2018 Annual Management's Discussion and Analysis

Cordy
Oilfield Services Inc.

READER ADVISORY

This Management's Discussion & Analysis discussion (MD&A) of the financial condition and results of operations of Cordy Oilfield Services Inc. ("Cordy" or the "Corporation") is prepared as at April 25, 2019. This discussion should be read in conjunction with the Corporation's audited Annual Consolidated Financial Statements for the years ended December 31, 2018 and 2017 and notes thereto, other information on Cordy is available on SEDAR at www.sedar.com and on the Corporation's website at www.cordy.ca. This discussion should not be considered all-inclusive as it does not include all changes regarding general economic, political, governmental and environmental events.

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 16 for a discussion concerning the Corporation'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" below. 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 annual financial statements were reviewed by the Audit Committee of the Corporation's Board of Directors and approved by Cordy's Board of Directors on April 25, 2019.

CORPORATE OVERVIEW

Cordy provides construction and environmental services in western Canada. 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 Environmental Services segment accounted for 97 percent of the Corporation's 2018 revenue (2017 – 95 percent). 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"); The Heavy Construction segment accounted for 3 percent of Corporations revenue in 2018 (2017 – 5 percent). 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.

OUTLOOK

Cordy continues to see increase demand for services as compared to the previous year. A steady supply of municipal infrastructure projects, as well as an increase in oilfield market share, has had a positive impact on financial results. Although pricing levels have remained competitive, Cordy's continued focus on selling, coupled with benefits associated with its acquisition of Hornet Hydrovac ("Hornet"), continue to yield results. Cordy will continue to expand service offerings to pre-existing Hornet customers and further build relationships in the hydro excavation market.

Cordy anticipates the year over year trend experienced in 2018 to carry into 2019. Cordy expects 2019 will surpass 2018 numbers, while management continues to scrutinize costs and improve margins. Current trends in the oil and gas sector will continue to be a concern, however Cordy will continue to push for increased market share as our competitors fail to withstand the prolonged downturn. Cordy believes it has positioned itself through its diversified customer base, debt structure, service offerings and lean cost base to be a major player in the municipal, industrial and oilfield market for the foreseeable future. As Cordy's competitors continue to struggle, Cordy consistently sees improved results as Cordy's management made the necessary changes to realize profit in these new market realities.

While remaining focused on operational and financial performance, Cordy will continue to seek out acquisitions and or consolidation opportunities that complement its diversification strategy and provide platforms for organic growth. Cordy is actively reviewing numerous opportunities, however Cordy will remain committed to ensuring any acquisition meets our strategic initiatives and financial thresholds. Cordy will continue to consider multiple avenues to reach strategic objectives and provide shareholder value.

SELECTED FINANCIAL AND OPERATING INFORMATION

Year ended December 31 *($ 000's)*	2018	2017	2016
Financial results			
Revenue	15,806	11,182	9,775
Gross Margin[1]	3,258	2,971	2,547
Operating earnings[2]	1,543	1,558	626
Net loss	(581)	(1,402)	(3,520)
Cash flow from operating activities	1,225	776	662
Share Information			
Loss per share	0.00	(0.01)	(0.03)
Share price	0.01	0.03	0.04
Other Information			
Capital expenditures	1,458	1,205	227
Financial Position			
Total assets	14,371	15,704	18,518
Total debt obligations (includes current portion)	14,265	15,663	15,845
Total liabilities	16,381	17,133	18,505
Net assets	(2,010)	(1,429)	13

(1) Gross margin is a non-IFRS term and is defined as revenue less direct operating expenses, see reconciliation on page 15 of this document.

(2) Operating earnings is a non-IFRS term and is defined as revenue less direct operating expenses, see reconciliation on page 15 of this document.

OVERALL PERFORMANCE

In 2018, Cordy's consolidated revenues increased by $4.6 million or 41 percent, from the same period in 2017. 2018 continued to be a difficult year for oilfield service companies throughout Western Canada. The crippling price of crude continued to hinder drilling programs for all producers and in turn negatively impacted demand for oilfield services. Despite the hostile environment and continued headwinds, Cordy continues to push the sales front and saw a strong 41 percent increase to revenue in 2018. This is attributed to competitive pricing and customer diversification as Cordy focuses on the municipal and industrial services, while continuing to make strides on the market share of the oilfield side.

Cordy's normalized operating earnings(2) increased by $0.6 million or 55 percent over 2017. Cordy continues to promote a cost-

(2) Normalized operating earnings (loss) is a non-IFRS term and is defined as revenue less direct operating expenses, see reconciliation on page 15 of this document.

conscious culture and realizes that managing margins is critical for success in the difficult business environment Cordy operates.

Overall consolidated net loss for 2018 improved by $0.8 million or 59 percent as compared to 2017. Cordy's improving operating results, reduced interest rate on debt and diminishing balance calculation of depreciation continue to improve earnings.

