2020 Annual Consolidated Financial Statements

Cordy

Oilfield Services Inc.

Management's Report to Shareholders

To the Shareholders of Cordy Oilfield Services Inc.:

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies described in the notes to the consolidated financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards (IFRS). The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

KPMG LLP, an independent firm of Chartered Professional Accountants, was engaged, as approved by a vote of shareholders at the Corporation's most recent annual meeting, to audit the consolidated financial statements and provide an independent professional opinion.

The Audit Committee of the Board of Directors, which is comprised of three independent directors who are not employees of the Corporation, provides oversight to the financial reporting process. Integral to this process is the Audit Committee's review and discussion with management and the external auditors of the annual financial statements and the audit report prior to their release. The Audit Committee is also responsible for reviewing and discussing with management and the external auditors major issues as to the adequacy of the Corporation's internal controls. The external auditors have unrestricted access to the Audit Committee to discuss their audit and related matters. The consolidated financial statements have been approved by the Audit Committee and the Board of Directors of Cordy Oilfield Services Inc.

Darrick Evong	*Amber Johnson*
Darrick Evong, Chief Executive Officer	Amber Johnson, Chief Financial Officer

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cordy Oilfield Services Inc.,

Opinion

We have audited the consolidated financial statements of Cordy Oilfield Services Inc. (the "Corporation"), which comprise:

- the consolidated statement of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statement of comprehensive loss for the years then ended
- the consolidated statement of changes in equity (deficit) for the years then ended
- the consolidated statement of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that earnings and cash flow from operations need to continue to increase to support the future obligations of the Corporation.

As stated in Note 3 in the financial statements, these events or conditions, along with other matters as set forth in Note 3 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Shane Doig.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 22, 2021

Consolidated Statement of Financial Position

As at ($000's)	December 31, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	**-**	**397**
Trade and other receivables (note 6)	**5,237**	**2,937**
Inventory	**80**	**80**
Prepaid and other assets	**292**	**334**
	5,609	**3,748**
Non–current assets		
Property and equipment (note 7)	**11,951**	**10,222**
	11,951	**10,222**
Total assets	**17,560**	**13,970**
Liabilities and equity		
Current liabilities		
Bank indebtedness (note 9)	**2,371**	**1,650**
Trade and other payables (note 8)	**2,655**	**2,040**
Related party note payable (note 10)	**750**	**-**
Current portion of lease liability (note 9)	**2,695**	**2,409**
	8,471	**6,099**
Non–current liabilities		
Lease liability (note 9)	**10,754**	**10,353**
	10,754	**10,353**
Equity		
Share capital (note 12)	**44,145**	**43,395**
Share-purchase warrants	**-**	**163**
Contributed surplus	**7,864**	**7,701**
Deficit	**(53,674)**	**(53,741)**
	(1,665)	**(2,482)**
Total liabilities and equity	**17,560**	**13,970**

Going concern (note 3)

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

On behalf of the Board of Directors:

Approved by the Board of Directors on April 22, 2021, after review by the Audit Committee.

"Signed: "David E. Mullen"
David E. Mullen, Director

"Signed: "Stuart J. King"
Stuart J. King, Director

Consolidated Statement of Comprehensive Loss

For the years ended December 31 ($000s except per share amounts)	2020	2019
Revenue	**18,576**	**16,355**
	18,576	**16,355**
Expenses		
Direct operating expenses (note 13)	**13,629**	**12,858**
General and administrative expenses	**1,640**	**1,679**
Depreciation expense (note 7)	**2,275**	**1,970**
Financing expense (note 15)	**1,124**	**803**
Gain on disposal (note 7)	**(159)**	**(483)**
Income (loss) before tax	**67**	**(472)**
Income tax expense (note 11)	**-**	**-**
Net and comprehensive income (loss)	**67**	**(472)**
Earnings (loss) per share (note 17)		
Basic and diluted ($)	**0.00**	**(0.00)**

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

Consolidated Statement of Changes in Equity (Deficit)

