Q2 2020
Management's
Discussion and Analysis

Q2

Cordy
Oilfield Services Inc.

READER ADVISORY

The Management's Discussion and Analysis ("MD&A") for the three and six month periods ended June 30, 2020 of Cordy Oilfield Services Inc. ("Cordy" or the "Corporation"), prepared as at August 27, 2020, focuses on the unaudited interim condensed consolidated financial statements and related notes for the respective periods and pertains to principal risks and uncertainties related to the Corporation's business segments. This discussion should not be considered all-inclusive as it does not include all changes regarding general economic, political, governmental and environmental events. This discussion should be read in conjunction with the Corporation's 2019 audited Annual Consolidated Financial Statements, the December 31, 2019 MD&A, the unaudited interim condensed consolidated financial statements and related notes as at and for the three and six month periods ended June 30, 2020 and the cautionary statement regarding forward-looking information and statements on the last page of this document.

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 10 for a discussion regarding Cordy'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" on page 9. 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 interim financial statements were reviewed by the Audit Committee of the Corporation's Board of Directors and approved by Cordy's Board of Directors on August 27, 2020.

CORPORATE OVERVIEW

Cordy is a service provider to the western Canadian oil and gas sector. 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 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"); 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.

SELECTED FINANCIAL INFORMATION

($ 000's except share information amounts)	Three months ended June 30, 2020	2019	($) Change	Six months ended June 30, 2020	2019	($) Change
Financial results from operations						
Revenue	2,114	3,644	(1,530)	9,760	8,800	960
Gross Margin[1]	768	842	(74)	2,545	2,174	371
Operating earnings[2]	432	407	25	1,878	1,379	499
Net earnings (loss)	(577)	93	(670)	294	384	(90)
Cash generated from operating activities	3,017	545	2,472	1,811	586	1,225
Share Information						
Share Price	0.015	0.030	(0.015)	0.015	0.030	(0.015)
Earnings (loss) per share	-	-	-		-	-
Other Information						
Capital expenditures	-	1,771	(1,771)	4,493	1,771	2,722

($ 000's)	June 30, 2020	December 31, 2019	($) Change
Financial Position			
Total assets	16,801	13,970	2,831
Total debt obligations (includes current portion)	16,755	14,412	2,343
Total liabilities	18,239	16,362	1,877
Net assets	(1,438)	(2,392)	954

(1) Gross Margin is a non-IFRS term and is defined as revenue less direct operating expenses, see reconciliation on page 9 of this document.
(2) Operating earnings is a non-IFRS term and is defined as earnings before interest, taxes, depreciation, amortization, see reconciliation on page 10 of this document.

OVERALL PERFORMANCE

The second quarter of 2020 will not soon be forgotten, as it presented the business with some of its toughest challenges to date. Most notably, the global spread of COVID-19 created unprecedented uncertainty and volatility in the oil and gas industry, particularly in the Western Canadian Sedimentary Basin. The demand for oil significantly deteriorated, as non-essential business around the globe, came to a grinding halt, and swiftly drove pricing into uneconomical territory, impacting the capital programs that drive a significant portion of Cordy's business. Compounding the crisis, the Company had to quickly redesign its day to day business model, implementing new health and safety protocols, to mitigate the risk of contracting or spreading COVID-19 for our people, our customers, and their families.

Despite the challenges, Cordy was able to manage through, what it believes was, the toughest stretch of 2020. The reopening of the economies around the globe has resulted in a return of oil and gas pricing to economical levels, and general business activity has started to slowly rebound as businesses and customers, adapt to the new rules of doing business in the COVID-19 era.

