2019 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 15, 2020. This discussion should be read in conjunction with the Corporation's audited Annual Consolidated Financial Statements for the years ended December 31, 2019 and 2018 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 14 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 15, 2020.

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 97 percent of the Corporation's 2019 revenue (2018 – 97 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 3 percent of Corporations revenue in 2019 (2018 – 3 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.

SUBSEQUENT EVENT

On March 10, 2020, Cordy Environmental Inc. entered into an asset purchase agreement with Platinum North Resources Ltd. ("Platinum North") and Heart River Holdings (2011) Ltd. ("Heart River"), collectively the "Vendors", to purchase, for an aggregate purchase price of $4.25 million, subject to customary adjustments, all of the business, assets, property and equipment used in the Vendors' business operating in northern Alberta and northeastern British Columbia. The aggregate purchase price for the Acquisition of $4.25 million is payable by way of cash payments at closing of $2,500,000, the issuance of 25,000,000 ($750,000) common shares of Cordy at a deemed price of $0.03 per common share and promissory notes in the principal amount of $1,000,000. The promissory notes are non-interest bearing and will be due and payable 150 days following the closing and are secured by a general security agreement. In conjunction with the acquisition, Cordy Environmental Inc. has entered into a sale and leaseback agreement with a private lender in the net amount of $4,250,000, payable over a five-year term with an effective interest rate of 7.45%.

OUTLOOK

Until recently, Cordy was optimistic that 2020 was going to be a positive year, the stabilization of oil prices and the gradual approval of pipeline projects was poised to lead to additional growth in 2020. Now, with the global economy virtually shut-down, as the world population attempts to manage the pandemic, COVID 19, the year 2020 will likely end up being the worst economic disaster on record, next to the great depression. No one can forecast how long the shutdown from COVID 19 will last or predict the severity of damage it will have on economies around the globe.

At home, in western Canada – an economy that was already on life support – Cordy's business, an essential service, will continue to focus on mitigating risk for its people and prioritizing the survival of the company.

First, and most importantly, for its employees, Cordy has implemented safety protocols that align with the much emphasised "social distancing" strategy governments are using to "flatten the curve". Where practical, Cordy has implemented a work from home policy, enforces no large gatherings, and uses technology to facilitate paperless transfer of tickets, and other required documentation, throughout the organization and with its external stakeholders, minimizing risk of exposure to the virus.

In order to mitigate the financial impact to Cordy, the company is pursuing, and where appropriate, taking advantage of, announced government programs for small and medium enterprises, as well as the recently introduced Canada Emergency Wage Subsidy, which forms part of the COVID-19 Emergency Response Act. Furthermore, the company is working with various suppliers and landlords for additional financial relief through these unprecedented times.

SELECTED FINANCIAL AND OPERATING INFORMATION

Year ended December 31 *($ 000's)*	2019	2018	2017
Financial results			
Revenue	16,355	15,806	11,182
Gross Margin[1]	3,497	3,258	2,971
Operating earnings[2]	1,818	1,543	1,558
Net loss	(472)	(581)	(1,402)
Cash flow from operating activities	2,049	1,225	776
Share Information			
Loss per share	-	-	(0.01)
Share price	0.02	0.01	0.03
Other Information			
Capital expenditures	2,549	1,458	1,205
Financial Position			
Total assets	13,970	14,371	15,704
Total debt obligations (includes current portion)	14,412	14,265	15,663
Total liabilities	16,452	16,381	17,133
Net assets	(2,482)	(2,010)	(1,429)

(1) Gross margin is a non-IFRS term and is defined as revenue less direct operating expenses, see reconciliation on page 13 of this document.

(2) Operating earnings is a non-IFRS term and is defined as revenue less direct operating expenses, see reconciliation on page 13 of this document.

OVERALL PERFORMANCE

Despite continued market challenges throughout 2019, Cordy's consolidated revenues increased by $0.5 million or 3 percent, from the comparative period in 2018 and operating earnings increased $0.3 million or 18 percent from the comparative period. The net result was a consolidate operating margin of 11.1% compared to 9.7% on 2018.

Cordy experienced increase revenue in each quarter: In the first, third and fourth quarter, Cordy's sales efforts and competitive pricing allowed Cordy to gain market share, specifically oilfield customers; Cordy's second quarter increases can be attributed to Cordy's diversification strategy, which has resulted in new customers and increased demand for municipal services.

