2013 Annual Management's Discussion and Analysis

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 March 26, 2014. This discussion should be read in conjunction with the Corporation's audited Annual Consolidated Financial Statements for the years ended December 31, 2013 and 2012 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 31" 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 on March 26, 2014, and approved by Cordy's Board on March 26, 2014.

CORPORATE OVERVIEW

Cordy is a service provider to the western Canadian oil, gas, and mining sectors. Cordy provides its clients with services ranging from pre- and post-completion services in the heavy construction sector, pipeline construction, camp services, down-hole drilling solutions, and environmental services. Cordy is headquartered in Calgary, Alberta, Canada, and is listed on the TSX Venture Exchange under the trading symbol "CKK". Cordy's services are carried out by multiple companies operating in four business segments in British Columbia and Alberta.

Cordy Oilfield Services Inc.

HEAVY CONSTRUCTION	PIPELINE AND FACILITIES	MANUFACTURING AND SUPPLY	ENVIRONMENTAL SERVICES
• Lease building	• Construction & Maintenance	• Drilling solutions	• Hydro-Excavation
• Mining services	• Integrity Management	• Drilling supplies	• Fluid hauling
• Camp services	• Facility services	• Engineering	• Remediation

CORPORATE SERVICES

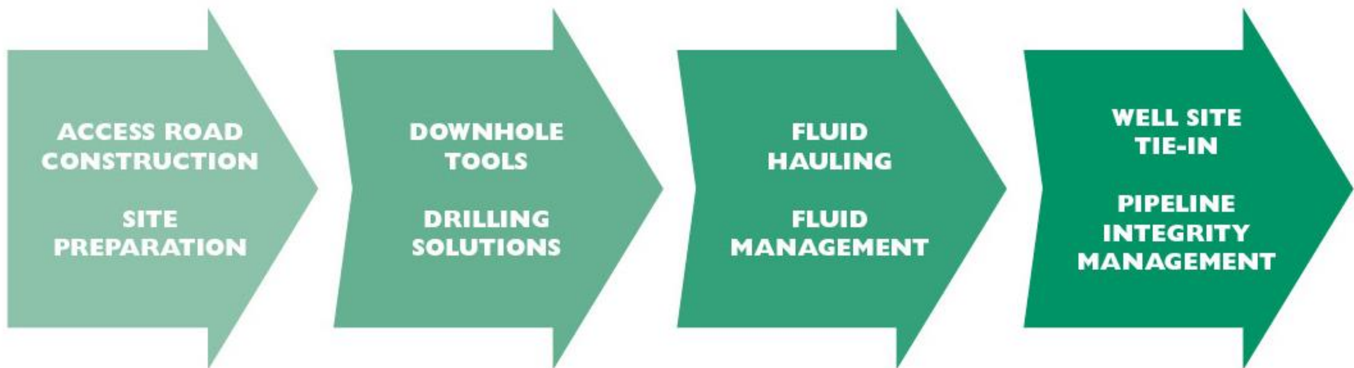
Finance • Shared Services • Governance

VISION AND STRATEGY

Cordy intends to remain focused on continued growth and improving its financial and operational performance.

Cordy's focus and objective is to become vertically integrated with its customers whereby Cordy can build the access road to an operating site; bring in earthmoving equipment to construct the well or facility site; provide drill bit tools to participate in the drilling and completion of the well; provide vacuum trucks to dispose of waste fluids from the well; construct a gathering pipeline to tie-in the new production to the pipeline network or processing plant and; while doing so, inspect older pipelines in the system as they age to ensure their integrity is maintained.

Cordy’s vision is to be seen as the provider of choice for the services that it offers to its customers in the energy and mining sectors throughout western Canada. Cordy’s access to a modern fleet of equipment, exceptional safety record and skilled people are its main competitive advantages and contribute to a solid reputation built on delivering to customers on-time and on-budget.

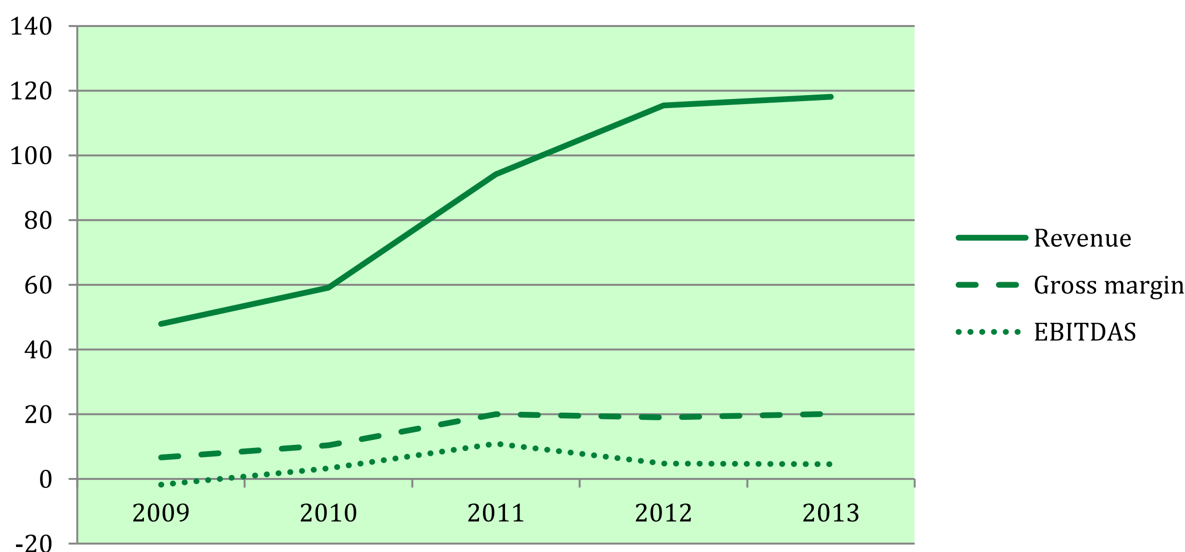


SELECTED FINANCIAL AND OPERATING INFORMATION

Year ended December 31 ($ millions except share price and per share amounts)	2013(1)	2012(1)	2011(2)	2010(2)	2009(3)
Financial Results from Continuing Operations					
Revenue	118.0	115.4	94.1	59.1	47.9
Gross Margin	20.1	19.0	20.0	10.4	6.7
EBITDAS[4] (operating earnings/loss)	4.6	4.7	10.9	3.3	(1.8)
Earnings (loss) before tax from continuing operations	(2.1)	(4.5)	5.1	(4.2)	(12.4)
Loss from all operations	(1.5)	(3.1)	(1.7)	(6.5)	(13.3)
Cash flow from operating activities	7.5	7.5	3.3	5.1	1.8
Financial Position from Continuing Operations					
Total assets	67.8	77.9	75.8	65.6	76.2
Total debt obligations (includes current portion)	14.4	24.0	12.9	8.1	12.3
Total liabilities	26.6	35.2	31.3	19.3	23.2
Net Assets	41.1	42.7	44.5	46.4	52.9
Share Information					
Loss per share from continuing operations	-0.02	-0.04	0.04	-0.04	-0.09
Loss per share from discontinued operations	-	-	-0.06	-0.04	-0.05
Loss per share from all operations	-0.02	-0.04	-0.02	-0.08	-0.16
Share price (December 31)	0.16	0.24	0.27	0.24	0.19
Other Information					
Capital expenditures	1.0	20.8	12.7	2.3	0.9