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATION

	Three months ended December 31			Twelve months ended December 31		
($ 000's)	2018	2017	($) Change	2018	2017	($) Change
Revenue						
Environmental Services	3,322	2,580	742	15,337	10,659	4,678
Heavy Construction	102	155	(53)	439	471	(32)
Corporate	14	4	10	30	52	(22)
	3,438	2,739	699	15,806	11,182	4,624
Direct operating expenses						
Environmental Services	2,846	2,012	834	12,221	8,078	4,143
Heavy Construction	87	(1,010)	1,097	327	(1,028)	1,355
Corporate	-	1,148	(1,148)	-	1,161	(1,161)
	2,933	2,150	783	12,548	8,211	4,337
General and administrative expenses						
Environmental Services	183	(1)	184	760	394	366
Heavy Construction	1	(52)	53	2	(46)	48
Corporate	260	299	(39)	953	1,065	(112)
	444	246	198	1,715	1,413	302
Operating earnings (loss) (1)						
Environmental Services	293	569	(276)	2,356	2,187	169
Heavy Construction	14	1,217	(1,203)	110	1,545	(1,435)
Corporate	(246)	(1,443)	1,197	(923)	(2,174)	1,251
	61	343	(282)	1,543	1,558	(15)
Normalized operating earnings (loss) (2)						
Environmental Services	324	489	(165)	2,613	2,116	497
Heavy Construction	14	80	(66)	109	70	39
Corporate	(246)	(296)	50	(923)	(1,029)	106
	92	273	(181)	1,799	1,157	642
Depreciation	471	550	(79)	1,900	2,211	(311)
Financing expense	181	110	71	652	870	(218)
Gain on disposal	(300)	(5)	(295)	(428)	(81)	(347)
Share-based recovery	-	-	-	-	(40)	40
Loss before tax	(291)	(312)	21	(581)	(1,402)	821
Income tax expense	-	-	-	-	-	-
Net loss	(291)	(312)	21	(581)	(1,402)	821

(1) Operating earnings (loss) is a non-IFRS term and is defined as revenue less direct operating expenses, see reconciliation on page 15 of this document.
(2) Normalized operating earnings (loss) is a non-IFRS term and is defined as revenue less direct operating expenses, see reconciliation on page 15 of this document.

Revenue

For the three months ended December 31, 2018, Cordy's consolidated revenue increased by $0.7 million or 26 percent as compared to the same period ended December 31, 2017. Cordy's revenue for the three months ended December 31, 2018 consisted of 31 percent oilfield service revenue and 69 percent municipal and industrial services revenue. The increase for the three months ended is directly tied to increased demand from all service lines, specifically Cordy saw the biggest increase stemming from municipal and industrial work. Cordy has concentrated efforts surrounding diversification from oil and gas, which is beginning to produce results from a more diverse customer base.

For the twelve month period consolidated revenue was $15.8 million compared to $11.2 million for 2017. The Environmental

Services segment saw increased revenue of $4.7 million or 44 percent, this is attributed to Cordy's purchase of Hornet Hydrovac at the end of 2017, coupled with organic sales efforts to further expand Cordy's customer base.

Direct Operating Expenses ("DOE")

For the three months ended December 31, 2018, consolidated DOE were $2.9 million compared to $2.2 million in the same period of 2017. As a percentage of revenue DOE increased to 85 percent from 78 percent. The Environmental Services segments DOE increase to $2.8 million from $2.0 million in 2017, DOE as a percentage of revenue increased to 86 percent from 78 percent for the three months ended 2017. The increase is due to increased repair and maintenance costs above and beyond the previous year as Cordy readies its fleet for the upcoming winter season, coupled with increased cost of labour.

For the twelve month period, consolidated DOE was $12.5 million in 2018 compared to $8.2 million in 2017. As a percentage of revenue DOE increased to 80 percent from 73 percent. The majority of the expenses relate to the Environmental Services segment; where DOE as a percentage of revenue was 79 percent compared to 76 percent in 2017. The increase is due to pricing pressures from Cordy's customers, resulting in Cordy unable to increase rates to recoup additional costs of doing business.

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 general and administrative expenses incurred at each of the business units. For the three months ended December 31, 2018 G&A was $0.4 million as compared to $0.2 million in 2017. The increased G&A costs can be attributed to a bad debt recovery of $0.1 million in 2017 that did not reoccur in 2018.

For the twelve month ended December 31, 2018, G&A was $1.7 million as compared to $1.4 million for prior year. The increase is due to increased bad debt expense of $0.3 million during the year related to the collection of the Ranch Energy receivable.

Depreciation

Depreciation was $0.5 million for the three months ended December 31, 2018 compared to $0.6 million for the three months ended December 31, 2017 and $1.9 million for the twelve months ended December 31, 2018 compared to $2.2 million for the twelve months ended December 31, 2017. The decrease is due to less equipment and less depreciation annually due to the diminishing balance calculation of depreciation.

Financing expense

Finance costs were $0.2 million for the three months ended December 31 2018 compared to $0.1 million for the same period of 2017 and $0.7 million for twelve months ended December 31 2018 compared to $0.9 for the same period of 2017. Finance costs are lower for the twelve months ended due to a reduced borrowing rate on interest and less debt.

Loss (gain) on disposal

For the twelve months ended December 31, 2018 the Corporation disposed of property and equipment with a carrying value of $1.8 million (2017 - $0.4 million) for proceeds of $2.2 million (2017 - $0.5 million) resulting in a gain of $0.4 million (2017 - $0.1 million).

Share-based Payments

For the twelve month ended December 31, 2018 Cordy had no share-based payment expense (2017 a recovery of $0.04 million).

FINANCIAL RESULTS

	2018				2017			
($ millions) (except per share information)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	3.4	3.9	3.3	5.1	2.7	2.6	2.1	3.7
Operating earnings [(1)]	0.1	0.6	0.1	0.8	0.3	0.3	0.2	0.7
Net income (loss)	(0.3)	(0.1)	(0.4)	0.2	(0.3)	(0.4)	(0.5)	(0.1)
Earnings (loss) per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash flow from (used in) operations	1.0	(0.1)	0.1	0.2	0.2	0.3	0.2	0.1

[(1)] Operating earnings (loss) is a non-IFRS term and is defined as revenue less direct operating expenses, see reconciliation on page 15 of this document.

