Interim Financial Report

Period Ended September 30, 2018

Q3

Cordy
Oilfield Services Inc.

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)	September 30, 2018	December 31, 2017
Assets		
Current assets		
Cash	**-**	280
Restricted cash	**50**	50
Trade and other receivables (note 5)	**4,204**	2,324
Inventory	**80**	91
Prepaid and other assets	**231**	228
	4,565	2,973
Non–current assets		
Property and equipment (note 6)	**11,463**	12,731
Total assets	**16,028**	15,704
Liabilities and equity		
Current liabilities		
Bank indebtedness	**550**	-
Related party loan payable (notes 7 and 8)	**-**	283
Trade and other payables	**2,122**	1,470
Obligations under financing leases (note 7)	**2,132**	1,018
	4,804	2,771
Non–current liabilities		
Obligations under financing leases (note 7)	**12,944**	14,362
	12,944	14,362
Equity		
Share capital	**43,395**	43,395
Share-purchase w arrants	**163**	163
Contributed surplus	**7,701**	7,701
Deficit	**(52,979)**	(52,688)
	(1,720)	(1,429)
Total liabilities and equity	**16,028**	15,704

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

For the periods ended September 30, (unaudited) ($000s except per share amounts)	Three months 2018	 2017	Nine months 2018	 2017
Revenue	**3,925**	2,620	**12,368**	8,443
Expenses				
Direct operating expenses	**2,951**	1,912	**9,615**	6,060
General and administrative expenses	**366**	361	**1,271**	1,168
Operating earnings	**608**	347	**1,482**	1,215
Depreciation expense	**485**	538	**1,430**	1,660
Financing expense	**187**	238	**471**	760
Loss (gain) on disposal of equipment	**56**	(4)	**(128)**	(75)
Share-based recovery	**-**	(8)	**-**	(40)
Loss before tax	**(120)**	(417)	**(291)**	(1,090)
Income tax expense	**-**	-	**-**	-
Net and comprehensive loss	**(120)**	(417)	**(291)**	(1,090)
Loss per share from (note 8 and 9)				
Basic and diluted ($)	**(0.00)**	(0.00)	**(0.00)**	(0.01)

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	Share Capital	Share Purchase Warrants	Contributed Surplus	Deficit	Total
	(000's)	$	$	$	$	$
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)**
Balance at January 1, 2018	**206,162**	**43,395**	**163**	**7,701**	**(52,688)**	**(1,429)**
Loss for the period	-	-	-	-	(291)	(291)
Balance at September 30, 2018	**206,162**	**43,395**	**163**	**7,701**	**(52,979)**	**(1,720)**

The accompaying 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)	2018	2017
Cash flows from operating activities		
Net loss:	**(291)**	(1,090)
Add (deduct) non-cash items:		
Depreciation expense	**1,430**	1,660
Share-based recovery	**-**	(40)
Gain on related party loan settlement	**(76)**	-
Loss (gain) on disposal of property and equipment	**(128)**	(75)
Bad debt expense	**233**	-
Financing expense	**471**	760
Changes in non–cash working capital	**(1,411)**	(599)
Cash flows generated from operating activities	**228**	616
Cash flows from financing activities		
Repayment of related party loan payable	**(250)**	-
Increase in bank indebtedness	**550**	-
Repayment of financing leases	**(1,287)**	(1,032)
Financing expense	**(471)**	(760)
Cash flows used in financing activities	**(1,458)**	(1,792)
Cash flows from investing activities		
Purchase of property and equipment	**(7)**	(121)
Proceeds on disposal of property and equipment	**957**	462
Cash flows generated from investing activities	**950**	341
Decrease in cash	**(280)**	(835)
Cash - beginning of the period	**280**	1,283
Cash - end of the period	**-**	448

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, 2018 and 2017 (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, 2018 and 2017 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: Heavy Construction and Environmental Services, Environmental Services operates as Cordy Environmental and Hornet Hydrovac.

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, 2017.

The unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on November 22, 2018.

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 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.

The Corporation has taken significant steps over the past several years to improve its liquidity and financial performance including increasing cash flow from operations, refinancing the finance lease agreements, reducing the working capital deficit and settling the amount owing to Lyncorp.

The Corporation has recorded net loss of $0.3 million for the nine months ended September 30, 2018. Earnings and cash flow from operations need to increase further to support the future obligations of the Corporation. These conditions create a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Subsequent to quarter end, the Corporation sold underutilized equipment for proceeds of $1.2 million and used all funds to pay down finance leases, the paydown resulted in reduced monthly payments going forward, see note 7.

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.

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, 2017, except as noted below.

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 and determination of cash generating units.

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 company adopted the following accounting policies effective January 1, 2018:

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

The standard establishes a single revenue recognition and measurement framework to determine the timing and measurement of revenue from contracts with customers. Cordy applied IFRS 15 prospectively with no quantitative impact or significant changes, given the typical length and terms of Cordy's contracts with customers. Cordy's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision of post-service obligations. Cordy recognizes the amount of revenue to which it expects to be entitled for the transfer of promised services or goods to customers.

The Company reviewed its revenue streams and major contracts with customers using the IFRS 15 five-step model and there were no material changes to net earnings.

IFRS 9 Financial Instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IFRS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The new standard also introduces an expected credit loss model for evaluating impairment of financial assets, which results in credit losses being recognized earlier than the previous standard.

