Interim Financial Report

Period Ended September 30, 2017

Q3

Cordy
Oilfield Services Inc.

Interim Condensed Consolidated Statement of Financial Position

(unaudited) ($000's)	September 30, 2017	December 31, 2016
Assets		
Current assets		
Cash	**448**	1,283
Trade and other receivables (note 5)	**1,754**	1,553
Inventory	**1,244**	1,247
Prepaid and other assets	**237**	300
	3,683	4,383
Non–current assets		
Property and equipment	**12,209**	14,135
Total assets	**15,892**	18,518
Liabilities and equity		
Current liabilities		
Related party loan payable (notes 6 and 7)	**283**	283
Trade and other payables	**2,196**	2,660
Obligations under financing leases (note 6)	**5,920**	2,321
	8,399	5,264
Non–current liabilities		
Obligations under financing leases (note 6)	**8,610**	13,241
	8,610	13,241
Equity		
Share capital	**43,395**	43,395
Share-purchase w arrants	**163**	163
Contributed surplus	**7,701**	7,741
Deficit	**(52,376)**	(51,286)
	(1,117)	13
Total liabilities and equity	**15,892**	18,518

Going concern (note 3)

Subsequent to quarter end, the Corporation entered into tw o restated lease agreements. The current liability component of current finance leases obligations giving effect to the new payment terms reduces to $0.6 million. See note 6 for details.

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

Interim Condensed Consolidated Statement of Comprehensive Loss

For the periods ended September 30, (unaudited) ($000s except per share amounts)	Three months 2017	Three months 2016	Nine months 2017	Nine months 2016
Revenue	**2,620**	2,302	**8,443**	7,136
Expenses				
Direct operating expenses	**1,912**	1,651	**6,060**	5,315
General and administrative expenses	**361**	380	**1,168**	1,239
Operating earnings	**347**	271	**1,215**	582
Depreciation expense	**538**	668	**1,660**	2,031
Financing expense	**238**	333	**760**	1,013
Loss (gain) on disposal of equipment	**(4)**	(5)	**(75)**	58
Share-based recovery	**(8)**	(6)	**(40)**	(16)
Loss before tax	**(417)**	(719)	**(1,090)**	(2,504)
Income tax expense	**-**	-	**-**	-
Net loss and comprehensive loss	**(417)**	(719)	**(1,090)**	(2,504)
Loss per share from (note 8)				
Basic and diluted ($)	**(0.00)**	(0.01)	**(0.01)**	(0.03)

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

Interim Condensed Consolidated Statement of Changes in Equity

(unaudited)

($000's except numbers of shares)	Shares Outstanding (000's)	Share Capital $	Share Purchase Warrants $	Contributed Surplus $	Deficit $	Total $
Balance at January 1, 2016	**85,954**	**41,333**	**-**	**7,502**	**(47,766)**	**1,069**
Loss for the period	-	-	-	-	(2,504)	(2,504)
Share-based recovery	-	-	-	(16)	-	(16)
Balance at September 30, 2016	**85,954**	**41,333**	**-**	**7,486**	**(50,270)**	**(1,451)**
Balance at January 1, 2017	**206,162**	**43,395**	**163**	**7,741**	**(51,286)**	**13**
Loss for the period	-	-	-	-	(1,090)	(1,090)
Share-based recovery	-	-	-	(40)	-	(40)
Balance at September 30, 2017	**206,162**	**43,395**	**163**	**7,701**	**(52,376)**	**(1,117)**

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

Interim Condensed Consolidated Statement of Cash Flows

For the nine months ended September 30, (Unaudited) ($000's)	2017	2016
Cash flows from operating activities		
Net loss:	**(1,090)**	(2,504)
Add (deduct) non-cash items:		
Depreciation expense	**1,660**	2,031
Share-based recovery	**(40)**	(16)
Loss (gain) on disposal of property and equipment	**(75)**	58
Financing expense	**760**	1,013
Changes in non–cash working capital	**(599)**	27
Cash flows generated from operating activities	**616**	609
Cash flows from financing activities		
Repayment of related party loan payable	**-**	(101)
Repayment of equipment loans	**-**	(450)
Repayment of financing leases	**(1,032)**	(354)
Financing expense	**(760)**	(1,013)
Cash flows used in financing activities	**(1,792)**	(1,918)
Cash flows from investing activities		
Purchase of property and equipment	**(121)**	(3)
Proceeds on disposal of property and equipment	**462**	471
Cash flows generated from investing activities	**341**	468
Decrease in cash	**(835)**	(841)
Cash - beginning of the period	**1,283**	876
Cash - end of the period	**448**	35

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 nine months ended September 30, 2017 and 2016 (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 nine months ended September 30, 2017 and 2016 comprise the Corporation and its subsidiaries. Cordy and its subsidiaries are primarily involved in energy services and construction throughout western Canada. The business of Cordy is conducted through two reportable segments: Heavy Construction and Environmental Services.