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

- 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 continues to focus on its diversification strategy, resulting in additional revenue streams.

- Q2 2018 trended similar to the first quarter of 2018, in that demand for services continued to improve. In the quarter Cordy recognized a bad debt of $0.2 million, with respect to remediation services performed on a pipeline spill.
- Q1 2018 saw increased demand for Cordy's services, recovering commodity prices, coupled with Cordy's sales efforts resulted in increased revenue for the quarter.
- Q4 2017 trended similarly to Q4 2016. Operating earnings were $0.2 million higher due to 2016 incurring legal costs and a bad debt expense that did not reoccur in 2017.
- Q3 2017 showed a slight improvement in activity over Q3 2016. A majority of the increase came from the municipal market with Oilfield sales trending slightly higher quarter over quarter. Subsequent to Q3 2017, the Corporation entered into two restated lease agreements, these agreements reduced payments, reduced interest rate and reduce cash flow pressures for 2018.
- Q2 2017 trended consistently with the prior year; historically Q2 is a slower quarter for Cordy based on the seasonality of oilfield work. Cordy continued to closely monitor margins and maintain a tight cost structure.
- Q1 2017 saw consolidated revenue growth of $1.0 million. This increase can be attributed to a slight increase in oilfield demand from Cordy's major oilfield customers.

FINANCIAL RESOURCES AND LIQUIDITY

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

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

The Corporation has recorded a net loss of $0.6 million for the year ended December 31, 2018. Earnings and cash flow from operations need to increase further to support the future obligations of the Corporation. These conditions create a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

The ability of the Corporation to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due, is dependent on the continuation of the improvements in the financial results. Management believes that the regular payment of the lease obligations will be met out of operating cash flows or cash from equipment sales or alternate financing or the raising of funds. If for any reason the Corporation is unable to continue as a going concern, it could impact the Corporation's ability to realize assets at their recognized values and to meet liabilities in the ordinary course of business at the amounts stated in the consolidated financial statements.

Liquidity is principally monitored through cash and cash equivalents and available borrowing capacity under the Corporation's committed credit facility. The outstanding balance under the credit facility fluctuates as it is drawn to finance working capital requirements.

As at December 31, ($ 000's)	2018	2017	$ Change
Borrowing capacity:			
Available credit facility	1,199	-	1,199
Drawings on credit facility	500	-	500
Borrowing capacity	699	-	699

During the year the Corporation entered into a line of credit agreement, with a private lender, pursuant to which it may borrow up to an amount equal to 50% of eligible receivables, on a revolving basis (the "Credit Facility"). Based on the current level of eligible receivables at December 31, 2018, Cordy's availability under the Credit Facility is approximately $1.2 million. As at December 31, 2018 Cordy has borrowed $0.5 million. The Agreement includes a General Security Agreement that grants the Creditor a continuing security interest in all present and after acquired property of Cordy and its subsidiaries. The Credit Facility bears interest at the rate equal to the Bank of Canada prime rate plus 4% per annum and has an initial term of two years subject to earlier demand being made by the lender.

FINANCIAL MANAGEMENT

Twelve months ended December 31, ($ 000's)	2018	2017	$ Change
Cash generated provided by (used in):			
Operating activities	1,225	776	449
Financing activities	(3,484)	(2,179)	(1,305)
Investing activities	2,236	400	1,836
Decrease in cash	(23)	(1,003)	980

Cash flows from operating activities increased in the twelve month period ended December 31, 2018 from the same period in 2017 by $0.4 million due to increased earnings, and a positive change to working capital stemming from timing differences of collection and payments.

Cash flows used in financing activities was $3.5 million in 2018 as compared to using $2.2 million in 2017. The additional funds used in 2018 is due to a significant repayment of finance leases, partially offset by the funding from Cordy's line of credit.

Cash flows used in investing activities was $2.2 million compared to cash flows generated from investing activities of $0.4 million in 2017. The funds generated in 2018 were from the sale of underutilized equipment.

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, obtaining a receivables line and asset dispositions as needed.

Year ended December 31 ($ 000's)	2018	2017	$ Change
Cash	257	280	(23)
Loans and finance leases	14,265	15,380	(1,115)
Net debt	(14,008)	(15,100)	1,092
Working capital (deficit) (1)	(604)	202	(806)

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

Working capital has decreased for the period due to increased short-term obligations under finance leases; receivables were $3.3 million as at December 31, 2018 as compared to $2.3 million as at December 31, 2017. The $1.0 million increase in receivables, was only offset partially by an increase of $0.6 million to payables. These working capital increases have been offset by short-term obligations under finance leases that increased from $1.0 million at December 31, 2017 to $1.9 million at December 31, 2018. The increase in short-term finance lease obligations is due to increase payments that started in September 2018.

LOANS AND BORROWING

The Corporation finances its equipment purchases with debt to allow it to utilize its working capital to fund operations. The amortization periods on the equipment loans are correlated to the expected useful life and expected cash flows of each asset. As at December 31, 2018 finance lease obligations attributable to equipment financing was $13.8 million or 96 percent of the total debt outstanding. Management will continue to review Cordy's capital structure and consider various options to support the Corporation's debt payments and future cash-flow requirements.