[1] Prepared in accordance with IFRS and the adoption of IFRS 10.
[2] Prepared in accordance with IFRS, prior to the adoption of IFRS 10.
[3] Prepared in accordance with previous Canadian GAAP.
[4] EBITDAS is defined as earnings before interest, taxes, depreciation, amortization, impairment and share-based payments see reconciliation on page 28 of this document.

FINANCIAL PERFORMANCE FROM CONTINUED OPERATIONS 2009 THROUGH 2013



OVERALL PERFORMANCE

For the year ended December 31, 2013, Cordy's revenues from continuing operations increased by $2.6 million or 2 percent to $118.0 million in 2013 versus $115.4 million generated in 2012. The year over year increase in consolidated revenue was largely attributable to the revenue growth experienced in the first, second and fourth quarters of 2013 compared to the same quarters in 2012, which was somewhat offset by the decrease in consolidated revenue experienced in the third quarter of 2013 compared to the same quarter in 2012.

Cordy experienced revenue growth in the Heavy Construction and Environmental Services segments.

Results for Cordy by segment are as follows:

- Heavy Construction revenues grew 8% and net earnings improved 204% in 2013 versus 2012. Operations in the oil sands region provided the greatest growth in 2013 versus 2012. Activity in the mining sector was slow at the start of 2013 due to a drop in commodity prices which caused customers to delay capital spending. The 2013 Alberta flood precipitated a return to work as did environmental projects. Within the natural gas sector, work was relatively consistent in 2013 versus 2012.

- Environmental Services revenues grew 20% and net earnings improved 25% in 2013 versus 2012. Operations grew significantly in the oil sands region and with other oilfield and natural gas customers. Services were also in high demand during the 2013 Alberta flood clean-up.

- Manufacturing revenue declined 9% and net losses increased 2% in 2013 versus 2012. The Manufacturing segment has been expanding into the customized PDC drill-bit business. In 2013, the segment had significant growth internationally with PDC drill-bit sales which helped to mitigate the loss of customers from the more traditional drill-bit product lines.

- Pipeline and Facilities revenue declined 27% which resulted in a net loss in 2013 versus net profit in 2012. During the year the focus was to eliminate lower margin projects and reduce operations from two locations to one, which resulted in a decrease in revenue. Net losses in 2013 were $0.6 million, which includes a bad debt provision of $1.0 million.

EBITDAS

For the year ended December 31, 2013, the Corporation had EBITDAS of $4.6 million compared to $4.7 million in 2012, a $0.1 million decrease or 2%.

- The Heavy Construction segment had a positive impact on EBITDAS with the sector experiencing growth year over year which increased by $4.4 million to $6.6 million, primarily as a result of continued strength in construction in the oil sands region.

- The Environmental Services segment EBITDAS remained constant at $4.4 million in 2013 and 2012.

- The Manufacturing and Supply segment had negative EBITDAS of $0.7 million in 2013, an improvement from negative EBITDAS of $1.2 million in 2012.

- The Pipeline and Facilities segment EBITDAS decreased by $3.9 million to a loss of $1.2 million in 2013 compared to EBITDAS of $2.7 million in 2012.

Depreciation expense

Depreciation was $6.1 million for the year ended December 31, 2013, a decrease of $0.1 million compared to 2012. The decrease is a result of the sale of equipment exceeding capital additions in 2013.

Finance expenses

Finance costs were $1.2 million for the year ended December 31, 2013, an increase of $0.2 million from the comparable period in 2012. The increase in finance costs is attributable to the increase in borrowings earlier in 2013 and higher interest rates throughout 2013 versus 2012.

Gain on disposal of equipment

During the year, the Corporation disposed of Heavy Construction and Environmental Services equipment which resulted in a gain of $0.9 million for the year ended December 31, 2013 (2012 - $0.1 million). The majority of disposals occurred in the third quarter of 2013.

Impairment of Equipment

Impairment of equipment was $0.2 million for the year ended December 31, 2013, a decrease of $1.7 million compared to $1.9 million of impairment in 2012. The decrease is due to a significant portion of impaired equipment being written off in 2012 due to a slowdown in the mining sector.

Share based payments

Share-based payments expense was $0.1 million for the year ended December 31, 2013, a decrease of $0.3 million from the comparable period in 2012. Option grants occurred in 2011 and 2012 while there were no grants in 2013.

Income Taxes

Income tax recovery was $0.7 million for the year ended December 31, 2013, a decrease of $0.8 million from the comparable period in 2012. The corporation had an effective tax rate of 31.5% (32.7% in 2012) for the year ended December 31, 2013.

Net loss

The Corporation reported a net loss of $1.5 million for the year ended December 31, 2013, an improvement of $1.6 million from a net loss of $3.1 million in 2012.

OUTLOOK

Cordy has diverse business units which have had stronger first and third quarters. In fiscal 2013, Cordy experienced revenue growth in both its Heavy Construction and Environmental Service segments; however, our fourth-quarter results were below expectations, as there was an unanticipated slowdown due to customer delays as to when their projects were to commence. Our segments did not generate their expected fourth-quarter ramp-up in activity that is historically experienced due to customer delays in the fourth quarter of 2013 as well as the first quarter of 2014.

The Corporation is dependent, to a degree, on the overall health of western Canada's oil, natural gas, and mining sectors. Generally, these sectors have projected reduced capital expenditure budgets for 2014 and have delayed projects. These factors mean that our industry remains highly competitive with few opportunities to realize pricing gains in 2014.