Overall, Cordy continued to show its resilience in 2019, improving on revenue and operating margin, despite a tough year in the oilfield industry in western Canada. Specifically, oilfield service companies were challenged by a lack of demand for services and competitive pricing, in an environment where drilling activity was down approximately 30%.

FINANCIAL HIGHLIGHTS

	Three months ended December 31			Twelve months ended December 31		
($ 000's)	2019	2018	($) Change	2019	2018	($) Change
Revenue						
Environmental Services	3,450	3,322	128	15,834	15,337	497
Heavy Construction	102	102	-	516	439	77
Corporate	-	14	(14)	5	30	(25)
	3,552	3,438	114	16,355	15,806	549
Direct operating expenses						
Environmental Services	3,231	2,846	385	12,561	12,221	340
Heavy Construction	66	87	(21)	297	327	(30)
Corporate	-	-	-	-	-	-
	3,297	2,933	364	12,858	12,548	310
General and administrative expenses						
Environmental Services	169	183	(14)	756	760	(4)
Heavy Construction	-	1	(1)	2	2	-
Corporate	197	260	(63)	921	953	(32)
	366	444	(78)	1,679	1,715	(36)
Operating earnings (loss) [1]						
Environmental Services	50	293	(243)	2,517	2,356	161
Heavy Construction	36	14	22	217	110	107
Corporate	(197)	(246)	49	(916)	(923)	7
	(111)	61	(172)	1,818	1,543	275
Depreciation	501	471	30	1,970	1,900	70
Financing expense	206	181	25	803	652	151
Gain on disposal	-	(300)	300	(483)	(428)	(55)
Loss before tax	(818)	(291)	(527)	(472)	(581)	109
Income tax expense	-	-	-	-	-	-
Net loss	(818)	(291)	(527)	(472)	(581)	109

[1] Operating earnings (loss) is a non-IFRS term and is defined as revenue less direct operating expenses, see reconciliation on page 13 of this document.

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATION

Revenue

For the three months ended December 31, 2019, Cordy's consolidated revenue increased by $0.1 million or 4 percent as compared to the same period ended December 31, 2018. Cordy's revenue for the three months ended December 31, 2019 consisted of 48 percent (2018 - 31 percent) oilfield service revenue and 52 percent (2018 - 69 percent) municipal and industrial services revenue. Overall Cordy's saw increased demand from its oilfield customers for the three months ended December 31, 2019, this increased demand was offset by less work from municipal and industrial customers.

For the twelve month period, consolidated revenue was $16.4 million compared to $15.8 million for 2018. The Environmental Services segment saw increased revenue of $0.5 million or 3 percent, Cordy continued its organic sales efforts in the year, despite a difficult market Cordy continues to diversify and expand its customer base, both in the municipal, industrial market, and the oilfield services market.

Direct Operating Expenses ("DOE")

For the three months ended December 31, 2019, consolidated DOE were $3.3 million compared to $2.9 million in the same period of 2018. As a percentage of revenue DOE increased to 93 percent from 85 percent. The majority of the expenses relate to the Environmental Services segment, where DOE increase to $3.2 million from $2.8 million in 2018, DOE as a percentage of revenue increased to 94 percent from 86 percent for the three months ended 2018. The increase is due to increased repair and maintenance costs above and beyond the previous year as Cordy readied its fleet for a more active winter season.

For the twelve month period, consolidated DOE was $12.9 million in 2019 compared to $12.5 million in 2018. As a percentage of revenue DOE remained consistent at 79 percent. The majority of the expenses relate to the Environmental Services segment; where DOE as a percentage of revenue was 79 percent compared to 80 percent in 2018. The decrease in direct operating expenses is related to the IFRS 16 adoption, resulting in no longer incurring direct operating expense for the lease related to Cordy's office and shop.

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 and twelve months ended December 31, 2019 and 2018 G&A remained consistent at $0.4 million and $1.7 million respectively.

Depreciation

Depreciation remained consistent at $0.5 million for the three months ended December 31, 2019 and 2018. For the twelve month period, depreciation was $2.0 million as compared to $1.9 million in 2018. There is less depreciation annually based on diminishing balance calculation, this decrease has been offset by capital additions in the year, coupled with the office and shop asset recognized with respect to Cordy's facility that now gets depreciated due to IFRS 16.

Financing expense

Finance costs remained consistent at $0.2 million for the three months ended December 31, 2019 and 2018. For the twelve months ended December 31, 2019 finance costs were $0.8 million as compared to $0.7 million for the twelve months ended December 31, 2018, finance costs are higher due increased borrowings on Cordy's line of credit, coupled with a recovery of interest on the settlement of debt in 2018.

