

Interim Financial Report  
Period Ended June 30, 2017



# Interim Condensed Consolidated Statement of Financial Position

<b>(Unaudited)</b> <b>(\$000's)</b>	<b>June 30,</b> <b>2017</b>	<b>December 31,</b> <b>2016</b>
<b>Assets</b>		
Current assets		
Cash	613	1,283
Trade and other receivables (note 5)	1,838	1,553
Inventory	1,243	1,247
Prepaid and other assets	316	300
	<b>4,010</b>	<b>4,383</b>
Non-current assets		
Property and equipment	12,706	14,135
<b>Total assets</b>	<b>16,716</b>	<b>18,518</b>
<b>Liabilities and equity</b>		
Current liabilities		
Related party loan payable (notes 6 and 7)	283	283
Trade and other payables	2,368	2,660
Obligations under financing leases (note 6)	5,187	2,321
	<b>7,838</b>	<b>5,264</b>
Non-current liabilities		
Obligations under financing leases (note 6)	9,570	13,241
	<b>9,570</b>	<b>13,241</b>
Equity		
Share capital	43,395	43,395
Share-purchase warrants	163	163
Contributed surplus	7,709	7,741
Deficit	(51,959)	(51,286)
	<b>(692)</b>	<b>13</b>
<b>Total liabilities and equity</b>	<b>16,716</b>	<b>18,518</b>

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 June 30, (unaudited) (\$000s except per share amounts)	Three months		Six months	
	2017	2016	2017	2016
<b>Revenue</b>	2,129	2,097	5,823	4,834
<b>Expenses</b>				
Direct operating expenses	1,552	1,411	4,149	3,664
General and administrative expenses	377	523	806	859
<b>Operating earnings</b>	200	163	868	311
Depreciation expense	569	679	1,122	1,364
Financing expense	246	321	522	680
Loss (gain) on disposal of equipment	(55)	63	(71)	63
Share-based recovery	(16)	(10)	(32)	(10)
<b>Loss before tax</b>	(544)	(890)	(673)	(1,786)
Income tax expense	-	-	-	-
<b>Net loss and comprehensive loss</b>	(544)	(890)	(673)	(1,786)
<b>Loss per share from (note 8)</b>				
Basic and diluted (\$)	(0.00)	(0.01)	(0.00)	(0.02)

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)	\$	\$	\$	\$	\$
<b>Balance at January 1, 2016</b>	85,954	41,333	-	7,502	(47,766)	1,069
Loss for the period	-	-	-	-	(1,786)	(1,786)
Share-based recovery	-	-	-	(10)	-	(10)
<b>Balance at June 30, 2016</b>	<b>85,954</b>	<b>41,333</b>	<b>-</b>	<b>7,492</b>	<b>(49,552)</b>	<b>(727)</b>
<b>Balance at January 1, 2017</b>	<b>206,162</b>	<b>43,395</b>	<b>163</b>	<b>7,741</b>	<b>(51,286)</b>	<b>13</b>
Loss for the period	-	-	-	-	(673)	(673)
Share-based recovery	-	-	-	(32)	-	(32)
<b>Balance at June 30, 2017</b>	<b>206,162</b>	<b>43,395</b>	<b>163</b>	<b>7,709</b>	<b>(51,959)</b>	<b>(692)</b>

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

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30,  
(Unaudited)  
(\$000's)

	2017	2016
<b>Cash flows from operating activities</b>		
Net loss	(673)	(1,786)
Add (deduct) non-cash items:		
Depreciation expense	1,122	1,364
Loss (gain) on disposal of property and equipment	(71)	63
Share-based recovery	(32)	(10)
Finance costs	522	680
Changes in non-cash working capital	(587)	248
Cash flows generated from operating activities	281	559
<b>Cash flows from financing activities</b>		
Repayment of related party loan payable	-	(101)
Repayment of equipment loans	-	(450)
Repayment of financing leases	(806)	(76)
Financing expense	(522)	(680)
Cash flows used in financing activities	(1,328)	(1,307)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(79)	-
Proceeds on disposal of property and equipment	456	105
Cash flows generated from investing activities	377	105
<b>Decrease in cash</b>	<b>(670)</b>	(643)
<b>Cash - beginning of the period</b>	<b>1,283</b>	876
<b>Cash - end of the period</b>	<b>613</b>	233

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

# Notes to the Interim Condensed Consolidated Financial Statements

*For the three and six months ended June 30, 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 six months ended June 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 August 23, 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 \$0.7 million for the six month period ended June 30, 2017. The Corporation as at June 30, 2017 has cash of \$0.6 million and a working capital deficit of \$3.8 million. Finance leases were \$14.8 million as at June 30, 2017 of which \$5.2 million is due within one year. Subsequent to quarter end the Corporation's equipment financier agreed to forgo July and August lease payments to supplement Cordy's working capital. The Corporation has begun negotiations with its lender to renegotiate various terms of the leases, including repayment terms. Failure to comply with the terms of the leases could result in the lessor cancelling the lease agreements. Management expects to obtain revised repayment terms in the third quarter that reflect the current level of operations.

