Q3 2020
Management's
Discussion and Analysis

Q3

Cordy
Oilfield Services Inc.

READER ADVISORY

The Management's Discussion and Analysis ("MD&A") for the three and nine month periods ended September 30, 2020 of Cordy Oilfield Services Inc. ("Cordy" or the "Corporation"), prepared as at November 26, 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 nine month periods ended September 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 November 26, 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 September 30, 2020	2019	($) Change	Nine months ended September 30, 2020	2019	($) Change
Financial results from operations						
Revenue	3,084	4,003	(919)	12,844	12,804	40
Gross Margin[1]	1,035	1,068	(33)	3,580	3,242	338
Operating earnings[2]	560	550	10	2,438	1,929	509
Net earnings (loss)	(326)	(39)	(287)	(31)	345	(376)
Cash generated from operating activities	127	582	(455)	1,938	1,168	770
Share Information						
Share Price	0.015	0.030	(0.015)	0.015	0.030	(0.015)
Earnings (loss) per share	-	-	-		-	-
Other Information						
Capital expenditures	-	459	(459)	4,502	2,230	2,272

($ 000's)	September 30, 2020	December 31, 2019	($) Change
Financial Position			
Total assets	17,223	13,970	3,253
Total debt obligations (includes current portion)	16,653	14,412	2,241
Total liabilities	18,987	16,362	2,625
Net assets	(1,764)	(2,392)	628

(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 third quarter, along with the previous first half of 2020, 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.

Third Quarter Financial Summary:

- Revenue for the three and nine months ended September 30, 2020 down 23% for the quarter but even for the year;
  - total revenue of $3.1 million for the quarter, a decrease of $0.9 million, or 23% compared to $4.0 million in 2019;
  - total revenue of $12.8 million year-to-date compared to $12.8 million in 2019.
- Operating earnings for the three and nine months ended September 30, 2020 up 2% on the quarter and up 26% for the year;
  - total operating earnings of $0.56 million for the quarter, a slight increase compared to $0.55 million in 2019;
  - total operating earnings of $2.4 million, an increase of $0.5 million, or 26% compared to $1.9 million in 2019.
- Net (loss) earnings for the three and nine months ended September 30, 2020 down on the quarter and down on the year;
  - net loss of $0.3 million for the quarter, a decrease of $0.3 million, compared to a net loss of $0.03 million in 2019;

    - net loss of $0.03 million year to date, a decrease of $0.4 million, compared to net earnings of $0.3 million in 2019.

- Canadian Emergency Wages Subsidy ("**CEWS**") for the three and nine months ended September 30, 2020 was $0.5 million and $1.1 million respectively;
    - $0.4 million recognized as reduction to Direct Operation Expenses ("**DOE**") and $0.1 million recognized as a reduction to general and administrative ("**G&A**") expense during the quarter;
    - $0.9 million recognized as reduction to Direct Operation Expenses ("**DOE**") and $0.2 million recognized as a reduction to general and administrative ("**G&A**") expense year-to-date.

OUTLOOK

Operating results for the third quarter were encouraging, and management sees this trend continuing for the balance of 2020. In its Q2 outlook, management indicated that it believed the worst of the economic impact on the Company from COVID-19 appeared to have passed, and this continues to be management's view. The timing of a full rebound in activity remains uncertain; however, the recent announcements of successful Phase 3 results, showing safe, effective coronavirus vaccines, provide optimism for the continuation of gradual recovery over the next six to twelve months.

Despite the near-term market uncertainty resulting from the ongoing COVID-19 pandemic, the Company expects activity in the fourth quarter to continue to improve sequentially over the third quarter. Cordy's oilfield customers reactivated drilling programs, albeit at a reduced level, early in the fourth quarter. If current market conditions persist, this trend is expected to continue through the end of the first quarter of 2021 based on current work programs.

The company recognizes that any improvement in activity will be impacted by announced reductions in the Canada Emergency Wage Subsidy, which will likely impact overall margin. Furthermore, the uncertainty around the prolonged effects of COVID – 19, the timing and availability of the vaccinations, and potential of strict lock-downs due recent surges in the number of active COVID-19 cases, are challenging to predict and any change in the current trends could significantly alter management's expectations over the medium term.

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, and limiting the impact of COVID-19.

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS

($ 000's)	Three months ended September 30, 2020	2019	($) Change	Nine months ended September 30, 2020	2019	($) Change
Revenue						
Environmental Services	3,024	3,881	(857)	12,557	12,385	172
Heavy Construction	60	122	(62)	272	414	(142)
Corporate	-	-	-	15	5	10
	3,084	4,003	(919)	12,844	12,804	40
Direct operating expenses						
Environmental Services	2,029	2,855	(826)	9,146	9,331	(185)
Heavy Construction	20	80	(60)	118	231	(113)
Corporate	-	-	-	-	-	-
	2,049	2,935	(886)	9,264	9,562	(298)
General and administrative expenses						
Environmental Services	269	285	(16)	511	587	(76)
Heavy Construction	0	-	0	2	2	(0)
Corporate	206	233	(27)	628	724	(96)
	475	518	(43)	1,141	1,313	(172)
Operating earnings (loss) [1]						
Environmental Services	726	741	(15)	2,900	2,467	433
Heavy Construction	40	42	(2)	152	181	(29)
Corporate	(206)	(233)	27	(613)	(719)	106
	560	550	10	2,439	1,929	510
Depreciation	625	477	148	1,742	1,469	273
Finance costs	261	198	63	727	598	129
Gain (loss) on disposal	-	(86)	86	-	(483)	483
Share-based recovery	-	-	-	-	-	-
Earnings (loss) before tax	(326)	(39)	(287)	(31)	345	(376)
Income tax expense	-	-	-	-	-	-
Net earnings (loss)	(326)	(39)	(287)	(31)	345	(376)

[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 September 30, 2020 Cordy's consolidated revenues decreased by $0.9 million or 23 percent as compared to September 30, 2019. The decrease is directly attributable to Cordy's oilfield customers delaying or completely suspending planned capital programs as a result of the economic impacts stemming from the global COVID-19 pandemic.