Second Quarter Financial Summary:

- Revenue for the three and six months ended June 30th, 2020 down 42 percent for the quarter but still up 11% for the year;
  - total revenue of $2.1 million for the quarter, a decrease of $1.5 million, or 42 percent compared to $3.6 million in 2019;
  - total revenue of $9.8 million for the first half, an increase of $1.0 million, or 11 percent compared to $8.8 million in 2019;
- Operating earnings for the three and six months ended June 30, 2020 no change on the quarter and up 36% for the year;
  - total operating earnings of $0.4 million for the quarter, no change compared to $0.4 million in 2019;
  - total operating earnings of $1.9 million for the first half, an increase of $0.5 million, or 36% compared to $1.4 million in 2019;

- Net (loss) earnings for the three and six months ended June 30, 2020 down on the quarter and down 23 percent on for the year;
  - net loss of ($0.6) million for the quarter, a decrease of $0.7 million, compared to net earnings of $0.1 million in 2019
  - net earnings of $0.3 million for the first half, a decrease of $0.1 million, or 23% compared to $0.4 million in 2019
- Received $0.5 million from Canadian Emergency Wages Subsidy ("**CEWS**") during the quarter;
  - $0.4 million recognized as reduction to Direct Operation Expenses ("**DOE**")
  - $0.1 million recognized as a reduction to general and administrative ("**G&A**") expense

Financial Position / Liquidity:

- consolidated and revised the terms of its equipment leases reducing its current portion of lease liability by $0.2 million;
- increased the borrowing amount under its credit facility from 50% up to an amount totalling 90% of eligible receivables, improving the Corporations short-term liquidity.
- generated $3.0 million of funds from operations during the quarter.

OUTLOOK

In terms of Cordy's business, the worst of the economic impact of COVID-19 appears to have passed. Specifically, as global economies have re-opened, commodity prices have rebounded from the severe lows experienced during the height of the shut down, and there is some optimism that the oilfield industry in western Canada will gradually increase activity in the new year. While this still presents challenges for the Company, there appears to be some light at the end of the tunnel.

In Alberta, as government imposed business and social restrictions were lifted, general business activity, in the municipal and industrial spaces, began to slowly improve. The Company's municipal and industrial customers went back to work and demand for our services is gradually increasing. Despite the risks still associated with the pandemic, Cordy is hopefully that the current trend will continue.

During the balance of the 2020 the company anticipates business continuing to be a challenge, particularly on the energy services side of the business, which generated approximately 40% of the Company's revenue in the second half of 2019. Although there is optimism for the new year, activity will remain depressed for the balance of 2020.

Despite the negative outlook on the drilling front for the second half of 2020, Cordy's diversification focus, growing both the industrial and municipal service side of the business, continues to provide the company with opportunity. As part of its post COVID-19 recovery plan to stimulate the economy, the Alberta government has announced $10 billion in infrastructure stimulus packages, which the Premier called the 'largest infrastructure build in provincial history". The announced infrastructure projects will require the types of support services Cordy provides.

In the near term, the Company continues to be reliant on government support payments to fund its operations. The Company is uncertain about the extent these programs will be available in the future, or whether the opportunities available to the company will materialize before the dissolution of these programs.

For the balance of 2020, and the foreseeable future, Cordy will continue to aggressively manage costs, while continuing to focus on the health and safety of its employees, contractors, and customers, ensuring it is doing its part in mitigating the spread of COVID-19.

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS

	Three months ended June 30,			Six months ended June 30,		
($ 000's)	**2020**	**2019**	**($) Change**	**2020**	**2019**	**($) Change**
Revenue						
Environmental Services	2,043	3,478	(1,435)	9,533	8,504	1,029
Heavy Construction	63	161	(98)	212	291	(79)
Corporate	8	5	3	15	5	10
	2,114	3,644	(1,530)	9,760	8,800	960
Direct operating expenses						
Environmental Services	1,320	2,721	(1,401)	7,117	6,474	643
Heavy Construction	26	81	(55)	98	152	(54)
Corporate	-	-	-	-	-	-
	1,346	2,802	(1,456)	7,215	6,626	589
General and administrative expenses						
Environmental Services	114	198	(84)	243	303	(60)
Heavy Construction	1	-	1	1	1	-
Corporate	221	237	(16)	423	491	(68)
	336	435	(99)	667	795	(128)
Operating earnings (loss) (1)						
Environmental Services	609	559	50	2,173	1,727	446
Heavy Construction	36	80	(44)	113	138	(25)
Corporate	(213)	(232)	19	(408)	(486)	78
	432	407	25	1,878	1,379	499
Depreciation	652	496	156	1,117	992	125
Finance costs	357	215	142	467	400	67
Gain (loss) on disposal	-	(397)	397	-	(397)	397
Share-based recovery	-	-	-	-	-	-
Earnings (loss) before tax	(577)	93	(670)	294	384	(90)
Income tax expense	-	-	-	-	-	-
Net earnings (loss)	(577)	93	(670)	294	384	(90)