Year ended December 31 ($ 000's)	2018	2017
Current liabilities:		
Related party loan payable	-	283
Current portion of finance lease obligations	1,903	1,018
Bank indebtedness	500	-
Current portion of debt and finance lease obligations	2,403	1,301
Non-current liabilities:		
Finance lease obligations	11,862	14,362
Non-current portion of debt and finance lease obligations	11,862	14,362
Total term debt and lease obligations	14,265	15,663

Terms and conditions of equipment loans and obligations under financing lease were as follows:

				December 31, 2018		December 31, 2017	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Financing lease liabilities	CAD	4.95% - 5.95%	2021-2025	13,765	13,765	15,380	15,380
Total finance leases				13,765	13,765	15,380	15,380

The financing leases are secured by equipment with a carrying amount of $10.2 million at December 31, 2018 (December 31, 2017 – $12.5 million). The current portion of finance lease obligations are $1.9 million at December 31, 2018 (December 31, 2017 – $1.0 million).

Financing lease liabilities (payments, interest and present value "PV")

	December 31, 2018			December 31, 2017		
	Future lease payments	Interest	PV lease payments	Future lease payments	Interest	PV lease payments
Less than one year	2,546	643	1,903	1,532	514	1,018
Between one and five years	13,366	1,504	11,862	16,712	2,350	14,362
Total finance leases	15,912	2,147	13,765	18,244	2,864	15,380

TRANSACTIONS WITH RELATED PARTIES

Lyncorp International Ltd ("Lyncorp") is considered a related party; a company wholly-owned by David Mullen, the Chairman and a director of Cordy. Together, David Mullen and Lyncorp hold approximately 13.2% (2017 – 13.2%) of Cordy's outstanding common shares. All of the transactions with Lyncorp occurred in the normal course of operations with terms consistent with those offered to arm's length parties and are measured at the exchange amount.

	December 31, 2018	December 31, 2017
Related party loan	-	283

Related party loan payable

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

SHARE CAPITAL

	December 31, 2018	December 31, 2017
Balance at January 1	43,395	43,395
Balance at December 31	43,395	43,395

Common shares

As at December 31, 2018 the Corporation had 206,161,981 shares outstanding (2017 – 206,161,981), the Corporation was authorized to issue an unlimited number of common shares. There were no changes in the number of common shares outstanding as at April 25, 2018.

Share purchase warrants

The Corporation has 17,127,183 warrants outstanding that expire on December 14, 2019, or upon a trigger of accelerated expiration. As at December 31, 2018, all 17,127,183 outstanding warrants were vested and exercisable at a price of $0.05. In the event the closing price of the common shares on the TSX Venture Exchange exceeds $0.10 per common share for 20 consecutive trading days at any time after the first year anniversary of the closing date of the Private Placement, the warrants will expire and terminate on the 30th day after the date on which notice thereof from the Company has been given to warrant holders. The Corporation calculated the fair value of the share purchase warrants using the Black-Scholes pricing model to estimate the fair value of the warrants issued at the date of grant. The warrants were valued using a risk-free interest rate of 0.95% and volatility of 75%. The fair value of warrants issued is $0.2 million and has been recorded separately from share capital under the caption of share purchase warrants.

Equity (000's)	2018	2017
Balance at January 1	(1,429)	13
Loss for the period	(581)	(1,402)
Share-based payments	-	(40)
Balance at December 31	(2,010)	(1,429)

Summary information with respect to share options outstanding at December 31, 2018 is provided below:

Expiry Date	Exercise Price in $ Per Share	Weighted Average Remaining Contractual Life (Years)	Options Outstanding
August 14, 2019	0.18	0.6	900,000

There were no changes in the number of options outstanding as at April 25, 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

The Corporation has a risk management review process to ensure that risks are identified, discussed and mitigated where possible. The risk management review process highlights the significant risks which then lead to mitigation plans through, among other things, the establishment of standards and other controls. The inability to identify, assess and respond to risks through the risk management review process could lead to, among other things, an inability to capture opportunities, threats materializing, inefficiencies and non-compliance with laws and regulations.

The Corporation has established and enforces a corporate wide Code of Conduct and has an anonymous Whistleblower protocol that compliments its risk management process.

Management believes that the risks described below are the ones that could have the most significant impact on the Corporation. Readers are cautioned that the list of risks is not exhaustive and new information, future events or changing circumstances could affect the operations and financial results of the Corporation. Many of these risks, for example, the cyclical nature of the energy and construction industries, can be mitigated to a certain degree but are influenced by numerous factors over which the Corporation has no control.

FINANCIAL RISKS

Financial risk is the risk of loss that results from changes in market prices. Financial risk is comprised of credit risk, interest rate risk, and other price risks. The level of financial risk to which the Corporation is exposed depends on market conditions, expectations of future price or market rate movements and the composition of the Corporation’s financial assets and liabilities. The Corporation regularly monitors financial risk exposure, tolerances and control processes in order to manage the exposure related to changes in market risk and to stay within acceptable market risk limits.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation is exposed to liquidity risk if it is unable to collect its trade accounts receivable balances on a timely basis, which in turn could impact the Corporation's ability to meet commitments under its financing structure. In order to manage its liquidity risk, the Corporation has a policy to maintain positive working capital, a diverse clientele of well-established and well-financed entities, and sufficient capacity within its financing structure to meet any immediate liquidity requirements. The Corporation believes that forecasted cash flows from operating activities, available financing, and asset disposals will provide a sufficient cash resource to fund the Corporation's operating requirements. Management acknowledges that uncertainty remains over the ability of the Corporation to meet its funding requirements. 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.