Cash and accounts receivable continue to be measured at amortized cost and are now classified as "amortized cost". There was no change to the Company's classification of accounts payable and accrued liabilities. The Company has not designated any financial instruments as FVOCI or FVTPL.

Cordy adopted IFRS 9, Financial Instruments on January 1, 2018. The transition to IFRS 9 had no material effect on the Company's financial statements.

Future Accounting Pronouncements

IFRS 16 Leases

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The company has identified leasing contract and is calculating the impact that the adoption of IFRS 16 may have on its financial statements.

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5. TRADE AND OTHER RECEIVABLES

	September 30, 2018	December 31, 2017
Trade receivables	**4,488**	2,351
Other receivables	**85**	128
Total receivables	**4,573**	2,479
Current	**1,322**	1,224
31 – 60 days	**1,425**	563
61 – 90 days	**589**	203
Over 90 days	**1,237**	489
	4,573	2,479
Allowance for doubtful accounts	**(369)**	(155)
Total net receivables	**4,204**	2,324

The Corporation has 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, management continues to assess options

6. PROPERTY AND EQUIPMENT

	Heavy equipment and Vehicles	Other	Total
Cost			
Balance at January 1, 2018	19,536	2,657	22,194
Additions	990	-	990
Disposals	(1,300)	(39)	(1,339)
Balance at September 30, 2018	**19,226**	**2,618**	**21,845**
Accumulated Depreciation			
Balance at January 1, 2018	8,115	1,348	9,463
Depreciation for the year	1,389	40	1,429
Disposals	(471)	(39)	(510)
Balance at September 30, 2018	**9,033**	**1,349**	**10,382**
Net book value			
Balance at September 30, 2018	**10,193**	**1,269**	**11,463**

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

7. LOANS AND OTHER BORROWINGS

	September 30, 2018	December 31, 2017
Current liabilities		
Bank indebtedness	**550**	-
Related party loan payable (note 8)	**-**	283
Financing lease obligations	**2,132**	1,018
Current portion of debt	**2,682**	1,301
Non-current liabilities		
Financing lease obligations	**12,944**	14,362
Non-current portion of debt	**12,944**	14,362
Total debt obligations	**15,626**	15,663

The Corporation operates under several finance lease agreements with its equipment lender ("the Leases"), the Leases consist of consolidated monthly payments of $230,000 with an increase to $240,000 in July 2019. The 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%.

During the quarter 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 Cordy's availability under the Credit Facility is approximately $2.0 million, as at September 30, 2018 Cordy has borrowed $0.5 million to fund working capital requirements. 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 and has an initial term of two years subject to earlier demand being made by the lender.

Subsequent to quarter end, the Corporation disposed of underutilized equipment with a net book value of $0.9 million for gross proceeds of $1.2 million. The Corporation repaid $1.2 million of finance lease obligations, resulting in decreased monthly payments of $31,000 (consolidated monthly payments will be $199,000 until July 2019 where they will increase to $209,000).

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.

8. 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% (2017 – 13.2%) of Cordy's outstanding common shares. All of the transactions with Lyncorp occurred in the normal course of operations with terms consistent with those offered to arm's length parties and are measured at the exchange amount.

Related party loan payable

The Corporation entered into a loan agreement on December 22, 2014 with Lyncorp. The loan bore interest at 15%. During the first quarter of 2018, the Corporation entered into a settlement agreement with Lyncorp. Pursuant thereto, the Corporation made a payment of $0.125 million in January 2018, $0.125 million in March 2018 for full and final settlement of all interest and debt owing to Lyncorp.

Related party transactions	**September 30 2018**	December 31, 2017
Related party loan payable	**-**	283

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

9. LOSS PER SHARE

The calculation of basic and diluted loss per share at September 30, 2018 was based on earnings 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, 2018 was $0.1 and $0.3 million (2017 net loss $0.4 and $1.1 million) respectively. The weighted average number of Common Shares outstanding for the three and nine months ended September 30, 2018 and 2017 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)	**2018**	2017	**2018**	2017
Shares outstanding (basic and diluted)	**206,162**	206,162	**206,162**	206,162
Weighted average number of common shares (basic and diluted)	**206,162**	206,162	**206,162**	206,162

10. 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

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.

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, Chief Financial 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.

Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

Selected segmented information from operations for the three and nine month periods ended September 30, 2018 and 2017 is as follows:

Three months ended September 30, 2018	Environmental Services	Heavy Construction	Corporate	Total
Revenue	**3,829**	**94**	**2**	**3,925**
Operating earnings (loss)	**868**	**3**	**(263)**	**608**
Net income (loss)	**159**	**(14)**	**(265)**	**(120)**
Depreciation	**466**	**17**	**2**	**485**
Capital additions	**-**	**-**	**-**	**-**
Total assets at September 30, 2018	**15,180**	**520**	**328**	**16,028**

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

Nine months ended September 30, 2018	Environmental Services	Heavy Construction	Corporate	Total
Revenue	**12,015**	**337**	**16**	**12,368**
Operating earnings (loss)	**2,064**	**95**	**(677)**	**1,482**
Net income (loss)	**282**	**32**	**(605)**	**(291)**
Depreciation	**1,372**	**52**	**6**	**1,430**
Capital additions	**-**	**-**	**-**	**-**
Total assets at September 30, 2018	**15,180**	**520**	**328**	**16,028**

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

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

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

Cordy Oilfield Services Inc.
5366 55 St SE
Calgary, Alberta T2C 3G9
Phone:403.262.7667
Email: IR@cordy.ca

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