(1) Operating earnings (loss) is a non-IFRS term and is defined as earnings before interest, taxes, depreciation, amortization, see reconciliation on page 10 of this document.

Revenue

For the three months ended June 30, 2020 Cordy's consolidated revenues decreased by $1.5 million or 42 percent as compared to the prior period ended June 30, 2019. The decrease is directly attributable to serious economic impacts stemming from the global COVID-19 pandemic. Specifically, the colossal drop in demand for oil and gas products, causing an immediate drop in commodity prices, resulted in Cordy's major oilfield customers swiftly cutting or completely suspending planned capital programs. Additionally, the municipal / industrial side of Cordy's business was significantly impacted by Alberta's government imposed State of Public Health Emergency (the "SOPHE") and the City of Calgary's imposed State of Local Emergency (the "SOLE"); which were enacted in mid-March, and were finally lifted in mid-June. Both the SOPHE and the SOLE resulted temporary the closure all non-essential business and general lack of business activity during the quarter.

For the six months ended June 30, 2020, Cordy's consolidated revenues increased by $1.0 million or 11 percent to $9.8 million as compared to the six months ended June 30, 2019. The Environmental segment accounts for the period-over-period increase, Environmental saw increased revenues stemming from significant market share gains in the oilfield services sector, during the pre-pandemic portion of Q1.

Direct operating expenses ("DOE")

For the three months ended June 30, 2020, consolidated DOE were $1.3 million compared to $2.8 million in the same period of the prior year. As a percentage of revenue DOE decreased to 64 percent from 77 percent. The majority of the expenses relate to the Environmental Services segment; where DOE as a percentage of revenue was 65 percent compared to 78 percent in 2019. The decrease of DOE in Environmental of $1.4 million was a function of the CEWS recovery, which reduced DOE wages by approximately $0.4 million (or 13%) compared to Q2 2019, and the balance of the decrease being a result of lower revenue.

For the six months ended June 30, 2020, consolidated DOE were $7.2 million compared to $6.6 million in the same period of the prior year. As a percentage of revenue DOE decreased to 74 percent from 75 percent. The majority of the expenses relate to the Environmental Services segment; where DOE as a percentage of revenue was 75 percent compared to 76 percent in 2019. The slight decrease in DOE as a percentage of revenue is related to the aforementioned CEWS recovery, which was recorded as an offset against DOE wage expense.

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 G&A incurred at each of the business units. For the three months ended June 30, 2020, G&A was $0.3 million compared to $0.4 million for the same period of the prior year. The decrease to G&A is due to CEWS recovery of approximately $0.1 million recorded as an offset to G&A wage expense.

For the six months ended June 30, 2020, G&A was $0.7 million as compared to $0.8 million for the same period of the prior year. The decrease is due to the aforementioned CEWS recovery allocated to G&A..

Depreciation
Depreciation increased slightly to $0.7 million and $1.1 millions from $0.5 million and $1.0 million compared to the three and six months ended June 30, 2020 and 2019. The increase is directly related to the asset acquisition in Q1, adding $4.5 million to the net book value (“NBV”) of the Corporation’s depreciable assets.

Given there is less depreciation annually based on diminishing balance calculation, a significant portion of the increase from the additional assets has been offset by the annual decrease in NBV of the balance of the assets.