The Corporation has the following commitments tied to operating leases:

As at	December 31, 2018	December 31, 2017
Not later than 1 year	439	432
Later than 1 year not later than 5 years	1,075	1,464
Later than 5 years	-	-
Total	1,514	1,896

Credit risk

Credit risk represents the financial loss to the Corporation if a customer fails to meet its contractual obligations. The Corporation is exposed to credit risk related to the collection of its trade accounts receivable, of which approximately three quarters are due from customers connected to the oil and natural gas industry. Management regularly assesses the Corporation's exposure to credit risk and provides allowances for potentially uncollectible accounts receivable as they become known. Although collection of these receivables could be influenced by economic factors, management considers the risk of significant loss to be mitigated by the number, reputation and diversified nature of the companies with which the Corporation does business. The Corporation's maximum exposure to credit risk on trade accounts receivable at December 31, 2018 is the carrying value of $3.3 million (December 31, 2017 – $2.3 million). The Corporation believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behaviour and an analysis of the customers' ability to pay.

At December 31, 2018, the Corporation had an allowance for doubtful accounts of $0.4 million (December 31, 2017 – $0.2 million) on trade accounts receivable. Normal collection periods vary across the Corporation's business segments. Management considers its trade accounts receivable to be overdue if outstanding for more than 30 days, excluding any construction hold-back receivables.

Carrying amount	December 31, 2018	December 31, 2017
Trade receivables	3,239	2,197
Other receivables (includes accrued revenue, GST and other receivables)	108	127
Total	3,347	2,324

Impairment Losses

The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the Corporation is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

The Corporation has received a notice and statement (the "Notice") from the court appointed receiver and manager of Ranch Energy Corporation, OpsMobil Inc., OpsMobil Construction Inc., OpsMobil Energy Corporation Air Dallaire Ltd., 1734163 Alberta Inc., 1859821 Alberta Inc. and K.L. Capital Corp. (collectively, the "Corporations") as to its appointment in such capacity on July 19, 2018 and that it has taken possession and control of the property of Corporations. Cordy provided logistic services related to soil reclamation and remediation of BC Crown land, pursuant to General Order 2017-091 issued by the BC Oil and Gas Commission, (the "Project") to the Corporations in the spring of 2018, and has an unsecured receivable owing from the Corporations in the amount of $0.76 million. Cordy is pursuing all available options for amounts owing, however timing and amount of collection is uncertain. The Corporation has recorded a bad debt provision of $0.2 million.

Interest risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Corporation's financial assets or liabilities. The Corporation is exposed to interest rate risk on certain debt instruments to the extent of changes in the underlying market interest rates. Exposure to interest rate risk is minimal at this time as all finance leases bear interest at a fixed term, the only variable instrument is Cordy's line of credit that bears interest at the Bank of Canada prime rate plus 4% per annum.

At December 31, 2018 and 2017, the interest rate profile of the Corporation's interest-bearing financial instruments was:

As at	December 31, 2018	December 31, 2017
Fixed-rate instruments		
Related party loan payable	-	283
Financial liabilities	13,765	15,380
Total	13,765	15,663
Variable rate instruments		
Financial liabilities (credit facility)	500	-
Total	500	-

Fair values versus carrying amounts

Financial instruments include cash and cash equivalents, trade and other receivables, trade and other payables and obligations under financing leases. The Corporation's cash and cash equivalents are designated as held-for-trading and are recorded at fair value. Trade and other receivable are designated as loans and receivables and recorded at amortized cost, which approximates fair value due to the short-term nature of the instrument, trade and other payables and equipment loans and obligations under financing leases are designated as other liabilities and are recorded at amortized cost. The fair values of trade and other payables approximate their carrying values due to the short-term nature of these instruments. The fair values of the financing leases approximate their carrying values as the interest rates applicable to these instruments reflect current market rates.

Capital management

The Corporation's capital structure is comprised of shareholders' equity and obligations under finance leases. Cordy's objectives in managing its capital are the following:

- To Preserve the Corporation's access to capital and its ability to meet its financial obligations.
- To maintain flexibility of capital as to allow for a quick response to business opportunities.

The Corporation manages its capital structure and makes adjustments in light of changing market conditions along with new opportunities, while remaining cognizant of the cyclical nature of the energy services sector and other sectors it operates in. In order to maintain or adjust its capital structure, Cordy may revise capital spending, issue new shares or new debt or repay existing debt.

As at	December 31, 2018	December 31, 2017
Related party loan payable	-	283
Credit facility	500	-
Obligations under finance lease	13,765	15,380
Total debt	14,265	15,663
Total equity	(2,010)	(1,429)
Less: Cash	(257)	(280)
Total capitalization	11,998	13,954

MARKET RISK

Oil and Natural Gas Drilling Activity

A portion of Cordy's revenue and operating income is directly related to oil and natural gas drilling activity in western Canada. As a service provider to the oil and natural gas industry we are reliant on the levels of capital expenditures made by oil and natural gas producers. The level of drilling activity by exploration and production companies is based on several factors including, but not limited to, hydrocarbon prices, production levels and access to capital. Oil and natural gas development is also influenced by the long-term takeaway pipeline capacity to transport these products out of western Canada. There can be no certainty that investments will be made, or that approvals by regulators will be forthcoming, to provide this capacity. As a service provider to the oil and natural gas industry, Cordy is highly reliant on the levels of capital allocated by oil and natural gas producers to drilling activity in western Canada. In recent years, natural gas prices have been volatile, nearing ten year lows, thereby reducing the level of natural gas drilling activity. Oil prices have fluctuated significantly and may remain volatile.

