(157)	(157)
Balance at March 31, 2021	231,162	44,145	-	7,864	(53,831)	(1,822)

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

Interim Condensed Consolidated Statement of Cash Flows

For the three months ended March 31,
(Unaudited)

(\$000's)	2021	2020
Cash flows from operating activities		
Net (loss) earnings:	(157)	871
Add (deduct) non-cash items:		
Depreciation expense	588	465
Finance costs	315	110
Changes in non-cash working capital	471	(2,652)
Cash flows generated from (used in) operating activities	1,217	(1,206)
Cash flows from financing activities		
Increase in bank indebtedness (note 7)	388	682
Proceeds from related party note payable	-	1,000
Repayment of lease liabilities	(748)	(601)
Financing expense	(315)	(121)
Cash flows generated from (used in) financing activities	(675)	960
Cash flows from investing activities		
Purchase of property and equipment	-	(151)
Proceeds on disposal of property and equipment	-	-
Cash flows generated from (used in) investing activities	-	(151)
Increase (decrease) in cash	542	(397)
Cash - beginning of the period	-	397
Cash - end of the period	542	-

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 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. was incorporated under the Business Corporations Act of Alberta and is a publicly-traded Corporation listed on the TSX Venture Exchange under the symbol “CKK”. The address of the Corporation's registered office is 5366 55 St SE, Calgary, Alberta, T2C 3G9. These unaudited interim condensed consolidated financial statements of the Corporation as at and for the three months ended March 31, 2021 and 2020 comprise the Corporation and its subsidiaries. Cordy and its subsidiaries are primarily involved in energy services, municipal services, and construction throughout western Canada. The business of Cordy is conducted through two reportable segments Environmental Services and Heavy Construction.

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 May 20, 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 current economic climate has 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

For the three months ended March 31, 2021 and 2020 (unaudited)

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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

	March 31, 2021	December 31, 2020
Trade receivables	5,165	5,327
Other receivables	386	225
Allowance for doubtful accounts	(315)	(315)
Total net receivables	5,236	5,237
Current	2,258	1,750
31 – 60 days	1,189	1,765
61 – 90 days	480	680
Over 90 days	1,238	1,132
Total trade receivables	5,165	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.

6. PROPERTY AND EQUIPMENT

	Heavy equipment and Vehicles	Office Other and Shop	Total
Cost			
Balance at January 1, 2021	20,012	2,520	1,253
Additions	1,020	-	-
Disposals	-	-	-
Balance at March 31, 2021	21,032	2,520	1,253
Accumulated Depreciation			
Balance at January 1, 2021	9,770	1,329	735
Depreciation for the period	493	2	93
Disposals	-	-	-
Balance at March 31, 2021	10,263	1,331	828
Net book value			
Balance at March 31, 2021	10,769	1,189	425
	12,383		

Assets under lease/right of use is \$13.0 million heavy equipment and vehicles, \$0.01 million other, \$0.7 million office, and shop.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020 (unaudited)

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7. LOANS AND OTHER BORROWING

	March 31, 2021	December 31, 2020
Current liabilities		
Bank indebtedness	2,759	2,371
Related party note payable	750	750
Lease obligations - equipment and vehicles	2,535	2,327
Lease obligations - office and shop	386	368
Current portion of debt	6,430	5,816
Non-current liabilities		
Lease obligations - equipment and vehicles	10,491	10,173
Lease obligations - office and shop	310	581
Non-current portion of debt	10,801	10,754

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 March 31, 2021 Cordy had drawn \$2.8 million, or 64% of eligible receivables, leaving a remaining amount available under the Revised Credit Facility of approximately \$1.6 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.

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 (\$0.6 million), 48 months (\$3.0 million) and 60 months (\$9.4 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

The corporation operates under a single lease agreement with its landlord ("the Landlord"), the lease consists of monthly payments of \$33,000 per month, with an amended maturity date of August 2022.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020 (unaudited)

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8. PER SHARE AMOUNTS

The calculation of basic and diluted earnings (loss) per share at March 31, 2021 was based on the earnings (loss) attributable to common shareholders divided by the weighted average number of common shares outstanding. The net loss for the three months ended March 31, 2021 was \$0.2 million (2020 net earnings - \$0.9 million). The weighted average number of common shares outstanding for the three months ended March 31, 2021 and 2020 was as follows.

Weighted average number of ordinary shares

(000's)	Three months ended March 31,	
	2021	2020
Weighted average number of common shares (basic and diluted)	231,162	209,773

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 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 month periods ended March 31, 2021 and 2020 is as follows:

Three months ended March 31, 2021	Environmental	Heavy	Corporate	Total
	Services	Construction		
Revenue	6,461	36	-	6,497
Segment operating earnings (loss)	1,024	5	(283)	746
Net earnings (loss)	125	3	(285)	(157)
Depreciation	585	2	1	588
Capital expenditures	1,020	-	-	1,020
Total assets at March 31, 2021	17,519	86	861	18,466

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020 (unaudited)

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Three months ended March 31, 2020	Environmental Services	Heavy Construction	Corporate	Total
Revenue	7,490	149	7	7,646
Segment operating earnings (loss)	1,562	78	(194)	1,446
Net earnings (loss)	1,012	77	(218)	871
Depreciation	464	-	1	465
Capital expenditures	4,493	-	-	4,493
Total assets at March 31, 2020	19,707	243	81	20,031

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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Calgary, Alberta T2C 3G9
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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