($000's except numbers of shares)	Shares Outstanding (000's)	Share Capital $	Share Purchase Warrants $	Contributed Surplus $	Deficit $	Total $
Balance at January 1, 2019	**206,162**	**43,395**	**163**	**7,701**	**(53,269)**	**(2,010)**
Loss for the period	-	-	-	-	(472)	(472)
Balance at December 31, 2019	**206,162**	**43,395**	**163**	**7,701**	**(53,741)**	**(2,482)**
Balance at January 1, 2020	**206,162**	**43,395**	**163**	**7,701**	**(53,741)**	**(2,482)**
Earnings for the period	-	-	-	-	67	67
Issued common shares - acquisition	25,000	750				750
Expiry of warrants			(163)	163		
Balance at December 31, 2020	**231,162**	**44,145**	**-**	**7,864**	**(53,674)**	**(1,665)**

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

Consolidated Statement of Cash Flows

For the years ended December 31, ($000's)	2020	2019
Cash flows from operating activities		
Net earnings (loss):	67	(472)
Add (deduct) non-cash items:		
Depreciation of property and equipment (note 7)	2,275	1,970
(Gain) loss on disposal of property and equipment (note 7)	(159)	(483)
Bad debt expense	-	214
Finance costs (note 15)	1,124	803
Changes in non–cash working capital	(1,644)	17
Cash flows generated from operating activities	1,663	2,049
Cash flows from financing activities		
Increase in bank indebtedness (note 9)	721	1,150
Proceeds from related party note payable (note 10)	750	-
Repayment of lease liabilities	(3,200)	(3,433)
Interest paid	(1,134)	(803)
Cash flows used in financing activities	(2,863)	(3,086)
Cash flows from investing activities		
Purchase of property and equipment	-	(119)
Proceeds on disposal of property and equipment (note 7)	954	1,296
Acquisitions and Investments, net of cash	(151)	-
Cash flows generated from investing activities	803	1,177
(Decrease) increase in cash	(397)	140
Cash and cash equivalent- beginning of the year	397	257
Cash and cash equivalent - end of the year	-	397

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

1. REPORTING ENTITY

Cordy Oilfield Services Inc. ("Cordy" or the "Corporation") was incorporated under the Business Corporations Act of Alberta and is a publicly-traded Corporation listed on the TSX Venture Exchange under the symbol "CKK". The address of the Corporation's registered office is 5366 55 St SE, Calgary, Alberta, T2C 3G9. These consolidated financial statements of the Corporation as at and for the years ended December 31, 2020 and 2019 are comprised of the Corporation and its subsidiaries. Cordy and its subsidiaries are primarily involved in providing energy services, municipal services and construction throughout western Canada. The business of Cordy is conducted through two reportable segments Environmental Services and Heavy Construction.

2. BASIS OF PRESENTATION

Statement of compliance

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements were authorized for issuance by the Board of Directors on April 22, 2021.

Basis of measurement

The consolidated financial statements were prepared on the historical cost basis.

Functional and presentation currency

The consolidated financial statements are presented in Canadian Dollars which is the Corporation's reporting currency.

3. GOING CONCERN BASIS OF ACCOUNTING

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.

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 significant volatility in demand for crude oil and related hydrocarbons resulted in a number of Cordy's major customers swiftly cutting or suspending capital programs for Canadian operations. The uncertainty of the coronavirus pandemic continues to plague the energy industry.

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, will be impacted by 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. Earnings and cash flow from operations need to continue to increase to support the future obligations of the Company. These conditions create a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

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.

4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The use of judgments and estimates used in the preparation of these consolidated financial statements has been applied consistently for all periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below.

Such estimates primarily relate to the accrual of unsettled transactions, collectability of accounts receivable, recognition of provisions and contingent obligations, the useful lives of property and equipment, recognition of deferred tax assets, and the classification of leases. Accordingly, actual results may differ from estimated amounts. Management has also used judgment in the determination of cash generating units.