A prolonged decline of oil and/or natural gas prices may have a negative impact on drilling activity that would negatively affect the operations as well as the overall financial condition. Conversely, a resurgence of oil and/or natural gas prices may have a positive impact on the operations as well as the overall financial condition. Cordy recognizes the cyclical and volatile nature of drilling activity and mitigates the risks associated with this volatility through the combination of a disciplined capital allocation process and a focus on maintaining long-term relationships with large-cap oil and gas companies.

Competition

The various business segments in which Cordy participates are highly competitive. The Corporation competes with several large companies in the energy, industrial and municipal services that may have greater financial and other resources than the Corporation. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Corporation's or that new competitors will not enter the various markets in which Cordy is active.

The Corporation endeavours to use modern fleet, high standard of safety, strong relationships, customer services and full value chain of waste to remain competitive in its various industries.

Dependence on Suppliers

The ability of the Corporation to compete and grow will be dependent on the Corporation having access, at a reasonable cost and in a timely manner, to products, equipment and equipment parts and components and technology resources. Failure of suppliers to deliver such products, equipment, parts and components and technology resources at a reasonable cost and in a timely manner could be detrimental to the Corporation's ability to maintain existing customers and expand its customer base.

The Corporation maintains a diverse and large supplier base to mitigate the risk of not being able to attain required parts or products.

Climate Change Regulations and Carbon Pricing/Taxes

Effective January 1, 2017 the Alberta Government announced an implementation of a Provincial carbon tax. This has had an impact on all diesel, gasoline, natural gas, propane purchases and utilities. This tax has impacted our customers and our operations. Climate change regulations and carbon taxes have led to additional costs to producers and services providers affecting both their profitability and their investments in oil and natural gas. Given the evolving nature of the debate related to climate change, it is not currently possible to predict the nature of, or the impact on, Cordy and its operations and financial condition in the years to come.

Economic Dependence

The Corporation's businesses within each operating segment are, to a large extent, economically dependent on a limited number of key customers. There can be no assurance that the Corporation's relationship with these customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Government Regulation

The Corporation's operations and those of its customers are subject to a variety of Canadian federal, provincial and local laws, regulations and guidelines, including laws and regulations related to health and safety, the conduct of operations, the protection of the environment and the manufacture, management, transportation, storage and disposal of certain materials used in the Corporation's operations.

Management believes the Corporation is in compliance with such laws, regulations and guidelines. The Corporation has invested financial and managerial resources to ensure compliance with applicable laws, regulations and guidelines and will continue to do so in the future. Although such expenditures have not historically been material to the Corporation, such laws, regulations and guidelines are subject to change. Accordingly, it is impossible for the Corporation to predict the cost or impact of such laws, regulations or guidelines on its future operations.

Government regulations may change from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the energy industries could reduce demand for the Corporation's services or increase its costs, either of which could have a material adverse impact on the Corporation. It is not expected that any such changes to current laws, regulations or guidelines would affect the operations of the Corporation in a manner materially different than they would affect other companies of a similar size in the industry segments where the Corporation's services are provided.

Environmental Liability

Certain segments of the Corporation routinely deal with potentially hazardous materials. The Corporation has programs to address compliance with current environmental standards and has policies and procedures to deal with the handling of potentially hazardous materials. There can be no assurance that the Corporation's procedures will prevent environmental damage occurring from spills of materials handled by the Corporation or that such damage has not already occurred. Canadian laws generally impose potential liability to the present or former owner or occupants of properties on which contamination has occurred. Although the Corporation is not aware of any contamination which, if remediation or clean-up were required, would have a material adverse effect on the Corporation, there can be no assurance that the Corporation will not be required, at some future date, to incur significant costs to comply with environmental laws, or that its operations, business, assets or cash flow will not be materially adversely affected by current or future environmental laws. The Corporation may have the benefit of insurance maintained by it or the operator, however, the Corporation may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

The Corporation's customers are subject to similar environmental laws and regulations, as well as limits on emissions to the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Corporation cannot predict the nature of the restrictions that may be imposed. The Corporation may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Operating Risks and Insurance

Certain of the Corporation's operations are subject to hazards inherent in their respective industries, such as equipment defects, malfunctions and failures, and natural disasters. These hazards could result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruptions, and damage to or destruction of property and equipment. Although such hazards are primarily the responsibility of the oil and natural gas companies which contract with the Corporation, these risks and hazards could expose the Corporation to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages.

The Corporation continuously monitors its activities for quality control and safety and maintains an insurance and risk management program to protect its employees, assets and operations that it believes to be adequate and customary in the industry. However, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Corporation is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Corporation's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable.

If the Corporation were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Corporation were to incur such liability at a time when it is not able to obtain liability insurance, this could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation also has programs in place to address compliance with current safety and regulatory standards.

Operating Equipment Risks

The ability of the Corporation to meet customer demands in respect to performance and cost will depend upon continuous improvements to its operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. No assurances can be given that its competitors will not achieve technological advantages over the Corporation.

Legal Proceedings

The Corporation is involved in litigation from time to time in the ordinary course of business. Although the Corporation is not currently a party to any material legal proceedings, legal proceedings could be filed against the Corporation in the future. No assurance can be given as to the final outcome of any legal proceedings or that the ultimate resolution of any legal proceedings will not have a material adverse effect on the Corporation.