Loss (gain) on disposal

For the twelve months ended December 31, 2019 the Corporation disposed of property and equipment with a carrying value of $0.8 million (2018 - $1.8 million) for proceeds of $1.3 million (2018 - $2.2 million) resulting in a gain of $0.5 million (2018 - $0.4 million).

FINANCIAL RESULTS

	2019				2018			
($ millions) (except per share information)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	3.6	4.0	3.6	5.2	3.4	3.9	3.3	5.1
Operating earnings [1]	(0.1)	0.6	0.4	1.0	0.1	0.6	0.1	0.8
Net income (loss)	(0.8)	0.0	0.1	0.3	(0.3)	(0.1)	(0.4)	0.2
Earnings (loss) per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash flow from (used in) operations	0.8	0.6	0.5	0.00	1.0	(0.1)	0.1	0.2

[1] Operating earnings (loss) is a non-IFRS term and is defined as revenue less direct operating expenses, see reconciliation on page 13 of this document.

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

- Q4 2019 was impacted by higher than normal repair and maintenance expense. Repairs and maintenance is seasonally high in Q4 as Cordy readied its fleet for the busy winter drilling season.
- Q3 2019 saw a change in revenue mix as 2018 consisted of more industrial and municipal work stemming from a one-time project, this revenue was replaced through increased oilfield service revenue with margins remaining consistent.
- Q2 2019 saw a slight increase in revenue, coupled with improving margins, this is stemming from high margin work and continued cost cutting initiatives by management.
- Q1 2019 saw improved results coupled with a significant increase in demand from Cordy's municipal and industrial customers which accounted for 57 percent of revenue (2018 – 36 percent).
- Q4 2018 saw the continual trend of increased demand for Cordy's services, operating earnings were impacted by repair and maintenance expenses, used to ready the fleet for the upcoming drilling season.
- Q3 2018 saw a significant increase in revenue stemming from Cordy's increased focus on sales efforts, additionally Cordy continued to focus on its diversification strategy, resulting in additional revenue streams.
- Q2 2018 trended similar to the first quarter of 2018, in that demand for services continued to improve. In the quarter Cordy recognized a bad debt of $0.2 million, with respect to remediation services performed on a pipeline spill.
- Q1 2018 saw increased demand for Cordy's services, recovering commodity prices, coupled with Cordy's sales efforts resulted in increased revenue for the quarter.

FINANCIAL RESOURCES AND LIQUIDITY

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 lease agreements and increasing margins.

The Corporation has recorded a net loss of $0.5 million and cash flow from operations before changes in working capital of $2.0 million for the year ended December 31, 2019. Earnings and cash flow from operations need to continue to increase to support the future obligations of the Corporation. These conditions create a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

The Corporation is addressing the recent outbreak of the novel coronavirus ("COVID-19") and the related economic and social disruption, volatility in financial markets, potential disruption to global supply chains, and the ability to directly and indirectly staff

the Corporation’s day to day operations. The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Corporation’s operating results and financial position. These and other factors may adversely affect the Corporation’s liquidity and ability to generate income and cash flows in the future. The current volatility in commodity prices and uncertainty regarding the timing for recovery creates inherent challenges with the preparation of financial forecasts. 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.

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

As at December 31, ($ 000's)	2019	2018	$ Change
Borrowing capacity	1,650	-	1,650
Drawings on credit facility	(1,650)	-	(1,650)
Available credit facility	-	-	-

The Corporation entered into a line of credit agreement, with a private lender, pursuant to which it may borrow up to an amount equal to 50% of eligible receivables, on a revolving basis (the “Credit Facility”). Based on the current level of eligible receivables at December 31, 2019, there is no remaining amount available under the Credit Facility. As at December 31, 2019 Cordy has borrowed $1.65 million. The Agreement includes a General Security Agreement that grants the Creditor a continuing security interest in all present and after acquired property of Cordy and its subsidiaries. The Credit Facility bears interest at the rate equal to the Bank of Canada prime rate plus 4% per annum, matures in September 2020 subject to earlier demand being made by the lender, or an extension being obtained by Cordy.

FINANCIAL MANAGEMENT

Twelve months ended December 31, ($ 000's)	2019	2018	$ Change
Cash generated provided by (used in):			
Operating activities	1,948	1,225	723
Financing activities	(3,086)	(3,484)	398
Investing activities	1,278	2,236	(958)
Increase (decrease) in cash	140	(23)	163

Cash flows from operating activities increased in the twelve month period ended December 31, 2019 from the same period in 2018 by $0.7 million due to increased earnings, and a positive change to working capital stemming from timing differences of collection and payments.