If the underlying estimates and assumptions, upon which the consolidated financial statements are based, change in future periods, actual amounts may differ from those included in the accompanying consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

The Corporation has to make several significant accounting judgments and estimates as detailed below:

Judgments

Property, Plant and Equipment
Depreciation expense is a judgment designed to apportion the value of depreciable assets over their pattern of economic benefits. The Corporation estimates the useful life of its property and equipment 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.

Impairment Tests
Cordy assesses at the end of each reporting period, whether there is an indication that an asset group may be impaired. If any indication of impairment exists, Cordy determines the recoverable amount of the asset group. External triggering events include, for example, changes in customer or industry dynamics and economic declines. Internal triggering events for impairment include but are not limited to lower profitability or planned restructuring.

The carrying amount of property, plant and equipment is assessed for indicators of impairment by individual asset or group of assets when there is an indication that they may be impaired. Assets are written down to the lower of the recoverable amount and carrying value. The recoverable amount is the higher of an asset's value in use (VIU) and its fair value less costs to sell (FVLCS).

Estimates

Tax Assets
The realization of deferred tax assets depends on the future taxable income of the respective Cordy subsidiaries. The continued recognition of deferred tax assets is based on estimates of internal projections of future earnings, tax deductions and anticipated income tax rates.

Bad debt expense
Cordy regularly reviews its accounts receivable for bad debts and provides a reserve for accounts that may be deemed to be uncollectible. This is an estimate as some of the reserved accounts may subsequently be collected whereas other accounts currently deemed collectible may become uncollectible. The current uncertainty as a result of the COVID-19 pandemic further increases the uncertainty as to the estimate of expected credit losses.

Leases
Key areas where management has made estimates and assumptions related to lease accounting include the incremental borrowing rate and the lease term.

The incremental borrowing rates are based on estimates including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the ROU asset, lease obligations, and the resulting interest and depreciation expense, may differ due to changes in the estimated rate used to calculate the lease liability.
Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

The following new polices were applied in 2020:

Government Subsidies

During the period ending December 31, 2020, the Corporation adopted the policy as a result of qualifying for the Canada Emergency Wage Subsidy ("CEWS") program first enacted on April 11, 2020, and amended with Bill C-20, passed by the federal Government of Canada, on July 27, 2020.

Government subsidies are recognized when there is reasonable assurance that the subsidy will be received, and that the Corporation will comply with all the relevant conditions. Government subsidies related to the current expenses are recorded as a reduction of the related expenses.

During the year, the Corporation qualified for the CEWS program and recognized $1.5 million as a reduction to wage expense with $1.3 million allocated to direct operating expenses and $0.2 million to general and administrative expenses.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

In May 2020, the IASB published COVID-19-Related Rent Concessions, which amends IFRS 16, Leases, to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020. The Corporation adopted the amendment effective for the current year ending December 31, 2020 and has elected to apply the provided practical expedient. The Corporation will account for any change in lease payments resulting from a COVID-19-related rent concession the same way it would account for the change if the change were not a lease modification.

The significant accounting policies have been applied consistently by the Corporation's entities as noted below.

A. Basis of consolidation

The Corporation applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Corporation. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

i. Subsidiaries

Subsidiaries are all entities over which the Corporation has the power to govern the financial and operating policies, generally accompanying more than one half of the shareholder voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity.

Intercompany transactions, balances, income and expenses on transactions between Corporation companies are eliminated on consolidation.

B. Financial instruments

i. Non-derivative financial assets

The Corporation initially recognizes trade and other receivables on the date that they originate. Impairment of trade and other receivables is recognized in selling and administrative expenses when evidence of impairment arises. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss, or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

All other financial assets are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Trade and other receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method, less any impairment losses.

Cash and cash equivalents are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial assets are measured at amortized cost using the effective interest method.

ii. Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Corporation has the following non-derivative financial liabilities: bank indebtedness, leases, trade and other payables, and related party notes.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest rate method.

iii. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects. Share purchase warrants issued in connection with share capital are fair valued and recorded separately from share capital.

C. Property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses unless acquired in a business combination, in which case they are measured at fair value at the date of acquisition.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in profit or loss.

ii. Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment (repairs and maintenance) are recognized in profit or loss as incurred.

iii. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognized in profit or loss on a diminishing-balance basis over the estimated useful life of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not amortized.