2. BASIS OF PRESENTATION

A. Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The unaudited interim condensed consolidated financial statements should be read in conjunction with the Corporation's annual audited consolidated financial statements and accompanying notes for the year ended December 31, 2016.

The unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on November 28, 2017.

B. Basis of measurement

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

C. Functional and presentation currency

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars which is the Corporation's reporting currency.

3. GOING CONCERN

The unaudited interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities.

The Corporation has recorded a net loss after tax of $1.1 million for the nine month period ended September 30, 2017. The Corporation as at September 30, 2017 has cash of $0.5 million and a working capital deficit of $4.7 million. Finance leases were $14.5 million as at September 30, 2017.

These conditions create material uncertainties that may cast significant doubt about the Corporation's ability to continue as a going concern. Additional equity, new or amended debt arrangements and/or operating developments are needed to meet the Corporation's business objectives. 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 successful completion of the actions taken or planned. Management believes that the regular payment of the lease obligations will be met out of cash, operating cash flows or cash from equipment sales or alternate financing or the raising of funds. There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. 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.

Subsequent to quarter end, the Corporation entered into two restated lease agreements ("Amended Leases") with its equipment lender which amend the terms of amounts payable under its existing finance leases. The current liability component of the Amended Leases giving effect to the new payment terms reduces from $5.9 million as at September 30, 2017 to $0.6 million (see note 6).

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

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the year ended December 31, 2016.
The nature of the business and timely preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions, and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to the accrual of unsettled transactions, collectability of accounts receivable, recognition of provisions and contingent obligations, the useful lives of property and equipment, and the fair value of share-based payment awards. Accordingly, actual results may differ from estimated amounts. Management has also used judgment in the determination of control, definition of a business, determination of cash generating units and determination of functional currency.

If the underlying estimates and assumptions, upon which the unaudited interim condensed consolidated financial statements are based, change in future periods, actual amounts may differ from those included in the accompanying unaudited interim condensed consolidated financial statements.

The accounting policies have been applied consistently by the Corporation's entities.

5. TRADE AND OTHER RECEIVABLES

	September 30, 2017	December 31, 2016
Trade receivables	**1,818**	1,713
Other receivables	**233**	141
Total receivables	**2,051**	1,854
Current	**979**	706
31 – 60 days	**416**	644
61 – 90 days	**273**	147
Over 90 days	**383**	357
	2,051	1,854
Allow ance for doubtful accounts	**(297)**	(301)
Total net receivables	**1,754**	1,553

6. LOANS AND OTHER BORROWINGS

	September 30, 2017	December 31, 2016
Current liabilities		
Related party loan payable (note 7)	**283**	283
Financing lease obligations	**5,920**	2,321
Current portion of debt	**6,203**	2,604
Non-current liabilities		
Financing lease obligations	**8,610**	13,241
Non-current portion of debt	**8,610**	13,241
Total debt obligations	**14,813**	15,845

The Corporation has multiple operating agreements ("the Agreements") with its primary equipment financer that are classified as finance leases for accounting purposes and secured by equipment. The agreements consist of 48 to 60 month terms. Payments were $219,000 per month, until September 25, 2017, thereafter lease payments were originally set to increase to $0.6 million per month. The Agreements bear interest at 6.0%. During the third quarter the Corporation's equipment financer agreed to forgo July and August lease payments to supplement Cordy's working capital.

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Subsequent to quarter end, the Corporation entered into two Amended Leases with its equipment lender which amend the terms of amounts payable under its existing finance leases. The new terms provide for the consolidated monthly payment of $130,000 over the 12 month period commencing September 2017, with no payments in January 2018, February 2018, July 2018 and August 2018. The consolidated monthly payment increases to $220,000 in September 2018 with a further increase to $230,000 in July 2019. The Amended Leases bear interest at 4.95% until August 2020 at which point the interest rate will be a variable rate equal to prime plus 2.0%. The Amended Leases were executed on October 20, 2017 with an effective date of August 25, 2017; the initial payment under the new leases was made September 25th, 2017.