For the nine months ended September 30, 2020, Cordy's consolidated revenues remained at $12.8 million compared to the same period this time last year.

Direct operating expenses ("DOE")

For the three months ended September 30, 2020, consolidated DOE were $2.0 million compared to $2.9 million in the same period of the prior year. As a percentage of revenue DOE decreased to 66 percent from 73 percent. The decrease of DOE was a function of the CEWS recovery partially offset by increased repairs & maintenance costs during the period.

For the nine months ended September 30, 2020, consolidated DOE were $9.3 million compared to $9.6 million in the same period of the prior year. As a percentage of revenue DOE decreased to 72 percent from 75 percent. The slight decrease in DOE as a percentage of revenue is related to the aforementioned CEWS recovery partially offset by increased repairs & maintenance costs.

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 September 30, 2020, G&A was $0.5 million compared to $0.5 million for the same period of the prior year.

For the nine months ended September 30, 2020, G&A was $1.1 million as compared to $1.3 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 $0.6 million and $1.7 million from $0.5 million and $1.5 million compared to the three and nine months ended September 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 September 30, 2020 compared to September 30, 2019. For the nine months ended September 30, 2020 finance costs were $0.7 million as compared to $0.6 million for the nine months ended September 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").

Gain on disposal
For the three and nine months ended September 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 September 30, 2020, the Corporation had no off-balance-sheet arrangements (September 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)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	3,084	2,114	7,646	3,552	3,644	3,644	5,156	3,438
Operating earnings [(1)]	560	432	1,446	(111)	550	407	972	61
Net (loss) income	(326)	(577)	871	(818)	(39)	93	0	(291)
(Loss) Earnings per share	-	-	-	-	-	-	-	-
Cash flow from (used in) operations	127	3,017	(1,206)	875	582	545	47	997

[(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:

- Q3 2020 and 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.

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 September 30, ($ 000's)	2020	2019	$ Change
Borrowing capacity	2,063	1,800	263
Drawings on credit facility	(1,098)	(1,650)	552
Available credit facility	965	150	815

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 September 30, 2020 Cordy had drawn $1.1 million, or 48% 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

Nine months ended September 30 ($ 000's)	2020	2019	$ Change
Cash generated provided by (used in):			
Operating activities	1,938	1,168	770
Financing activities	(2,089)	(2,308)	219
Investing activities	(151)	1,278	(1,429)
Increase (decrease) in cash	(302)	138	(440)

Cash flows from operating activities increased in the nine month period ended September 30, 2020 from the same period in 2019 by $0.8 million, is due to the $0.5 million increased operating earnings and a positive improvement from change to non-cash working capital stemming from timing differences of AR collections and payments.

Cash flows from financing activities increased by $0.2 in the nine month period ended September 30, 2020 from the same period in 2019. The increase is from lower repayment of lease liabilities of the Revised Leases when compared to 2019.

Cash flows from investing activities decreased by $1.4 million in the nine month period ended September 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)	September 30, 2020	December 31, 2019	$ Change
Cash	95	397	(302)
Loans and leases	16,653	14,412	2,241
Net debt	(16,558)	(14,015)	(2,543)
Working capital (1)	(2,961)	(2,351)	(610)

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

Working capital decreased by $0.6 million compared to December 31, 2019. Material items that impacted working capital are as follows:

- an increase in the short-term lease obligation of $0.4 million, attributable to the $3.5 million of additional leases associated with the March 18 acquisition of assets (the "**Asset Acquisition**");
- an increase in short-term debt of $1.0 million associated with the vendor note issued on the Asset Acquisition;
- a paydown of bank indebtedness of $0.6 million; and
- an increase in other receivables of $0.3 million related to CEWS receivable.

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 ($4.2 million) and 60 months ($9.3 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)	September 30, 2020	December 31, 2019
Current liabilities		
Bank indebtedness	1,098	1,650
Related party notes payable	1,000	-
Lease obligations - equipment and vehicles	2,395	2,059
Lease obligations - office and shop	375	350
Current portion of debt	4,868	4,059
Non-current liabilities		
Lease obligations - equipment and vehicles	11,371	9,787
Lease obligations - office and shop	414	566
Non-current portion of debt	11,785	10,353
Total debt obligations	16,653	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 18, 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 18, 2020 to 107 of $0.75 million and HRH of $0.25 million. The Notes' are interest free if the principal amount is paid on or before August 9, 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)	September 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 September 30 ($ 000's)	Three Months 2020	 2019	Nine Months 2020	 2019
Revenue	3,084	4,003	12,844	12,804
Deduct:				
Direct operating expenses	2,049	2,935	9,264	9,562
Gross margin	1,035	1,068	3,580	3,242

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 September 30, ($ 000's)	Three months 2020	 2019	Nine months 2020	 2019
Net earnings (loss)	(326)	(39)	(31)	345
Add (deduct):				
Depreciation expense	625	477	1,742	1,469
Financing expense	261	198	727	598
Gain on disposal of equipment	-	(86)	-	(483)
Operating earnings	**560**	**550**	**2,438**	**1,929**

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.