Cordy continues to re-evaluate the allocation of our investment of people and equipment. During 2014, the Corporation will reallocate its resources to focus on Heavy Construction, Environmental Services and Manufacturing as its primary business segments. Effective January 1, 2014, Cordy amalgamated its Pipeline segment into its Heavy Construction segment. As a result, Cordy now operates in three segments in 2014:

- Heavy Construction;
- Environmental Services; and
- Manufacturing

The prospects for the oil sands region is anticipated to be the primary driver of potential growth for our Heavy Construction and Environmental Services segments. In 2014, we anticipate this will be slower in the first half of the year until customers fully ramp-up their projects. Heavy Construction customers in the natural gas sector are also anticipated to be slower in 2014 while mining sector and Environmental Service clients are anticipated to increase activity in the second half of 2014. Any significant growth will be dependent upon winning new customers or new projects from existing customers in 2014. In our Manufacturing segment, drilling activity in western Canada is the primary driver of our business In 2014, we anticipate expanding sales of our PDC drill bits in both North America and select International locations.

Management continues to seek opportunities to expand or realign Cordy's operations in sectors where its business segments operate and to refinance the business to support the Corporation in the long term.

QUARTERLY SUMMARY FROM CONTINUING OPERATIONS

SEASONALITY OF OPERATIONS

The Corporation's operations and profitability are closely tied to the seasonal activity patterns of western Canada's oil and natural gas exploration and development industry, for which activity peaks in the winter months and declines during spring break-up, and to the construction industry whose activity peaks during the warmer months. Due to spring break-up, when the frost comes out of the ground, many roads become incapable of supporting heavy equipment, which makes drilling for oil and gas more difficult. As a result, demand for oilfield services generally is highest in the first and fourth quarters and lowest in the second and third quarters. The seasonality in the oilfield services sector is generally balanced by the heavy construction segment which ramps up more in the second half of the year.

FINANCIAL RESULTS

	2013				2012			
($ millions)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	27.9	32.5	19.5	38.2	26.6	34.5	18.0	36.4
EBITDAS	(2.5)	3.0	(1.9)	5.9	(3.2)	4.2	(2.4)	6.3
Net income (loss)	(2.7)	1.3	(2.8)	2.7	(4.6)	1.2	(3.2)	3.5
Earnings (loss) per share	(0.03)	0.01	(0.03)	0.03	(0.04)	0.01	(0.04)	0.04
Operating cash flow from all operations	5.5	(2.2)	5.2	(1.0)	1.8	0.2	2.3	3.2

For the fourth quarter of 2013, Cordy's revenue from continuing operations was $27.9 million, a $1.3 million or 5% increase from the $26.6 million achieved in the same period in 2012. The Heavy Construction segment experienced the largest dollar value revenue increase of $3.4 million or 27% compared to the same quarter in 2012. The revenue increase is primarily attributable to increased activity in the mining sector as well as a new customer in the Montney region. The Environmental seg-

ment had decreased revenues of $2.9 million or 35% in the fourth quarter of 2013 compared to the same quarter in 2012. This was primarily attributable to an unanticipated slowdown due to customer delays as to when their projects were to commence. The Manufacturing and Supply segment had increased revenue of $0.1 million or 3% for the fourth quarter, which was primarily attributable to growth from new customer demand for PDC drill bits. The Pipeline and Facilities segment revenue increased by $0.7 million or 33% compared to the same quarter in 2012 as a result of a new customer obtained in the fourth quarter of 2013. In the fourth quarter, the Corporation had negative EBITDAS of $2.5 million compared to negative EBITDAS of $3.2 million for the same quarter in 2012. The Heavy Construction segment had a positive impact on EBITDAS during the fourth quarter of 2013 with the sector experiencing significant growth over the same period in 2012, primarily as a result of continued strength in construction in the mining sector as well as a new customer in the Montney region. The Corporation recorded a net loss from continuing operations of $2.7 million in the fourth quarter of 2013 compared to a net loss of $4.6 million for the same period in 2012.

For the third quarter of 2013, Cordy's revenue from continuing operations was $32.5 million, a $2.0 million or 6% decrease from the $34.5 million achieved in the same period in 2012. The Environmental Services segment experienced the largest revenue increase of $0.6 million or 8% compared to the same quarter in 2012. The revenue increase is attributable to increased activity resulting from the 2013 Alberta flood clean-up. The Heavy Construction segment had increased revenue $1.5 million or 10% in the third quarter of 2013 compared to the same quarter in 2012. This was primarily attributable to growth in the oil sands region. The Manufacturing and Supply segment had increased revenue of $0.5 million or 14% for the third quarter, which was primarily attributable to growth from new customer demand for PDC drill bits used in horizontal drilling. The Pipeline and Facilities segment decreased revenue by $4.6 million or 52%, the focus was to eliminate lower margin projects and reduce operations from two locations to one, which resulted in a decrease in revenue. In the third quarter, the Corporation had EBITDAS of $3.0 million compared to $4.3 million for the same quarter in 2012. The Corporation recorded net earnings from continuing operations of $1.3 million in the third quarter of 2013 compared to $1.2 million for the same period in 2012.

For the second quarter of 2013, Cordy's revenue from continuing operations was $19.5 million, a $1.6 million or 9% higher than the $17.9 million achieved in the same quarter in 2012. The Environmental Services segment experienced the largest revenue increases, achieving growth of $2.0 million or 41% period-over-period primarily due to the Alberta flood clean-up. Pipeline and Facilities segment had an increase in revenue of $0.7 million or 27% as a result of work related to a pipeline oil spill clean-up. Manufacturing and Supply had a decrease in revenue of $0.8 million or 30% as a result of a decline in drilling activity as well as a loss of customers. Heavy Construction had a decrease in revenue of $0.3 million, or 4% in the second quarter of 2013 compared to the same quarter in 2012 as a result of reduced activity for customers in the mining and natural gas sectors. The Corporation had EBITDAS loss of $1.9 million compared to a loss of $2.4 million in the second quarter of 2012. Net loss and total comprehensive loss from continuing operations was $2.8 million, a decrease of $0.4 million from the net loss of $3.2 million in the second quarter of 2012.