Access to Additional Financing

The economic slowdown and uncertainty over the recent year has had an adverse impact on financial markets. These conditions have impacted, and continue to impact, the expenditure plans of both the Corporation and its customers. As a result, the Corporation's ability to fund growth initiatives or other business combination transactions could be negatively affected as there can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's inability to raise financing to support ongoing operations or to fund capital expenditures could limit the Corporation's growth and may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation manages its balance sheet and cash flows with a view of ensuring that it maintains suitable levels of leverage and liquidity and that it will have sufficient resources to meet its liabilities when due, under both normal and stressed conditions. However, there can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation has reduced both its access and need for additional financing by selling excess equipment.

Vulnerability to Market Changes

Petroleum and natural gas are expected to remain volatile in the near future. As a service provider to the energy industry, the Corporation is highly reliant on the levels of capital expenditures made by the energy producers. A prolonged period of volatile pricing could lead to continued fluctuations in customers' business plans and spending patterns which could result in reduced demand for the Corporation's products and services. Inflation and cost escalations, including costs associated with renting equipment, leasing facilities, labour costs, insurance, interest and fuel costs are other factors over which the Corporation has little or no control. As these costs represent a significant portion of the Corporation's costs, an inability to offset these increases through increased prices or improved operating efficiencies could adversely affect the Corporation's financial performance.

In consideration of this risk, management endeavours to ensure that its cost, pricing, resourcing and investment strategies are appropriate to the existing and anticipated levels of activity during a volatile market.

Volatility of Industry Conditions

The demand, pricing and terms for energy services in the Corporation's existing and anticipated service areas largely depend upon the level of exploration and development activity for coal, oil and natural gas. Oil and natural gas industry conditions are influenced by numerous factors including: oil and natural gas prices; expectations about future oil and natural gas prices; levels of consumer demand; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reservoirs; available pipeline, rail and other oil and natural gas transportation capacity; weather conditions; political, regulatory and economic conditions; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and natural gas exploration and production activities will continue. Oil and gas pricing is currently fragile and any prolonged reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect the demand for services provided by the Corporation to oil and natural gas exploration and production entities. A continued or long-term decline in oil or natural gas prices or industry activity could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Government regulation and uncertainty regarding climate control initiatives continue to impact the energy industries decision making. Any addition to, or elimination or curtailment of, government incentives could have a significant impact on the energy services industry. Lower oil and natural gas prices could also: cause the Corporation's customers to seek to terminate, renegotiate or fail to honour the Corporation's services contracts; affect the fair market value of the Corporation's equipment fleet which in turn could trigger an additional write-down for accounting purposes; affect the Corporation's ability to retain skilled service personnel; and affect the Corporation's ability to obtain access to capital to finance and grow the Corporation's business.

Due to the long-life nature of certain oilfield service equipment the inventory of such equipment does not always correlate with the level of demand for the equipment. Periods of high demand often result in increased capital expenditures on equipment, and those capital expenditures may add capacity that exceeds actual demand in the future. This excess capacity could cause the Corporation's competitors to lower their prices and could lead to a decrease in prices in the oilfield services industry generally, which could have a material adverse effect on the Corporation's operating results and cash flows. Cordy has mitigated this risk by disposing of excess equipment subsequent to year end.

Seasonality

The level of activity and equipment utilization in the Environmental Services Heavy Construction segments specifically is influenced by seasonal weather. The spring thaw makes the ground unstable and less capable of supporting vehicles with heavy loads. Consequently, municipalities and transportation departments enforce road bans that restrict the movement of heavy equipment, thereby reducing road building, infrastructure construction, drilling and well servicing activity levels. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting equipment utilization rates and revenues.

There is greater demand for oilfield services provided by the Corporation in the winter season when the occurrence of freezing permits the movement and operation of heavy equipment. Consequently, oilfield services activities tend to increase in the fall and peak in the winter months. However, if an unseasonably warm winter prevents sufficient freezing, the Corporation may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The volatility of weather conditions can therefore create unpredictability in activity and equipment utilization rates, which may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation mitigates some of this risk through its diversification into areas such as manufacturing and supply and environmental services which are not as closely impacted by these volatile conditions.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Reliance on Personnel

The success of the Corporation is dependent upon its ability to attract and retain key personnel. The abilities, expertise, judgment, and unwavering commitment to deliver results are the key elements required of the Corporation's leaders in this challenging environment. The demand for proven and inspirational leadership is high and the supply is limited. Any loss of the services of the Corporation's key individuals could have a material adverse effect on the business, operations and financial results of the Corporation.

The ability of the Corporation to expand its services is dependent upon its ability to attract additional qualified employees. The ability to secure the services of additional personnel is constrained in times of strong industry activity. The Corporation does not maintain key person insurance.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation has made, and anticipates that it will continue to make, strategic acquisitions or mergers and dispositions of businesses and assets in the ordinary course of business.

Acquisitions and mergers involve numerous risks, including:

- unanticipated costs and liabilities;
- difficulty of integrating the operations and assets of the acquired business;
- the ability to properly access and maintain an effective internal control environment over an acquired company;
- potential loss of key employees and customers of the acquired companies;
- excess equipment and capacity; and
- an increase in expenses and working capital requirements.