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

The estimated useful lives are as follows:

Type	Method	Rate
Buildings	Diminishing balance	4% - 5%
Heavy equipment and vehicles	Diminishing balance	10% - 20%
Vehicles	Diminishing balance	15% - 30%
Other equipment and shop tools	Diminishing balance	10% - 25%
Computer equipment	Diminishing balance	20% - 45%
Furniture and fixtures	Diminishing balance	20% - 30%

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

D. Leases

Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Corporation. Lease liabilities are initially measured at the present value of unpaid lease payments, less any lease incentives. Lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. Lease payments are discounted using the Corporation's incremental borrowing rate where the rate implicit in the lease is not readily determinable. Right-of-use assets are initially measured at the amount of the lease liability, plus any lease payments made at or before the commencement date, any initial direct costs, and estimated cost for dismantling or restoring the asset. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Corporation uses a single discount rate for a portfolio of leases with reasonably similar characteristics. The Corporation determines its incremental borrowing rate by applying interest rates from external financing sources and adjusting the rate to reflect the term of the lease. Lease payments on short-term leases or leases on which the underlying asset is of low value are accounted for as expenses on a straight-line basis in the consolidated statement of comprehensive loss.

E. Inventories

Inventory consists primarily of spare parts and fuel. Inventory is stated at the lower of cost or net realizable value. The cost of inventory is accounted for on a first-in first-out principle and includes expenditures incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

F. Impairment

i. Financial assets including receivables

The Corporation applies an expected credit loss (ECL) approach in determining provisions for financial assets carried at amortized cost or fair value through net income and total comprehensive income. Due to the nature of its financial assets, the Corporation measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset.

ii. Non-financial assets

The carrying amounts of the Corporation's property plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If so, the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use (VIU) and its fair value less costs to sell (FVLCS). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, known as the cash-generating unit, or CGU.

The Corporation's corporate assets do not generate separate cash flows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit or Corporation on a pro-rata basis.

G. Employee benefits

i. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Corporation has a current legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii. Stock-based compensation

Cordy accounts for share-based compensation plans in accordance with IFRS 2 Share-based Payments which requires companies to recognize the cost of such awards of equity instruments based on the grant date fair value of those awards. Cordy estimates the fair value of share-based payment awards on the date of grant utilizing a Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of short-term traded options that have no vesting restrictions and are fully transferable. Certain key assumptions used in the Black-Scholes model include the expected stock price volatility, forfeitures, dividend yield and expected term. When stock options are exercised, the cash proceeds, along with the amount previously recorded as contributed surplus, are recorded as share capital.

H. Share purchase warrants

The Corporation has issued warrants to purchase common shares at a specified price in conjunction with the issue of common shares of the Corporation. These warrants are accounted for in accordance with the fair value method of accounting, and as such the cost of the warrants is accounted for in the same manner as if the transaction was settled in cash with a corresponding amount recorded to warrants, based upon an estimate of the fair value using a Black-Scholes pricing model. Any consideration paid on the exercise of warrants is credited to share capital.

I. Provisions

A provision is recognized if, as a result of a past event, the Corporation has a current legal or constructive obligation that can be estimated reliably, and it is probable that payment will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

J. Revenue

The Corporation's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision of post-service obligations. The Corporation recognizes the amount of revenue to which it expects to be entitled for the transfer of promised services to customers. Revenue is measured based on the consideration specified in a contract with a customer on either an "over time" or "point in time" basis.

K. Finance costs

Finance costs comprise interest expense, the unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest-rate method.

L. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not be reversed in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

M. Per share Amounts

The Corporation presents basic and diluted Earnings Per Share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss of the Corporation attributable to ordinary equity holders of the parent entity by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted to employees and warrants.

N. Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other segments. The operating results of all segments and other subsidiaries and corporate entities for which discrete financial information is available are reviewed regularly by the Corporation's Chief Executive Officer (CEO), Chief Operating Officer (COO), and Chief Financial Officer (CFO) to make decisions about resources to be allocated to the segment and assess its performance.