For the first quarter of 2013, Cordy's revenue from continuing operations for the three-month period was $38.2 million, $1.8 million or 5% higher than the $36.4 million achieved in the same period in 2012. The Environmental Services segment experienced the largest revenue increases, achieving growth of $5.9 million or 80% period-over-period. Pipeline and Facilities segment had a decrease in revenue of $2.8 million or 34%, Manufacturing and Supply had a decrease in revenue of 1.1 million or 24% and Heavy Construction had a decrease in revenue of $0.2 million or 1% in the first quarter of 2013 compared to the first quarter of 2012. Cordy's Pipeline and Facility segment experienced significant competition resulting in a reduction of revenues and operating earnings. In addition, the decline in drilling activity in the Canadian market and continued focus on building the PDC drill bit business reduced operating earnings in Cordy's Manufacturing segment. The Corporation had EBITDAS of $5.9 million compared to $6.3 million in the first quarter of 2012. Net earnings and total comprehensive income from continuing operations was $2.7 million, a decrease of $0.8 million from the $3.5 million in the first quarter of 2012.

FINANCIAL HIGHLIGHTS

Year ended December 31 ($ millions)	2013	2012	($) Change	% Change
Revenue				
Heavy Construction	55.4	51.1	4.3	8%
Environmental Services	33.9	28.4	5.5	19%
Manufacturing and Supply	13.0	14.3	(1.3)	(9%)
Pipeline and Facilities	15.7	21.6	(5.9)	(27%)
Total revenue	118.0	115.4	2.6	2%
EBITDAS				
Heavy Construction	6.6	2.2	4.4	200%
Environmental Services	4.4	4.4	0.0	0%
Manufacturing and Supply	(0.7)	(1.2)	0.5	42%
Pipeline and Facilities	(1.2)	2.7	(3.9)	(144%)
Corporate	(4.5)	(3.4)	(1.1)	(32%)
Total EBITDA	4.6	4.7	(0.1)	(2%)
Amortization expense	(6.1)	(6.2)	0.1	2%
Finance costs	(1.2)	(1.0)	(0.2)	(20%)
Gain on disposal of equipment	0.9	0.1	0.8	800%
Gain on financial instrument	-	0.1	(0.1)	(100%)
Impairment of property and equipment	(0.2)	(1.9)	1.7	89%
Share-based payments	(0.1)	(0.4)	0.3	75%
Earnings before income tax	(2.1)	(4.6)	2.5	54%
Income tax expense (recovery)	(0.6)	(1.5)	0.9	(60%)
Net loss from continuing operations	(1.5)	(3.1)	1.6	52%

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATION

Revenue

Cordy generated consolidated revenue of $118.0 million in 2013. On a year over year comparative basis, consolidated revenue increased by $2.6 million. Consolidated revenue in the first, second, and fourth quarters of 2013 increased year over year by $1.8 million, $1.5 million and $1.3 million respectively, which was partially offset by a year over year decrease in consolidated revenue in the third quarter of $2.0 million.

The Environmental Services segment experienced the largest revenue increase of $5.5 million or 19 percent for the year ended December 31, 2013 compared to 2012. The revenue increase is primarily attributable to increased activity in the oil sands region and the 2013 Alberta flood clean-up. The Heavy Construction segment had increased revenue of $4.3 million or 8 percent for the year ended December 31, 2013 compared to 2012. This was primarily attributable to growth in the oil sands region. The Manufacturing and Supply segment had decreased revenue of $1.3 million or 9% percent for the year ended December 31, 2013, which was primarily attributable to a decline in drilling activity and loss of customers earlier in the year which was then partially offset by demand for PDC drill bits used in horizontal drilling. The Pipeline and Facilities segment had decreased revenue of $5.9 million or 27 percent for the year ended December 31, 2013. During the year the focus was to eliminate lower margin projects and reduce operations from two locations to one, which resulted in a decrease in revenue.

Direct operating expenses

Direct operating expenses from continuing operations were $97.9 million in 2013 compared to $96.4 million in 2012. The increase of $1.5 million or 2 percent was in line with revenue growth as Cordy ramped up its rented equipment and headcount as it expanded its Heavy Construction and Environmental Services operations. During 2013, direct operating costs decreased slightly to 83 percent of revenue from 84 percent of revenue in 2012.

Year ended December 31, ($ millions)	2013	% of Revenue	2012	% of Revenue	$ Change
Salary and wages	34.4	29%	35.1	31%	(0.7)
Equipment rental	16.8	14%	15.0	13%	1.8
Subcontractor costs	10.8	9%	10.2	9%	0.6
Cost of goods sold	8.3	7%	8.9	8%	(0.6)
Fuel and lubricants	7.9	7%	7.7	7%	0.2
Repairs and maintenance	5.5	5%	6.7	6%	(1.2)
Facilities	2.4	2%	2.5	2%	(0.1)
Other	11.8	10%	10.3	9%	1.5
Total direct operating expenses	**97.9**	**83%**	**96.4**	**84%**	**1.5**

Salary and wages expenses were $34.4 million in 2013 compared to $35.1 million in 2012. Service delivery in our Heavy Construction, Pipeline and Facilities and Environmental Services vary through the year based on seasonality and ramp-up/slowdown of client projects. To adjust, the Corporation reacts by re-aligning the staffing and sub-contractors compliment. During 2013, the number of core staff declined as efforts were made to consolidate business units within our segments.

Equipment rental expenses were $16.8 million in 2013 compared to $15.0 million in 2012. The increase of $1.8 million or 13 percent reflects the change in business strategy to utilize a newer fleet of rental equipment and to handle increased volumes in business in the Corporation's Heavy Construction and Environmental Services segments. As a percentage of revenue, equipment rental increased to 14 percent in 2013 from 13 percent in 2012. The increase was the result of increased rentals driven by increased activity in both the Heavy Construction and Environmental Services segments.

Subcontractor costs were $10.8 million in 2013 compared to $10.2 million in 2012. The increase of $0.6 million or 6 percent was due to an increase in the use of subcontractors in support of our Heavy Construction and Pipelines and Facilities segments.

Fuel and lubricant expenses were $7.9 million in 2013 compared to $7.7 million in 2012. The increase of $0.2 million or 3 percent reflects the increase in activity for each of Cordy's Heavy Construction and Environmental Services segments. The increase was consistent with the increase in revenues.

Costs of goods sold were $8.3 million in 2013 compared to $8.9 million in 2012. The decrease of $0.6 million or 7 percent reflects the decreased activity in Cordy's Manufacturing segment. As a percentage of revenue, cost of goods sold decreased to 7 percent in 2013 from 8 percent in 2012. In 2013, cost of goods sold included inventory write-downs of $0.4 million compared to $1.0 million in 2012.

Repairs and maintenance expenses were $5.5 million in 2013 compared to $6.7 million in 2012. The decrease of $1.2 million or 18 percent is attributable to newer equipment within the fleet resulting in less repairs.