Any acquisition or merger that the Corporation completes could have unforeseen and potentially material adverse effects on the Corporation's financial position and operating results. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations, procedures and personnel of all of the businesses acquired by the Corporation in a timely and efficient manner, as well as management of the Corporation's ability to realize the anticipated growth opportunities and synergies from integrating each of the acquired businesses. This integration requires a dedication of management's time, effort and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the disruption of ongoing business and customer and employee relationships that may adversely affect the Corporation's ability to achieve all the anticipated benefits of the acquisitions or merger.

Management continually assesses the value and contribution of its personnel, assets, and product and service offerings. Non-core and underutilized assets will be periodically disposed of so the Corporation can focus its efforts and resources more efficiently. Depending on market conditions, such non-core assets, if disposed of could be expected to realize less than their carrying value on the financial statements of the Corporation.

Management will continue to use its best efforts to address all of these uncertainties in the evaluation of acquisitions, mergers or dispositions.

OFF-BALANCE-SHEET ARRANGEMENTS

As at December 31, 2018, the Corporation had no off-balance-sheet arrangements except for operating leases previously described.

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. 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. The Corporation uses gross margin to monitor operational cost efficiency.

Non-GAAP Term Years ended December 31, ($ 000's)	2018	2017	2016
Revenue	15,806	11,182	9,775
Deduct:			
Direct operating expenses	12,548	8,211	7,228
Gross Margin	3,258	2,971	2,547

Operating Earnings (Loss)

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

Non-GAAP Term Periods ended December 31,	Three months		Tw elve months	
($ millions)	2018	2017	2018	2017
Net loss	(291)	(312)	(581)	(1,402)
Add (deduct):				
Depreciation expense	471	550	1,900	2,211
Financing expense	181	110	652	870
Loss (gain) on disposal of equipment	(300)	(5)	(428)	(81)
Shared-based payments	-	-	-	(40)
Operating earnings	61	343	1,543	1,558

Normalized Operating Earnings (Loss)

Normalized operating earnings (loss) is defined as Operating Earnings before bad debt expense and cost recoveries Normalized operating earnings (loss) 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 normalized operating earnings (loss) 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 normalized operating earnings (loss) may differ from that of other companies and, accordingly, normalized operating earnings (loss) may not be comparable to measure used by other companies.

Non-GAAP Term Periods ended December 31,	Three months		Tw elve months	
($ millions)	2018	2017	2018	2017
Operating earnings	61	343	1,543	1,558
Add (deduct):				
Bad debt expense	31	(129)	256	(119)
Cost recoveries	-	(1,088)	-	(1,429)
Inventory impairment		1,147	-	1,147
Normalized operating earnings	92	273	1,799	1,157

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation prepares its 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 financial statements for the year ended December 31, 2018.

IMPAIRMENT TESTS

Property plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. During the year ended December 31, 2018, the Corporation determined no indicators were present and no impairment has been recorded in 2018 (2017 - $Nil).

DEPRECIATION

Depreciation expense is an estimate designed to apportion the value of depreciable assets over their estimated useful lives. The Corporation estimates the useful life of its property and equipment and intangible assets based on experience, industry practices and the market for these assets. Differences between the actual useful lives of these assets and estimates can materially affect future results and depreciation expense. In 2018, the Corporation recorded depreciation expense on property and equipment of $1.9 million (2017 – $2.2 million).

BAD DEBT EXPENSE

The Corporation regularly reviews its accounts receivable for bad debts on a customer-by-customer basis and provides a reserve for accounts that may be deemed uncollectible. This is an estimate as some of the reserved accounts may subsequently be collected whereas other accounts currently deemed collectible may become uncollectible. At December 31, 2018, the Corporation had an allowance for doubtful accounts of $0.4 million (2017 – $0.2 million) netted against accounts receivable of $3.3 million (2017 – $2.3 million). Actual bad debts incurred can differ from the reserves provided.

NEW IFRS PRONOUNCEMENTS

The Corporation has reviewed new and revised standards and interpretations that have been approved by the International Accounting Standards Board ("IASB"). The following accounting pronouncements is applicable to or may have a future impact on the Corporation:

IFRS 16, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company is required to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company anticipates that the most significant impact of adopting IFRS 16 will be the recognition of right-of-use ("ROU") assets and corresponding lease obligations on its operating leases for office space. As a result, the nature of the expenses related to these leases will change as IFRS 16 replaces the straight-line operating lease expense with depreciation expense on the ROU asset and a finance charge on the lease obligation. On adoption of IFRS 16. The Company will recognize lease liabilities in relation to leases under the principles of the new standard. These liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The associated ROU asset will initially be measured at the amount equal to the lease liability on January 1, 2019 with no impact on retained earnings. The Company has identified cash flow from operating activities will increase and cash flow from financing activities will decrease as lease obligations repayments will be reported as financing activities on the Consolidated Statement of Cash Flows. There will be no net impact on cash flows.

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, 2018 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 intends to continue to re-evaluate its business and deploy its people and equipment to achieve a reasonable return on investments over the long-term. Management plans to continue to adjust the equipment fleet to reflect business realities;

- Cordy intends to use the anticipated cash flow from operating activities and the proceeds on disposition of equipment and other assets for 2019 to finance working capital requirements, debt repayments and capital expenditures;

- Cordy's belief that 2019 will continue to be a growth year, this forward-looking statement is based on the assumption that demand for Cordy's services will continue to improve along with the Western Canadian economy;

- 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 2019 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 revenue, net profit, and cash flow forecasts for 2019;

- Our customers and potential customers continuing to invest in the oil sands 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.

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.