Segment results reported to the CEO, COO, and CFO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Corporation's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment.

5. DETERMINATION OF FAIR VALUES

Some of the Corporation's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values are disclosed in the notes specific to that asset or liability.

Property and equipment

The fair value of property, plant and equipment recognized as a result of a business combination or used in an impairment test is based on market or cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For leases, the market rate of interest is determined by reference to similar lease agreements.

Share-based payments

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience and general option-holder behaviour), the expected dividends, and the risk-free interest rate (based on Government of Canada bonds). Service and non-market performance conditions are not taken into account in determining fair value.

Share purchase warrants

The fair value of the share purchase warrants is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience and general option-holder behaviour), the expected dividends, and the risk-free interest rate (based on Government of Canada bonds).

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

6. TRADE & OTHER RECEIVABLES

	December 31, 2020	December 31, 2019
Trade receivables	**5,327**	3,368
Other receivables	**225**	73
Allowance for doubtful accounts	**(315)**	(504)
Total net receivables	**5,237**	2,937
Current	**1,750**	1,200
31 – 60 days	**1,765**	614
61 – 90 days	**680**	231
Over 90 days	**1,132**	1,323
Total trade receivables	**5,327**	3,368

On July 19, 2018, the Corporation received a notice and statement (the "Notice") from a 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") 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, which includes filing a claim during Q1 2020, in the province of British Columbia, against all parties, including naming the BC Oil and Gas Commission, for amounts owning. Timing and amount of collection is uncertain; therefore, Corporation has a bad debt provision of $0.2 million specific to this item.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
Tabular amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

7. PROPERTY AND EQUIPMENT

	Heavy equipment and vehicles	Other	Office and shop	Total
Cost				
Balance at January 1, 2019	16,941	2,444	-	19,385
Additions	1,195	101	1,253	2,549
Disposals	(1,623)	(25)	-	(1,648)
Balance at December 31, 2019	**16,513**	**2,520**	**1,253**	**20,286**
				-
Additions	388	9	-	397
Acquired - asset acquisitions	4,401	-	-	4,401
Disposals	(1,290)	(9)	-	(1,299)
Balance at December 31, 2020	**20,012**	**2,520**	**1,253**	**23,785**
Accumulated Depreciation				
Balance at January 1, 2019	7,634	1,295	-	8,929
Depreciation for the year	1,568	44	358	1,970
Disposals	(816)	(19)	-	(835)
Balance at December 31, 2019	**8,386**	**1,320**	**358**	**10,064**
				-
Depreciation for the year	1,889	9	377	2,275
Disposals	(505)	-	-	(505)
Balance at December 31, 2020	**9,770**	**1,329**	**735**	**11,834**
Carrying amounts				
At December 31, 2019	8,127	1,200	895	10,222
At December 31, 2020	**10,242**	**1,191**	**518**	**11,951**

Assets under lease/right of use are $12.5 million heavy equipment and vehicles, $0.01 million other, $0.8 million office and shop.

Gain on Disposal of Property and Equipment

In the year ended December 31, 2020, the Corporation disposed of property and equipment with a carrying value of $0.7 million (2019 - $0.8 million) for proceeds of $0.9 million (2019 - $1.3 million) resulting in a gain of $0.2 million (2019 - $0.5 million).

Impairment of Equipment

Property, plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. During the years ended December 31, 2020 and 2019, the Corporation determined no indicators were present and no impairment has been recorded in 2020 and 2019.

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

8. TRADE AND OTHER PAYABLES

	December 31, 2020	December 31, 2019
Trade payables	**2,086**	1,734
Non-trade payables/accrued expenses	**569**	306
Total trade and other payables	**2,655**	2,040

The Corporation's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 16.