Facilities expenses were $2.4 million in 2013 compared to $2.5 million in 2012, the decrease of $0.1 million or 4 percent is attributable to reduced operating facility expenses in fiscal 2013 versus 2012.

General and Administrative expenses ("G&A expenses")

General and administrative expenses include 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. Administrative expenses as a percentage of revenue were 13 percent in the year ended December 31, 2013. The increase of $1.3 million or 9 percent in 2013 reflects the cost of executive changes of $0.4 million, $0.5 million increased allowance for doubtful accounts, $0.4 million for professional services related to financing and legal matters and $0.2 million in increased sales, engineering and administrative staff compensation in manufacturing, offset by $0.2 million realized as part of centralizing administration costs.

Year ended December 31, ($ millions)	2013	% of Revenue	2012	% of Revenue	$ Change
G&A expenses	15.6	13%	14.3	12%	1.3
Total G&A expenses	**15.6**	**13%**	**14.3**	**12%**	**1.3**

Non-operating income and expenses

Year ended December 31, ($ millions)	2013	% of Revenue	2012	% of Revenue	$ Change
Depreciation	6.1	5%	6.2	5%	(0.1)
Finance costs	1.2	1%	1.0	1%	0.2
Gain on disposal of equipment	(0.9)	(1%)	(0.1)	0%	(0.8)
Gain on financial instrument	-	-	(0.1)	0%	0.1
Impairment of equipment	0.2	0%	1.9	2%	(1.7)
Share based payments	0.1	0%	0.4	0%	(0.3)
Total	**6.7**	**5%**	**9.3**	**8%**	**(2.6)**

Depreciation of property, equipment and intangible assets for the year ended December 31, 2013 was $6.1 million, a decrease of $0.1 million from $6.2 million in 2012. The decrease resulted from the sale of equipment in September 2013.

Finance costs for the year ended December 31, 2013 were $1.2 million, $0.2 million higher than the finance costs in 2012. The increase in finance costs is attributable to the increase in borrowings earlier in 2013 and higher interest rates throughout 2013 compared to 2012.

The Corporation disposed of excess equipment no longer needed for the operations of the Corporation in 2013. This resulted in a gain of $0.9 million in the year and proceeds of $7.1 million which was used to reduce debt.

Impairment of equipment was $0.2 million for the year ended December 31, 2013, a decrease of $1.7 million compared to the $1.9 million impairment in 2012. The decrease is due to a significant portion of impaired equipment being written off in 2012 due to a slowdown in the mining sector.

Share-based payments for the year ended December 31, 2013 were $0.1 million, a decrease of $0.3 million from $0.4 million in 2012. The decrease is due to no options being issued in fiscal 2013 along with a number of forfeitures during the year.

Income tax expense

At December 31	Year ended			Fourth quarter		
($ millions)	2013	2012	$ Change	2013	2012	$ Change
Income tax expense	0.6	1.5	(0.9)	1.4	2.2	(0.8)

Income tax expense for the year ended December 31, 2013 was $0.6 million, a $0.9 million reduction when compared to the amount in 2012. Income tax for the fourth quarter reduced by $0.8 million from $2.2 million to $1.4 million.

Income taxes are accrued at the Corporation's anticipated effective tax rate for each individual entity. The tax rate is based on the expected income taxes for fiscal 2013. The effective rate on an annual basis is dependent on the results of the various subsidiaries and the jurisdictions in which the Corporation operates.

FINANCIAL HIGHLIGHTS

For the fourth quarter ended December 31 ($ millions)	2013	2012	($) Change	% Change
Revenue				
Heavy Construction	15.9	12.5	3.4	27%
Environmental Services	5.5	8.4	(2.9)	(35%)
Manufacturing and Supply	3.7	3.6	0.1	3%
Pipeline and Facilities	2.8	2.1	0.7	33%
Total revenue	27.9	26.6	1.3	5%
EBITDAS				
Heavy Construction	0.9	(0.3)	1.2	400%
Environmental Services	(1.0)	0.9	(1.9)	(211%)
Manufacturing and Supply	(0.3)	(2.1)	1.8	86%
Pipeline and Facilities	(1.0)	(0.5)	(0.5)	(100%)
Corporate	(1.1)	(1.2)	0.1	8%
Total EBITDA	(2.5)	(3.2)	0.7	22%
Amortization expense	(1.4)	(1.3)	(0.1)	(8%)
Finance costs	(0.3)	(0.3)	0.0	0%
Gain on disposal of equipment	0.1	0.1	0.1	100%
Impairment of property and equipment	(0.1)	(1.9)	1.8	95%
Share-based payments	0.1	(0.2)	0.3	150%
Loss before income tax	(4.1)	(6.8)	2.7	40%
Income tax recovery	1.4	2.2	(0.8)	(36%)
Net loss from continuing operations	(2.7)	(4.6)	1.9	41%

ANALYSIS OF CONSOLIDATED QUARTERLY RESULTS OF OPERATION

Revenue Quarter

In the fourth quarter of 2013, Cordy generated revenue of $27.9 million, an increase of $1.3 million or 5 percent from $26.6 in 2012.

The Heavy Construction segment experienced the largest revenue increase of $3.4 million or 27 percent for the quarter ended December 31, 2013 compared to $12.5 million in 2012. The revenue increase is primarily attributable to increased growth in the mining sector as well as a new customer in the Montney region. The Pipeline and Facilities segment revenue increased by $0.7 million or 33% compared to $2.1 million in 2012 as a result of a new customer obtained in the fourth quarter of 2013. The Manufacturing and Supply segment had revenue increase by $0.1 million or 3% compared to $3.6 million in 2012, which was primarily attributable to growth from new customer demand for PDC drill bits. The Environmental Services segment revenue decreased by $2.9 million or 35% compared to $8.4 million in 2012 as a result of customer delays in projects in the fourth quarter of 2013.

Direct operating expenses

In the fourth quarter of 2013, direct operating expenses from continuing operations were $25.3 million compared to $25.2 million in the same period of 2012. There was a 4 percent increase in the operating expenses versus a 5 percent increase in revenue for the comparative periods for the fourth quarter of 2013.