Finance costs
Finance costs increased by $0.1 million for the three months ended June 30, 2020 compared to June 30, 2019. For the six months ended June 30, 2019 finance costs were $0.5 million as compared to $0.4 million for the six months ended June 30, 2019, Finance costs are higher due to a the additional interest and finance costs associated with accumulating an additional $3.5 million of debt which was used for the aforementioned asset acquisition; as well as the additional interest from carrying a higher balance on the Corporations line of credit (“LOC”). The higher LOC balance was required to support the significant increase in Q1 activity, where the majority of the LOC draws occurred in the later stages of Q1 as receivables accumulated and the majority of those customer payments were made throughout Q2.

Gain on disposal
For the three and six months ended June 30, 2020 the Corporation disposed of $nil property and equipment compared to 2019 when the Corporation disposed of property and equipment with a carrying value of $0.6 million for proceeds of $1.0 million resulting in a gain of $0.4 million.

OFF-BALANCE-SHEET ARRANGEMENTS

As at June 30, 2020, the Corporation had no off-balance-sheet arrangements (June 30, 2019 – $nil).

QUARTERLY SUMMARY

The table below summarizes Cordy's quarterly results for the previous eight financial quarters. The Corporation’s operations and profitability are closely tied to the seasonal activity patterns of western Canada’s oil and natural gas exploration and development industry, for which activity peaks in the winter months and declines during spring break-up. During spring break-up, the ground thaws and many roads become incapable of supporting heavy equipment, which makes drilling for oil and gas more difficult. As a result, demand for oilfield services generally is higher in the first and fourth quarters and lower in the second and third quarters.

FINANCIAL RESULTS

	Three months ended							
	2020		2019				2018	
(000'S) (except per share information)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	2,114	7,646	3,552	3,644	3,644	5,156	3,438	3,925
Operating earnings [(1)]	432	1,446	(111)	550	407	972	61	608
Net (loss) income	(577)	871	(818)	(39)	93	0	(291)	(120)
(Loss) Earnings per share	-	-	-	-	-	-	-	-
Cash flow from (used in) operations	3,017	(1,206)	875	582	545	47	997	(128)

[(1)] Operating earnings is a non-IFRS term and is defined as earnings before interest, taxes, depreciation, amortization, see reconciliation on page 10 of this document.

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

- Q2 2020 saw a significant drop in revenue resulting from the unprecedented impact the COVID-19 pandemic, and related shut-down of the Canadian economy, had on demand for the company’s services. A corresponding drop in Operating earnings was mitigated by the CEWS;

- Q1 2020 Cordy's Environmental Services segment achieved significant gains in market share resulting in a 48% increase in revenue over the same period in 2019
- 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 higher than expected 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.

FINANCIAL RESOURCES AND LIQUIDITY

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

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Measures enacted to prevent the spread of the virus have resulted in global business disruption with significant economic repercussions. The current economic climate has caused uncertainty and extraordinary volatility in the oil and gas industry, particularly in the Western Canadian Sedimentary Basin. The demand for oil has significantly deteriorated and has been further impacted by certain actions taken by the Organization of Petroleum Exporting Countries. The convergence of these events has created an unprecedented simultaneous impact of a decline in global oil demand and a risk of a substantial increase in oil supply.

As discussed in previous sections above, the pandemic has negatively impacted, and is expected to continue to negatively impact, Cordy's business for the remainder of 2020. Due to the significant demand destruction for crude oil and related hydrocarbons resulting in major customers cutting or suspending capital programs for Canadian operations, Cordy anticipates a significant decline relative to its initial forecasts, as support services for drilling programs in western Canada typically contribute approximately 40% to Cordy's revenues in Q3 and Q4.

Although the debts of the Corporation contain no financial covenants, its ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due, is dependent on the economic conditions that will exist over the next twelve months. The overall impact and influence these conditions will have on demand for the Company's services, remains highly uncertain and is directly correlated to the impact it has on the capital spending of the Company's customers.

Management has taken several steps, including revising the terms of its lease and lending agreements, and participating in various government emergency relief programs, to improve its short-term liquidity. If for any reason the Corporation is unable to continue as a going concern, it could impact the Corporation's ability to realize assets at their recognized values and to meet liabilities in the ordinary course of business at the amounts stated in the consolidated financial statements.