9. LOANS AND OTHER BORROWING

	December 31, 2020	December 31, 2019
Current liabilities		
Bank indebtedness	**2,371**	1,650
Related party note payable (note 10)	**750**	-
Lease obligations - equipment and vehicles	**2,327**	2,059
Lease obligations - office and shop	**368**	350
Current portion of debt	**5,816**	4,059
Non-current liabilities		
Lease obligations - equipment and vehicles	**10,173**	9,787
Lease obligations - office and shop	**581**	566
Non-current portion of debt	**10,754**	10,353
Total debt obligations	**16,570**	14,412

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 ($0.6 million), 48 months ($3.3 million) and 60 months ($8.6 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.

Bank indebtedness
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 Revised Credit Facility"). Prior to entering the Revised Credit Facility, the Maximum Amount, was limited to 50% of eligible receivables (the "Credit Facility"). As at December 31, 2020 Cordy had drawn $2.3 million, or 45% of eligible receivables, leaving a remaining amount available under the Revised Credit Facility of approximately $2.2 million. Bank indebtedness at December 31, 2020 also includes $0.1 million related to outstanding cheques.

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

The key terms of the Revised Credit Facility are as follows:

- 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.

Terms and debt repayment schedule for obligations under lease

				December 31, 2020		December 31, 2019	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Lease liabilities	CAD	4.95% - 5.95%	2021-2026	**13,449**	**13,449**	12,762	12,762
Total finance leases				**13,449**	**13,449**	12,762	12,762

The leases are secured by equipment with a carrying amount of $12.0 million at December 31, 2020 (December 31, 2019 – $10.2 million) (see note 7). The current portion of the lease obligations are $2.7 million at December 31, 2020 (December 31, 2019 – $2.4 million).

10. 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 (see note 9). During the second quarter, Cordy, HRH and 107 agreed to amend certain terms of the Notes, extending the Initial Maturity Dates. As of December 31, 2020, the loan to HRH of $0.25 million was repaid, including interest. The loan to 107 of $0.75 million has been extended as mutually agreed by Cordy and the Parties.

	December 31, 2020	December 31, 2019
Related party loan payable	**750**	-

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

11. INCOME TAXES

Unrecognized deductible temporary differences

	December 31, 2020	December 31, 2019
Deductible temporary differences	**6,778**	7,720
Tax loss carry-forward	**47,166**	46,341
	53,944	54,061

Tax losses expire over various future periods commencing in 2029.

Reconciliation of effective tax rate

Income tax expense differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate to the loss before income taxes as follows:

	December 31, 2020	December 31, 2019
Net earnings (loss)	**67**	(472)
Combined federal and provincial income tax rate	**24.00%**	26.50%
Computed income tax provision	**16**	(125)
Non-deductible expenses and other	**12**	(27)
Change in rate	**(1)**	2,160
Change in assets not recognized	**(27)**	(2,008)
Total income tax expense	**-**	-

In the second quarter of 2020, as part of its economic recovery plan, Alberta announced the accelerated reduction of its general corporate income tax rate to 8% (from 10%) effective July 1, 2020. Previously, the general corporate income tax rate was not scheduled to decrease to 8% until 2022. The impact of the corporate tax rate decrease on the tax expense for the year ended December 31, 2020 was not significant.

12. SHARE CAPITAL

	December 31, 2020	December 31, 2019
Balance at January 1	**43,395**	43,395
Issued on acquisition	**750**	-
Balance at December 31	**44,145**	43,395

Common shares

As at December 31, 2020 the Corporation had 231,161,981 shares outstanding (2019 – 206,161,981), the Corporation was authorized to issue an unlimited number of common shares.

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

13. DIRECT OPERATING EXPENSES

	December 31, 2020	December 31, 2019
Salaries, wages, and subcontractors	**5,813**	6,837
Equipment rental	**532**	148
Cost of goods sold	**219**	2
Fuel	**1,431**	1,155
Repair and maintenance	**1,825**	1,567
Job costs	**2,806**	2,341
Facility costs	**278**	224
Other direct operating expenses	**725**	584
Total direct operating expenses	**13,629**	12,858

In 2020, the Corporation qualified for the CEWS program and recognized $1.3 million as a reduction to salaries, wages, and subcontractors expense.