For the fourth quarter ended December 31, ($ millions)	2013	% of Revenue	2012	% of Revenue	$ Change
Salary and wages	8.4	30%	9.1	34%	(0.7)
Equipment rental	6.5	23%	4.5	17%	2.0
Subcontractor costs	1.2	4%	1.9	7%	(0.7)
Fuel and lubricants	2.1	8%	3.3	12%	(1.2)
Cost of goods sold	2.4	9%	2.3	9%	0.1
Repairs and maintenance	1.8	6%	2.1	8%	(0.3)
Facilities	0.7	3%	0.7	3%	-
Other	2.2	8%	1.3	5%	0.9
Total direct operating expenses	**25.3**	**91%**	**25.2**	**95%**	**0.1**

Salary and wages expenses were $8.4 million in the fourth quarter of 2013 compared to $9.1 million in the same period of 2012. The decrease of $0.7 million or 8 percent is primarily a result of decreased staffing requirements as customers delayed certain projects impacting Cordy's Environmental Service segment. As a percentage of revenue, salary costs decreased to 30 percent in the fourth quarter of 2013 from 34 percent in the same period of 2012.

Equipment rental expenses were $6.5 million in the fourth quarter compared to $4.5 million in the same period of 2012. The increase of $2.0 million, or 44 percent, reflects the change in business strategy to utilize a newer rental equipment fleet in its Heavy Construction and Environmental segments. As a percentage of revenue, equipment rental increased to 23 percent in the fourth quarter of 2013 from 17 percent in the same period of 2012.

Subcontractor costs were $1.2 million in the fourth quarter compared to $1.9 million in the same period of 2012. The decrease of $0.7 million or 37 percent was due to a decrease in the use of subcontractors in support of pipeline spills and as a result of the re-alignment and consolidation in our Pipeline and Facility segment. The Corporation adjusts its staffing and sub-contractors compliment based on its business activity. As a percentage of revenue, subcontractor costs decreased to 4 percent from 7 percent in 2012.

Fuel and lubricant expenses were $2.1 million in the fourth quarter compared to $3.3 million in the same period of 2012. As a percent of revenue, fuel expense decreased by 4 percent to 8 percent in the fourth quarter of 2013. A greater portion of clients provided fuel in the fourth quarter of 2013 versus the comparative period in 2012.

Cost of goods sold was relatively consistent on a percentage of revenue basis at $2.4 million in the fourth quarter compared to a $2.3 million in the comparable period in 2012. In 2013, cost of goods sold included inventory write-downs of $0.4 million compared to $1.0 million in 2012.

Repairs and maintenance expenses were $1.8 million in the fourth quarter compared to $2.1 million in the comparable period in 2012. The decrease of $0.3 million or 14 percent is a result of newer equipment within the fleet and less repairs.

Facilities expenses were consistent with $0.7 million in the fourth quarter compared to the same amount in the comparable period in 2012.

General and Administrative expenses ("G&A expenses")

In the fourth quarter of 2013, G&A expenses were $5.1 million, 18 percent of revenue compared to $4.6 million or 20% of revenue in 2012. The increase of $0.5 million in general and administrative expenses was primarily due to the impact of increased costs associated with bad debts of $0.5 million, travel expenses of $0.1 million and Corporate office costs of $0.1 million, offset by $0.2 million savings realized due to centralizing administration costs.

For the fourth quarter ended December 31, ($ millions)	2013	% of Revenue	2012	% of Revenue	$ Change
G&A expenses	5.1	18%	4.6	17%	0.5
Total G&A expenses	**5.1**	**18%**	**4.6**	**17%**	**0.5**

Non-operating income and expenses

For the fourth quarter ended December 31, ($ millions)	2013	% of Revenue	2012	% of Revenue	$ Change
Depreciation	1.4	5%	1.3	5%	0.1
Finance costs	0.3	1%	0.3	1%	-
Gain on disposal of equipment	(0.1)	0%	(0.1)	0%	-
Impairment of equipment	0.2	1%	1.9	7%	(1.7)
Share based payments	(0.1)	0%	0.2	0%	(0.3)
Total	**1.7**	**7%**	**3.6**	**7%**	**(1.9)**

In the fourth quarter of 2013, depreciation of property, equipment and intangible assets was $1.4 million; depreciation was relatively consistent with the comparative period.

Finance costs for the three month period ended December 31, 2013 were $0.3 million; finance costs were consistent with the comparative period. Borrowings were lower in 2013; however, interest rates were higher.

In the fourth quarter, the Corporation disposed of excess equipment which resulted in a gain of $0.1 million.

Impairment of equipment was $0.2 million In the fourth quarter, a $1.7 million decrease compared to $1.9 million of impairment in 2012. The decrease is due to a significant portion of impaired equipment being written down in 2012.

Share-based payments for the fourth quarter were ($0.1) million, a decrease of $0.3 million. The decrease was due to forfeitures during the period exceeding estimated forfeitures.

BUSINESS SEGMENT REVIEW

Cordy's operations are carried out by wholly-owned operating entities internally referred to as business units. In addition, Cordy has a partnership with the Cold Lake First Nations, with a 49% ownership of Dene-Cor Construction Ltd. The business units are grouped into four business segments: Heavy Construction; Environmental Services; Manufacturing and Supply; and Pipeline and Facilities. The segments are differentiated by the type of services provided and customer needs. Cordy's business units provide specialized services that include: small-diameter pipeline and facilities construction; oilfield site preparation and reclamation; environmental services; and drilling solutions. Their day-to-day management is conducted at the business unit level and each business unit is accountable for performance, profitability and growth.

HEAVY CONSTRUCTION

The Heavy Construction segment accounted for 47 percent of the Corporation's revenue from continuing operations in 2013 (2012 – 44 percent). Heavy Construction services are provided to mining operations, oil and natural gas exploration and production companies operating in Alberta and British Columbia.

Services provided by this segment include: mining services, building and repairing infrastructure including sewer and water reservoirs; preparation, construction, maintenance and reclamation of oilfield leases and lease roads; heavy haulage; gravel supply and delivery; right-of-way clearing; bridge and culvert installation; and camp services.

At December 31	Year Ended			
($ millions)	2013	2012	$ Change	% Change
Revenue	55.4	51.1	4.3	8%
EBITDAS	6.6	2.2	4.4	200%
Net earnings (loss) from continuing operations	2.6	(2.5)	5.1	204%

Revenue for the year was $55.4 million compared to $51.1 million for 2012. The primary driver of revenue growth was the segment's expansion of business in the oil sands region, partially offset by a decline in activity in the mining and natural gas sectors.

EBITDAS for the year was $6.6 million compared to $2.2 million in 2012. The increase of $4.4 million or 200 percent reflects improved profitability due to increased revenues along with a decrease in Heavy Construction's direct operating expenses period over period due to management efforts on improving utilization which generated improved revenue per piece of equipment and per employee.