Cash flows used in financing activities decreased by $0.4 million for the twelve month period ended December 31, 2019 from the same period in 2018. The decrease is due to drawing on Cordy’s line of credit of $1.2 million during 2019, as compared to drawing of $0.5 million in 2018. This was offset by a $0.4 million increase in lease payments in 2019 compared to the prior year.

Cash flows from investing activities decreased by $1.0 million in the twelve month period ended December 31, 2019 from the same period in 2018. The decrease is due to less equipment sales as Cordy realized proceeds of $1.3 million in 2019, as compared to $2.3 million in 2018.

WORKING CAPITAL

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/lease arrangements, expanding its receivables line and asset dispositions as needed.

Year ended December 31 ($ 000's)	2019	2018	$ Change
Cash	397	257	140
Loans and leases	14,412	14,265	147
Net debt	(14,015)	(14,008)	(7)
Working capital (deficit) [1]	(2,250)	(604)	(1,646)

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

Working capital has decreased for the period due to increased short-term obligations under finance leases, specifically $0.3 million stemming from IFRS 16 adjustments resulting in lease obligation being recognized for Cordy's office and shop that did not exist at December 31, 2018; an increase of $1.0 million to borrowings on the line of credit, decreased receivables of $0.4 million partially offset by decreased payables of $0.2 million year over year.

LOANS AND BORROWING

	December 31, 2019	December 31, 2018
Current liabilities		
Bank indebtedness	1,650	500
Lease obligations - equipment and vehicles	2,059	1,903
Lease obligations - office and shop	350	-
Current portion of debt	4,059	2,403
Non-current liabilities		
Lease obligations - equipment and vehicles	9,787	11,862
Lease obligations - office and shop	566	-
Non-current portion of debt	10,353	11,862
Total debt obligations	14,412	14,265

Lease obligations – equipment and vehicles
The Corporation operates under several lease agreements with its equipment lender ("the Leases"), the Leases consist of consolidated monthly payments of $215,000. The Leases bear interest at 4.95% to 5.95% until August 2020 at which point the interest rate will be a variable rate equal to prime plus 2.0%. All future payments are subject to change as the Corporation has the option to sell the equipment and have all proceeds applied against the remaining principal balance. In the event of default the Corporation is subject to additional interest and penalties.

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

SHARE CAPITAL

	December 31, 2019	December 31, 2018
Balance at January 1	43,395	43,395
Balance at December 31	43,395	43,395

Common shares
As at December 31, 2019 the Corporation had 206,161,981 shares outstanding (2018 – 206,161,981), the Corporation was authorized to issue an unlimited number of common shares.

Share purchase warrants
The Corporation has 17,127,183 warrants outstanding that are exercisable at $0.05 per warrant that were originally scheduled to expire on December 14, 2019. The Corporation extended the expiration date to March 14, 2020. In March 2020, the warrants expired and no warrants were exercised.

Equity (000's)	2019	2018
Balance at January 1	(2,010)	(1,429)
Loss for the period	(472)	(581)
Balance at December 31	(2,482)	(2,010)

There were no options outstanding as at April 15, 2020.

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 cash flow from operations declines significant and/or 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 a manageable working capital position, 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.

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, 2019 is the carrying value of $2.9 million (December 31, 2018 – $3.3 million). The Corporation believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behaviour and an analysis of the customers' ability to pay.

At December 31, 2019, the Corporation had an allowance for doubtful accounts of $0.5 million (December 31, 2018 – $0.4 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 holdback receivables.

Carrying amount	December 31, 2019	December 31, 2018
Trade receivables	2,864	3,239
Other receivables (includes accrued revenue, GST and other receivables)	73	108
Total	2,937	3,347

The allowance account in respect of trade and other receivables is 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.

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.

The Corporation received a notice and statement (the "Notice") from the court appointed receiver and manager of Ranch Energy Corporation, OpsMobil Inc., OpsMobil Construction Inc., OpsMobil Energy Corporation Air Dallaire Ltd., 1734163 Alberta Inc., 1859821 Alberta Inc. and K.L. Capital Corp. (collectively, the "Corporations") as to its appointment in such capacity on July 19, 2018 and that it has taken possession and control of the property of Corporations. Cordy provided logistic services related to soil reclamation and remediation of BC Crown land, pursuant to General Order 2017-091 issued by the BC Oil and Gas Commission, (the "Project") to the Corporations in the spring of 2018, and has an unsecured receivable owing from the Corporations in the amount of $0.76 million. Cordy is pursuing all available options for amounts owing, however timing and amount of collection is uncertain. The Corporation has recorded a bad debt provision of $0.3 million with respect to the Ranch receivable, management continues to assess options.