14. PERSONNEL COSTS

	December 31, 2020	December 31, 2019
Wages, salaries and benefits	**6,781**	7,205
Total personnel costs	**6,781**	7,205

In 2020, personnel costs of $6.0 million (2019 - $6.4 million) were recognized within direct operating expenses and $0.8 million (2019 - $0.8 million) were recognized within general and administrative expenses. Personnel costs were reduced in 2020 as a result of the CEWS program where $1.3 million was recognized as a reduction in direct operating expenses and $0.2 million as a reduction within general and administrative expenses.

15. FINANCING EXPENSE

	December 31, 2020	December 31, 2019
Interest on bank indebtedness	**102**	108
Interest on leases	**1,022**	695
Financing expense	**1,124**	803

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL STATEMENTS

The Corporation has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk
- Market risk; and
- Interest rate risk

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

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 75% 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, 2020 is the carrying value of $5.0 million (December 31, 2019 – $2.9 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, 2020, the Corporation had an allowance for doubtful accounts of $0.3 million (December 31, 2019 – $0.5 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, 2020	December 31, 2019
Trade and other receivables	**5,012**	2,864
Other receivables (includes accrued revenue, GST and other receivables)	**225**	73
Total	**5,237**	2,937

The allowance account in respect of trade and other receivables is 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.

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 cash flow from operations declines significant and/or 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 a manageable working capital position, 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. See going concern note 3.

Market risk

Market risk is the risk of loss that results from changes in market prices. Market risk is comprised of foreign currency risk, interest rate risk, and other price risks. The level of market risk to which the Corporation is exposed to 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 market 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.

Interest rate 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. The Corporation does not have cash flow exposure to interest rate risk on its leases as cash payment amounts are fixed. When the Corporation's leases convert to variable rate leases, fluctuations in interest rates will impact the allocation of payments between interest and principal. Interest rate risk related to the Corporation's line of credit as it bears interest at the Bank of Canada prime rate plus 4% per annum. A one percent change in the interest rate, based on the line of credit balance at the end of the year, would impact the net loss by approximately $0.2 million.

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

The interest rate profile of the Corporation's interest-bearing financial instruments was:

Carrying amount

As at	December 31, 2020	December 31, 2019
Fixed-rate instruments		
Financial liabilities (note 9)	**13,449**	**12,762**
Total	**13,449**	**12,762**
Variable rate instruments		
Financial liabilities (note 9)	**2,371**	**1,650**
Total	**2,371**	**1,650**

Fair values versus carrying amounts

Financial instruments include cash and cash equivalents, trade and other receivables, trade and other payables, bank indebtedness, related party note, and leases. Trade and other receivable are recorded at amortized cost, which approximates fair value due to the short-term nature of the instrument. Trade and other payables, leases, related party note, and bank indebtedness are recorded at amortized cost. The fair values of trade and other payables, related party note, and bank indebtedness approximate their carrying values due to the short-term nature of these instruments. The fair value of the 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, obligations under leases and bank indebtedness. 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 on 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, 2020	December 31, 2019
Bank indebtedness	**2,371**	1,650
Obligations under lease	**13,449**	12,762
Total debt	**15,820**	14,412
Total equity (deficit)	**(1,665)**	(2,482)
Less: cash	**-**	(397)
Total capitalization	**14,155**	11,533

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

17. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at December 31, 2020 was based on the earnings attributable to common shareholders divided by the weighted average number of common shares outstanding at year end. The net earnings for the year ended December 31, 2020 was $0.1 million (2019 - net loss of $0.5 million). The weighted average number of common shares outstanding at December 31, 2020 and 2019 was as follows.

Weighted average number of ordinary shares

	December 31, 2020	December 31, 2019
Weighted average number of common shares	**225,888**	206,162

18. RELATED PARTIES

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the business activities of the Corporation, including all of its directors, along with certain executives. Directors are remunerated for services rendered in their capacity through retainer fees and meeting attendance fees. Compensation of executives is comprised of base salary and benefits. The Corporation does not have a defined benefit or actuarial pension plan. Key management personnel participate in the stock option plan. Total remuneration to key management personnel including directors' fees, salaries and benefits was $0.5 million for the year ended December 31, 2020 (2019 - $0.5 million).