Net earnings from continuing operations were $2.6 million for the year ended December 31, 2013 compared to net losses from continuing operations of $2.5 million for the same period in 2012. The increase of $5.1 million or 204 percent reflects Cordy's cost reduction and equipment utilization efforts within the Heavy Construction segment for 2013 versus 2012.

ENVIRONMENTAL SERVICES

The Environmental Services segment of Cordy's business is conducted through Cordy Environmental Inc. (the "Environmental Services segment").

The business units in this segment provide 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.

The Environmental Services segment accounted for 29 percent of the Corporation's 2013 revenue (2012 – 25 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.

At December 31	Year ended			
($ millions)	2013	2012	$ Change	% Change
Revenue	33.9	28.3	5.6	20%
EBITDAS	4.4	4.4	-	0%
Net earnings from continuing operations	2.8	2.2	0.6	27%

Revenue for the year was $33.9 million compared to $28.3 million for 2012. The increase of $5.6 million or 20 percent reflects the increased demand in the oil sands sector and with the 2013 Alberta flood and other clean-up activities.

EBITDAS for the year was $4.4 million which was consistent year over year. To meet the increased business demands in the oil sands sector, the Corporation deployed its existing owned equipment, supplemented by rental equipment in the first quarter of 2013 and had increased activity in the latter half of the second quarter due to the 2013 Alberta flood clean-up. These were offset by a poor Q3 and Q4 due to the customer delays previously mentioned.

The Environmental Services segment had net earnings from continuing operations of $2.8 million in 2013 compared to $2.2 million in 2012. The increase in net earnings is from reduced depreciation of $0.3 million, interest of $0.1 million and income taxes of $0.2 million for 2013 compared to 2012.

MANUFACTURING AND SUPPLY

The Manufacturing and Supply segment of Cordy's business is conducted through Cordy Manufacturing.

The Manufacturing and Supply segment accounted for 11 percent of the Corporation’s 2013 revenue (2012 – 12 percent). This segment provides overall drilling solutions to the mining, construction, geotechnical, seismic, water well and oil and natural gas industries. The customer base is located primarily in western Canada. This segment also sells product to customers in the United States.

Services and products provided by this segment include: manufacturing and supply of stock and customized drill bits; PDC drill bits for drilling applications in both the build section and lateral sections of horizontal wells; down-hole hammers and hammer bits; tri-cones; drilling products for mining, construction and seismic activities; and customized mining tools. The segment provides customized drilling solutions through in-house design and manufacturing capabilities whereby overall assistance is provided with respect to job design, product design, start-up, training and job completion. The segment also sells, rents and services bottom-hole assemblies and their components and rents PDC drill bits, large-diameter hammers and accessories for wide-diameter casing systems such as pilings and elevator shafts.

At December 31	Year ended			
($ millions)	2013	2012	$ Change	% Change
Revenue	13.0	14.3	(1.3)	(9%)
EBITDAS	(0.7)	(1.2)	0.5	42%
Net earnings (loss) from continuing operations	(0.9)	(0.9)	-	0%

Revenue for the year was $13.0 million compared to $14.3 million for 2012. The decrease was primarily attributable to the loss of customers earlier in 2013 which caused a reduction in revenues.

EBITDAS for the year was a loss of $0.7 million compared to a loss of $1.2 million in 2012. The decreased loss is primarily attributable to increased demand for PDC drill bits and a $1.0 million charge to inventory obsolescence in 2012 compared to a $0.4 million inventory write-off in 2013.

The Manufacturing and Supply segment realized a net loss from continuing operations of $0.9 million consistent with 2012.

PIPELINE AND FACILITIES

The Pipeline and Facilities segment of Cordy's business is conducted through Cordy Pipelines Inc. (the "Pipeline Segment")

The Pipeline and Facilities segment accounted for 13 percent of the revenue from continuing operations generated by the Corporation in 2013 (2012 – 19 percent). This segment provided services to large and mid-sized oil and natural gas exploration and production companies in northwest and central Alberta.

Services provided 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.

At December 31	Year ended			
($ millions)	2013	2012	$ Change	% Change
Revenue	15.7	21.6	(5.9)	(27%)
EBITDAS	(1.2)	2.7	(3.9)	(144%)
Net earnings (loss) from continuing operations	(0.6)	1.8	(2.4)	(133%)

Revenue for the year was $15.7 million compared to $21.6 million for 2012. During the year the focus was to eliminate lower margin projects and reduce operations from two locations to one, which resulted in a decrease in revenue.

EBITDAS for the year were a loss of $1.2 million compared to positive EBITDAS of $2.7 million in 2012. In 2012, higher margins were realized on work related to a significant pipeline clean-up. The work conducted in 2013 had lower margins which were also negatively impacted by costs associated with management restructuring and other costs incurred with the wind-down of our Grande Prairie office and the consolidation of the business units within this segment. In addition, a bad debt provision was made in the fourth quarter of 2013 for $1.0 million.

The Pipeline and Facilities segment realized net losses from continuing operations of $0.6 million in 2013 compared to net earnings of $1.8 million in 2012.

CORPORATE SERVICES

Cordy's corporate office provides the corporate management and financial expertise, capital resources, technology, systems support, shared services and strategic planning for the business units.

At December 31	Year ended			
($ millions)	2013	2012	$ Change	% Change
Revenue	-	-	-	N/A
EBITDAS	(4.5)	(3.4)	(1.1)	(32%)
Net loss from continuing operations	(5.3)	(3.8)	(1.5)	(39%)

The EBITDAS loss for Corporate Services increased in the year ended December 31, 2013 by $1.1 million. The change is primarily attributable to the costs related to executive changes.

For the year ended December 31, 2013, net loss from continuing operations increased by $1.5 million compared to net loss from continuing operations of $3.8 million in 2012.

FINANCIAL RESOURCES AND LIQUIDITY

Year ended December 31 ($ millions)	2013	2012	$ Change
Cash generated provided by (used in):			
Operating activities from continuing operations	7.3	7.5	(0.2)
Operating activities from discontinued operations	0.2	-	0.2
Financing activities from continuing operations	(10.8)	10.1	(20.9)
Financing activities from discontinued operations	-	(2.2)	2.2
Investing activities from continuing operations	6.1	(17.4)	23.5
Investing activities from discontinued operations	-	3.8	(3.8)
Increase in cash	2.8	1.8	1.0

Cash flows provided by operating activities from continuing operations decreased in the year ended December 31, 2013 by $0.2 million to $7.3 million primarily due to a decrease in cash from working capital changes.