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. The Corporation does not have cash flow exposure to interest rate risk on its leases as cash payment amounts are fixed. When the Corporation's leases convert to variable rate leases, fluctuations in interest rates will impact the allocation of payments between interest and principal. Interest rate risk related to the Corporation's line of credit as it bears interest at the Bank of Canada prime rate plus 4% per annum. A one percent change in the interest rate, based on the line of credit balance at the end of the year, would impact the net loss by approximately $0.2 million.

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

As at	December 31, 2019	December 31, 2018
Fixed-rate instruments		
Financial liabilities	12,762	13,765
Total	12,762	13,765
Variable rate instruments		
Financial liabilities (credit facility)	1,650	500
Total	1,650	500

Fair values versus carrying amounts

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

Capital management

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

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

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

As at	December 31, 2019	December 31, 2018
Credit facility	1,650	500
Obligations under finance lease	12,762	13,765
Total debt	14,412	14,265
Total equity	(2,482)	(2,010)
Less: Cash	(397)	(257)
Total capitalization	11,533	11,998

MARKET RISK

COVID-19 and Related Impacts

The recent outbreak of COVID-19 has had resulted in material economic and social disruption, volatility in financial markets and disruptions to global supply chains. In addition, COVID-19 may negatively impact Cordy's ability to directly and indirectly staff the Corporation's day to day operations. The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Corporation's operating results and financial position. These and other factors may adversely affect the Corporation's liquidity and ability to generate income and cash flows in the future. The current volatility in commodity prices and uncertainty regarding the timing for recovery creates inherent challenges with the preparation of financial forecasts.

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.

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, 2019, the Corporation had no off-balance-sheet arrangements.

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.

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.

Non-GAAP Term Years ended December 31, ($ 000's)	2019	2018	2017
Revenue	16,355	15,806	11,182
Deduct:			
Direct operating expenses	12,858	12,548	8,211
Gross Margin	3,497	3,258	2,971

OPERATING EARNINGS (LOSS)

Operating earnings (loss) is defined as earnings before interest, taxes, depreciation, amortization, impairment, share-based payments, Operating earnings (loss) is not a recognized measure under IFRS. Management believes this is a useful supplemental measure as it provides an indication of the results generated from the Corporation's business activities regardless of the means used to finance the property and equipment. Readers are cautioned that normalized operating earnings (loss) should not be construed as an alternative to net income in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's method of calculating normalized operating earnings (loss) may differ from that of other companies and, accordingly, operating earnings (loss) may not be comparable to measure used by other companies.

Non-GAAP Term Periods ended December 31,	Three months		Twelve months	
($ millions)	2019	2018	2019	2018
Net loss	(818)	(291)	(472)	(581)
Add (deduct):				
Depreciation expense	501	471	1,970	1,900
Financing expense	206	181	803	652
Loss (gain) on disposal of equipment	-	(300)	(483)	(428)
Operating earnings	(111)	61	1,818	1,543

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 financial statements for the year ended December 31, 2019.

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, 2019, the Corporation determined no indicators were present and no impairment has been recorded in 2019 (2018 - $Nil).

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 2019, the Corporation recorded depreciation expense on property and equipment of

$2.0 million (2018 – $1.9 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 based on the expected credit loss. 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, 2019, the Corporation had an allowance for doubtful accounts of $0.5 million (2018 – $0.4 million) netted against accounts receivable of $2.9 million (2018 – $3.3 million). Actual bad debts incurred can differ from the reserves provided.

ADOPTION AND RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

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

The adoption of IFRS 16 included the following elections:

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

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, 2019 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 2020 to finance working capital requirements, debt repayments and capital expenditures;

- Cordy's belief that 2020 will continue to 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 2019 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 2020;

- 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;

- Cordy's diversification strategy will continue to bring new customers, grow other service lines and achieve reasonable margins.

- Cordy's belief that the purchase of Platinum North and Heart River will yield return, add to Cordy's customer base and providing cashflow from operations while maintaining its ability to repay additional debt commitments will come to fruition.

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.