The current liability component of the Amended Leases giving effect to the new payment terms reduces from $5.9 million to $0.6 million.

All future payments are subject to change as Cordy has the option to sell the equipment and have all proceeds applied against the remaining principal balance. In the event of default Cordy is subject to additional interest and penalties.

7. TRANSACTIONS WITH RELATED PARTIES

Lyncorp International Ltd ("Lyncorp") is considered a related party; a company wholly-owned by David Mullen, the Chairman and a director of Cordy. Together, David Mullen and Lyncorp hold approximately 13.2% (2016 – 13.2%) of Cordy's outstanding common shares.

Related party loan payable
The Corporation entered into a loan agreement on December 22, 2014 with Lyncorp. The loan bears interest at 15%. For Q3 2017 interest of $0.03 million was recorded on the loan and included in accounts payable. During the third quarter of 2016 Lyncorp agreed to postpone all payments until the Corporation is in a position to repay.

Related party transactions	September 30 2017	December 31, 2016
Related party loan payable	**283**	283
Interest accrued (included in accounts payable)	**31**	-

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at September 30, 2017 was based on the net loss attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net loss for the three months and nine months ended September 30, 2017 was $0.4 and $1.1 million (2016 net loss $0.7 and $2.5 million) respectively. The weighted average number of Common Shares outstanding for the three and nine months ended September 30, 2017 and 2016 was calculated as follows and there were no dilutive securities.

Weighted average number of ordinary shares

	Three months ended September 30,		Nine months ended September 30,	
(000's)	**2017**	2016	**2017**	2016
Shares outstanding	**206,162**	85,954	**206,162**	85,954
Weighted average number of common shares	**206,162**	85,954	**206,162**	85,954

9. SEGMENTED INFORMATION

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

Environmental Services

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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 of Cordy’s audited annual consolidated financial statements for the year ended December 31, 2016. 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 monthly by the Chief Executive Officer and other senior management. Operating earnings is believed to be the most relevant measure of performance as it enables comparison against the results of the other Cordy entities and competitors operating in the same industries.

Selected segmented information from operations for the three and nine month periods ended September 30, 2017 and 2016 is as follows:

Three months ended September 30, 2017	Environmental Services	Heavy Construction	Corporate	Total
Revenue	2,457	128	35	2,620
Operating earnings (loss)	424	116	(193)	347
Net income (loss)	(287)	84	(214)	(417)
Depreciation	502	34	2	538
Capital additions	-	-	42	42
Total assets at September 30, 2017	13,377	640	1,875	15,892

Three months ended September 30, 2016	Environmental Services	Heavy Construction	Corporate	Total
Revenue	2,215	84	3	2,302
Operating earnings (loss)	455	39	(223)	271
Net loss	(508)	83	(293)	(718)
Depreciation	616	30	22	668
Capital additions	-	-	-	-
Total assets at September 30, 2016	16,288	758	1,442	18,488

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Nine months ended September 30, 2017	Environmental Services	Heavy Construction	Corporate	Total
Revenue	8,079	315	49	8,443
Operating earnings (loss)	1,617	327	(729)	1,215
Net income (loss)	(559)	269	(800)	(1,090)
Depreciation	1,574	76	10	1,660
Capital additions	65	13	43	121
Total assets at September 30, 2017	13,377	640	1,875	15,892

Nine months ended September 30, 2016	Environmental Services	Heavy Construction	Corporate	Total
Revenue	6,809	305	22	7,136
Operating earnings (loss)	1,629	(131)	(916)	582
Net loss	(1,230)	(112)	(1,162)	(2,504)
Depreciation	1,872	92	67	2,031
Capital additions	-	-	-	-
Total assets at September 30, 2016	16,288	758	1,442	18,488

Corporate Information

DIRECTORS AND OFFICERS

Darrick Evong, CPA, CA, CBV
Chief Executive Officer

Rick Manhas, P.AG.
Chief Operating Officer

Luke Caplette, CPA, CA
Chief Financial Officer

David Mullen (1))(2)
Chairman of the Board

Robert N. Waddell, CPA, CMA, FCMA, (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