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.

# Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2017 and 2016 (unaudited)

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

## 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, 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

	June 30, 2017	December 31, 2016
Trade receivables	1,902	1,713
Other receivables	231	141
<b>Total receivables</b>	<b>2,133</b>	1,854
Current	1,220	706
31 – 60 days	340	644
61 – 90 days	107	147
Over 90 days	466	357
	<b>2,133</b>	1,854
Allowance for doubtful accounts	(295)	(301)
<b>Total net receivables</b>	<b>1,838</b>	1,553

## 6. LOANS AND OTHER BORROWING

	June 30, 2017	December 31, 2016
Current liabilities		
Related party loan payable (note 7)	283	283
Financing lease obligations	5,187	2,321
<b>Current portion of debt</b>	<b>5,470</b>	2,604
Non-current liabilities		
Financing lease obligations	9,570	13,241
<b>Non-current portion of debt</b>	<b>9,570</b>	13,241
<b>Total debt obligations</b>	<b>15,040</b>	15,845

# Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2017 and 2016 (unaudited)

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The Corporation has multiple operating agreements (“the Agreements”) with its primary equipment financier that are classified as finance leases for accounting purposes and secured by equipment. The agreements consist of 48 to 60 month terms. Payments are \$0.2 million per month, until September 25, 2017, thereafter lease payments increase to \$0.6 million per month. The Agreements bear interest at 6.0%. Subsequent to quarter end, Cordy’s equipment financier agreed to postpone two payments to supplement Cordy’s working capital, see note 3 for details.

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 Q2 2017 interest of \$0.02 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	June 30, 2017	December 31, 2016
Related party loan payable	283	283

## 8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at June 30, 2017 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 six months ended June 30, 2017 was \$0.5 and \$0.7 million (2016 net loss \$0.9 and \$1.8 million) respectively. The weighted average number of Common Shares outstanding for the three and six months ended June 30, 2017 and 2016 was calculated as follows and there were no dilutive securities.

### Weighted average number of ordinary shares

(000's)	Three months ended June 30,		Six months ended June 30,	
	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

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.



# Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2017 and 2016 (unaudited)

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

## 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 at least quarterly 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 six month periods ended June 30, 2017 and 2016 is as follows:

	Environmental	Heavy		
Three months ended June 30, 2017	Services	Construction	Corporate	Total
Revenue	2,016	113	-	2,129
Operating earnings (loss)	419	27	(246)	200
Net earnings (loss)	(283)	6	(267)	(544)
Depreciation	547	22	-	569
Capital additions	20	13	-	33
Total assets at June 30, 2017	14,154	658	1,904	16,716

	Environmental	Heavy		
Three months ended June 30, 2016	Services	Construction	Corporate	Total
Revenue	2,004	91	2	2,097
Operating earnings (loss)	525	(59)	(303)	163
Net loss	(448)	(57)	(385)	(890)
Depreciation	625	32	22	679
Capital additions	220	-	-	220
Total assets at June 30, 2016	17,404	854	1,525	19,783

	Environmental	Heavy		
Six months ended June 30, 2017	Services	Construction	Corporate	Total
Revenue	5,621	188	14	5,823
Operating earnings (loss)	1,193	211	(536)	868
Net earnings (loss)	(272)	185	(586)	(673)
Depreciation	1,072	43	7	1,122
Capital additions	66	13	-	79
Total assets at June 30, 2017	14,154	658	1,904	16,716

# Notes to the Interim Condensed Consolidated Financial Statements

*For the three and six months ended June 30, 2017 and 2016 (unaudited)*

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

Six months ended June 30, 2016	Environmental Services	Heavy Construction	Corporate	Total
Revenue	4,594	222	18	4,834
Operating earnings (loss)	1,173	(170)	(692)	311
Net loss	(722)	(195)	(869)	(1,786)
Depreciation	1,257	62	45	1,364
Capital additions	220	-	-	220
Total assets at June 30, 2016	17,404	854	1,525	19,783

# 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** <sup>(1)</sup><sub>(2)</sub>

Chairman of the Board

**Robert N. Waddell, CPA, CMA, FCMA,** <sup>(1)</sup><sub>(2)</sub>

Director

**Timothy H. Urquhart, ICD.D** <sup>(1)</sup><sub>(2)</sub>

Director

<sup>(1)</sup> Member of the Audit Committee

<sup>(2)</sup> 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

Fax: 403.237.6278

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