As at June 30, ($ 000's)	2020	2019	$ Change
Borrowing capacity	1,573	1,827	(254)
Drawings on credit facility	(625)	(1,650)	1,025
Available credit facility	948	177	771

The Corporation revised certain terms of its line of credit agreement, held with a private lender (the "Lender"), pursuant to which it may borrow up to an amount totalling 90% of eligible receivables (the "Maximum Amount"), on a revolving basis (the "the Revised Credit Facility"). Prior to entering the Revised Credit Facility, the Maximum Amount, was limited to 50% of eligible receivables. As at June,30 2020 Cordy had drawn $0.6 million, or 36% of eligible receivables, leaving a remaining amount available under the Revised Credit Facility of approximately $1.0 million.

The remaining terms of the Revised Credit Facility are unchanged from the Credit Facility as follow:

- General Security Agreement ("GSA") that grants the Lender a continuing security interest in all present and after acquired property of Cordy and its subsidiaries;
- interest at Bank of Canada prime rate plus 4% per annum; and
- payable on demand at the request of the Lender;

FINANCIAL MANAGEMENT

Six months ended June 30 ($ 000's)	2020	2019	$ Change
Cash generated provided by (used in):			
Operating activities	1,811	586	1,225
Financing activities	(1,726)	(1,375)	(351)
Investing activities	(151)	1,014	(1,165)
Increase (decrease) in cash	(66)	225	(291)

Cash flows from operating activities increased in the six month period ended June 30, 2020 from the same period in 2019 by $1.2 million, is due to the $0.5 million increased operating earnings and a $0.7 million positive improvement from change to non-cash working capital stemming from timing differences of AR collections and payments.

Cash flows from financing activities decreased by $0.4 in the six month period ended June 30, 2020 from the same period in 2019. The decrease is from using the proceeds from additional AR collections to pay down the Credit Facility which was largely offset by the funds received from the $1.0 million shareholder loan, received to support the anticipated additional working capital from the asset acquisition discussed above.

Cash flows from investing activities decreased by $1.7 million in the six month period ended June 30, 2019 from the same period in 2019 as the Corporation received proceeds of $1.0 million from asset disposals in 2019 as compared to $nil proceeds from asset disposal in 2020.

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, the Revised Credit Facility line, asset dispositions, and government assistance programs as needed or when available.

WORKING CAPITAL

Management continues 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 and asset dispositions as needed.

($ 000's)	June 30, 2020	December 31, 2019	$ Change
Cash	331	397	(66)
Loans and leases	16,755	14,412	2,343
Net debt	(16,424)	(14,015)	(2,409)
Working capital (1)	(2,638)	(2,351)	(287)

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

Working capital has decreased for the period by $0.3 million mainly due to the increased short-term lease obligation, from the lease payments attributable to the additional $3.5 million of leases associated with the acquisition of assets.

LOANS AND BORROWING

Lease obligations – equipment and vehicles

During Q2, the Company consolidated and revised certain terms of its leases with the Company's equipment lender (the "Revised Leases"). The Revised Leases consist of three leases, which bear interest at fixed rates of 6.45% to 6.95% and contain terms of 36 months ($0.2 million), 48 months ($4.4 million) and 60 months ($9.7 million) respectively. The Revised Leases consist of consolidated monthly payments, including interest, of $0.3 million. All future payments are subject to change as the Corporation has the option, with no early payment penalties or fees, to sell the equipment and have all proceeds applied against the remaining principal balance. In the event of default, the Corporation is subject to additional interest and penalties.

Lease obligations – office and shop

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

($ 000's)	June 30, 2020	December 31, 2019
Current liabilities		
Bank indebtedness	625	1,650
Related party notes payable	1,000	-
Lease obligations - equipment and vehicles	2,353	2,059
Lease obligations - office and shop	370	350
Current portion of debt	4,348	4,059
Non-current liabilities		
Lease obligations - equipment and vehicles	11,985	9,787
Lease obligations - office and shop	422	566
Non-current portion of debt	12,407	10,353
Total debt obligations	16,755	14,412