19. SEGMENTED INFORMATION

Management regards the Corporation's activities as being conducted in reportable business segments organized according to the products and services they provide, with each having a number of business units which offer similar products and services. All activities and equipment of the Corporation are located in one geographical segment, Canada.

Environmental Services

The Environmental Services segment provides clean-up, hazardous goods transportation and containment services to the oil and natural gas industry and also to industrial and commercial customers in Alberta. This segment provides general water truck and vacuum truck services to oilfield and non-oilfield related industries; confined-space entry services; dangerous goods transportation and general transportation services; high-pressure and steam cleaning services; septic and holding tank cleaning; hydro-excavation; liquids and solids spill response services; and 24-hour emergency response coverage.

Heavy Construction

The Heavy Construction segment services include pipeline integrity management; clean-up services; low-pressure gas tie-ins; insulated pipeline installation; cement-lined pipeline installation; fiberglass pipeline installation; water injection lines; construction and installation of compressors, line heaters, separator buildings and header systems; pipeline maintenance and repairs; tying-in wellheads; decommissioning old well sites; and transportation of facility components to production sites. In providing pipeline construction and oilfield maintenance services, the focus is on small to medium-diameter pipeline construction, primarily gathering system pipe under 12" in diameter.

Each segment applies the same accounting policies as those described in note 4. Inter-segment transactions are recorded at values that approximate third-party selling prices and are eliminated for segmented reporting. Segment performance is measured based on operating earnings, as included in the internal management reports which are reviewed at least quarterly by the Chief Executive Officer and other senior management. Segment operating earnings is believed to be the most relevant measure of performance as it enables comparison against the results of the other Cordy entities and of competitors operating in the same industries.

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

In 2020, one customer accounted for 13 percent of the Corporation's total revenue, which was reported in the Environmental Services business segment (2019 – 20 percent).

Selected segmented information for the years ended December 31, 2020 and 2019 is as follows:

December 31, 2020	Environmental Services	Heavy Construction	Corporate	Total
Revenue	18,264	297	15	18,576
Segment operating earnings (loss) [(1)]	4,118	157	(968)	3,307
Net earnings (loss)	990	146	(1,069)	67
Depreciation	2,262	10	3	2,275
Capital expenditures [1]	4,788	10	-	4,798
Total assets at December 31, 2020	17,048	127	385	17,560

1 Capital additions includes all cash and asset acquired additions

December 31, 2019	Environmental Services	Heavy Construction	Corporate	Total
Revenue	15,834	516	5	16,355
Segment operating earnings (loss) [(1)]	2,517	217	(916)	1,818
Net earnings (loss)	253	296	(1,021)	(472)
Depreciation	1,940	24	6	1,970
Capital expenditures	2,549	-	-	2,549
Total assets at December 31, 2019	13,184	196	590	13,970

[(1)] Operating earnings (loss) is a non-IFRS term and is defined as revenue less direct operating expense and general and administrative expenses.

20. THE CORPORATION'S SUBSIDIARIES

As at December 31	Ownership interest 2020 %	Ownership interest 2019 %
Cordy Construction Inc.	100	100
Cordy Environmental Inc.	100	100

Corporate Information

DIRECTORS AND OFFICERS
Darrick Evong, CPA, CA, CBV
Chief Executive Officer

Craig Heitrich
Chief Operating Officer

Amber Johnson, CPA, CGA
Chief Financial Officer

David Mullen (1)(2)
Chairman of the Board

Stuart King, CPA, CA (1)(2)
Director

Timothy H. Urquhart, ICD.D(1)(2)
Director

(1) Member of the Audit Committee
(2) Member of the Governance and Compensation Committee

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

BANKER
TD Commercial Banking
Calgary, Alberta

LAWYERS
DLA Piper (Canada) LLP
Calgary, Alberta

AUDITORS
KPMG LLP
Calgary, Alberta

STOCK EXCHANGE
TSX Venture
Trading Symbol: CKK

TRANSFER AGENT AND REGISTRAR
Computershare
Calgary, Alberta