TRANSACTIONS WITH RELATED PARTIES

Heart River Holdings ("HRH") and 1279107 AB Ltd. ("107") are considered related parties; each being wholly-owned by Craig Heitrich ("Heitrich") (collectively, the "Parties"), the Chief Operating Officer ("COO") of Cordy. Heitrich, through 107, holds approximately 10.8% (2019 – nil %) of Cordy's outstanding common shares. All the transactions between Cordy and the Parties stem from an asset acquisition (the "Transaction"). which closed March 18th, 2020 ("Closing"). As partial compensation, on Closing, Cordy issued 25,000,000 million common shares to 107, issued $1.0 million in promissory notes ($0.75 million to 107 and $0.25 million to HRH) (the "Notes"), and entered into an employment arrangement whereas Heitrich assumed the COO role at Cordy. At the time of the Transaction Cordy and the Parties were considered arm's length parties and all transactions were measured at the exchange amount.

Related party Notes payable

The Corporation issued promissory notes on March 18th, 2020 to 107 -$0.75 million and HRH -$0.25 million. The Notes' are interest free if the principal amount is paid on or before August 9th, 2020 (the "Initial Maturity Date"). Amounts of principal that remain unpaid after the Initial Maturity Date, bear interest at a rate of five percent per annum, payable monthly, from the date of such non-payment until such amount is paid in full. The Notes are secured by GSAs on all present and after-acquired personal property; subordinate to security held by the Lender. During the quarter, Cordy, HRH and 107 agreed to amend certain terms of the Notes, extending the Initial Maturity Dates, for the principal amount due and payable, to December 31, 2020 or at such time as mutually agreed by Cordy and the Parties.

($ 000's)	June 30 2020	December 31, 2019
Related party loan payable	1,000	-

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. Specifically, EBITDAS is not recognized by nor is it defined under IFRS. 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.

Non-GAAP Term Periods ended June 30 ($ 000's)	Three Months		Six Months	
	2020	2019	2020	2019
Revenue	2,114	3,644	9,760	8,800
Deduct:				
Direct operating expenses	1,346	2,802	7,215	6,626
Gross margin	768	842	2,545	2,174

Operating Earnings

Operating earnings is defined as earnings before interest, taxes, depreciation, amortization, impairment, share-based payments, Operating earnings 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 operating earnings 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 operating earnings may differ from that of other companies and, accordingly, operating earnings may not be comparable to measure used by other companies.

Non-GAAP Term Periods ended June 30, ($ 000's)	Three months		Six months	
	2020	2019	2020	2019
Net earnings (loss)	(577)	93	294	384
Add (deduct):				
Depreciation expense	652	496	1,117	992
Financing expense	357	215	467	400
Gain on disposal of equipment	-	(397)	-	(397)
Operating earnings	**432**	**407**	**1,878**	**1,379**

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation prepares its interim condensed 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 MD&A for the year ended December 31, 2019.

KEY RISKS AND UNCERTAINTIES

The Corporation is exposed to market risks and other operational risks. For a detailed discussion of these risks, readers should refer to the section “Principal Risks and Uncertainties” in the MD&A for the year ended December 31, 2019, which is available at www.sedar.com.

ADDITIONAL CORPORATE INFORMATION

The Corporation is a publicly-traded Corporation listed on the TSX Venture Exchange under the symbol “CKK”. Additional information relating to the Corporation, can be found on SEDAR at www.sedar.com.

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's ability to deploy its people and equipment to achieve a reasonable return on investments over the long-term.
- Cordy's ability to continue to adjust the equipment fleet to reflect business realities and its belief that a market for any underutilized equipment will continue at prevailing market rates.
- 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 2020 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 revised revenue, net profit, and cash flow forecasts for 2020;
- Our customers and potential customers continuing to invest in the oilsands 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; specifically that its municipal and reclamation service lines will benefit from increased spending on infrastructure and environmental remediation projects.

Forward looking statements address future events and conditions and, therefore, involve inherent risk and uncertainties. Risk factors, such as those discussed in this MD&A, and other uncertainties could cause actual results to differ materially from those anticipated in such forward-looking statements, such as: 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.