Cash flows provided by (used in) financing activities of continuing operations decreased in the year ended December 31, 2013 by $21.0 million due the use of $16 million as the Corporation used funds to repay bank indebtedness and equipment loans.

Cash flows provided by (used in) investing activities of continuing operations increased in the year ended December 31, 2013 by $23.5 million to $6.1 million as the Corporation realized proceeds from the sale of equipment from the Environmental Services and Heavy Construction segments in 2013 totalling $7.1 million offset by $1.0 million in capital expenditures compared to net capital additions of $17.4 million in 2012.

Management expects that the cash flows from operation activity, proceeds on the disposition of equipment and other assets will be sufficient to fund the Corporation's operations, debt repayments and its capital commitments to allow the Corporation to meet its planned activities, while seeking additional financing. The Corporation is continuing to evaluate its financing options. There can be no assurance that the amount or terms of the available facility will not be adjusted at maturity, or that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation.

WORKING CAPITAL

Management expects that it can operate based on its current financing structure as described in "Financial Resources and Liquidity." 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, asset dispositions and equity financings as needed.

Year ended December 31 ($ millions)	2013	2012	$ Change
Cash in the statement of cash flow	5.6	2.8	2.8
Bank debt	-	6.7	(6.7)
Loans	5.8	-	5.8
Net cash	(0.2)	(3.9)	3.7
Working capital	10.5	1.4	9.1

LOANS AND BORROWING – LOAN PAYABLE

The Corporation has a $6.0 million loan payable.

LOANS AND BORROWING – EQUIPMENT FINANCING

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, 2013, the Corporation's current portion of long-term debt was $4.0 million or 28 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 ($ millions)	2013	2012
Current liabilities:		
Bank indebtedness	-	6.7
Current portion of loan payable	5.8	-
Current portion of secured equipment loans	3.9	12.7
Current portion of finance lease obligations	0.1	0.2
Current portion of debt	9.8	19.6
Non-current liabilities:		
Equipment loans	4.6	4.3
Finance lease obligations	-	0.1
Non-current portion of debt	4.6	4.5
Total term debt obligations	14.4	24.1

Terms and conditions of equipment loans were as follows:

Year ended December 31	Nominal	Year of	2013		2012	
($ millions)	interest rate	Maturity	Face value	Carrying value	Face value	Carrying value
Secured equipment facility #1	5.18	2014-2017	5.5	5.5	9.4	9.4
Secured equipment facility #2	5.58	2014-2017	2.4	2.4	3.9	3.9
Secured equipment facility #3	5.74	2017	0.5	0.5	3.4	3.4
Secured equipment facility #4	8	2014-2015	0.1	0.1	0.3	0.3
Finance lease obigations	8.99	2014-2015	0.1	0.1	0.3	0.3
Total interest bearing liabilities			8.6	8.6	17.3	17.3

TRANSACTIONS WITH RELATED PARTIES

Lyncorp International Ltd ("Lyncorp") is considered a related party; a company wholly-owned by David Mullen, the Chief Executive Officer, Chairman and a director of Cordy. Together, David Mullen and Lyncorp hold approximately 19.19% (2012 - 19.52%) of Cordy's outstanding common shares.

Equipment rental

A master rental agreement was entered into on March 1, 2011 between Cordy and Lyncorp. The rental agreement allows Cordy and/or any of its subsidiaries to rent equipment owned by Lyncorp International Ltd. on a month-to-month basis. The agreement was approved by non-affiliated directors and includes terms and conditions equal to or better than what were available in the open market to Cordy. During the year ended December 31, 2013, Cordy paid an aggregate of $11.0 million (2012 – $10.1 million) under the rental agreement. The increase in expense is attributable to an increase in the number of pieces of equipment rented.

Year ended December 31 ($ millions)	2013	2012
Equipment rental	10,999	10,068

Asset sale agreement

Cordy entered into an asset sale agreement with Lyncorp on September 27, 2013 and sold two CAT D11Ts at market value for proceeds of $2,776,250.

Amounts due from or to Lyncorp

As at December 31, 2013, nil was included in trade and other receivables (2011 – nil) and $0.1 million (2012 - $0.2 million) in trade and other payables that relates to Lyncorp.

SHARE CAPITAL

On November 27, 2013, The Corporation issued 1.5 million common shares at a price of $0.135 as partial consideration for the loan payable.

On August 31, 2012, the Corporation issued 0.6 million common shares at a price of $0.25 as contingent consideration for the acquisition of RB2.

Year ended December 31 (# of shares)	2013	2012
On issue at January 1	88.0	87.4
Issued as partial consideration for secured loan	1.5	-
Issued on contingent consideration	-	0.6
On issue at December 31	89.5	88.0

Common shares

At December 31, 2013, the Corporation was authorized to issue an unlimited number of common shares. The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Corporation. All shares rank equally with regard to the Corporation's residual assets.

Equity	2013	2012
Balance at January 1	42.7	44.8
Loss for the period	(1.8)	(3.2)
Share-based payments	0.1	0.4
Issued as partial consideration for secured loan	0.2	-
Issued on contingent consideration	-	0.1
Other Comprehensive Income	0.1	-
Distributions	(0.5)	-
Non-Controlling interest	0.3	0.6
Balance at December 31	41.1	42.7

Summary information with respect to share options outstanding at December 31, 2013 is provided below:

Options outstanding	Exercise price	Grant date	Expiry date
3,363,000	0.29	March 23, 2012	March 23, 2017
150,000	0.29	August 10, 2012	August 10, 2017
200,000	0.24	December 18, 2012	December 18, 2017

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.

MARKET RISK

The energy services industry is sensitive to the level of capital expenditures made by oil and natural gas exploration and production companies and mining companies. These companies base their capital expenditures on several factors including global prices, global production levels, costs including royalty rates, access to capital and government approvals. Oil and natural gas exploration and production companies examine long-term fundamentals before determining their capital budgets. Commodity prices and the corresponding level of production and exploration activity are often volatile. Any prolonged, substantial reduction in commodity prices would likely reduce oil and natural gas industry capital expenditures as would any delays due to the prolonging of government approval for projects or lack of access to capital. In turn, these factors could impact the demand for the Corporation’s services. These conditions could have a material adverse effect on the Corporation’s results of operations and financial condition. The Corporation’s operations are significantly affected by the price of fuel, labour, equipment and other costs. Significant increases in these and other related costs could adversely affect profitability. The Corporation cannot predict future economic conditions or the impact of them, and there is no assurance that the Corporation’s operations would be profitable.

Oil and Natural Gas Drilling Activity

A portion of the Corporation’s revenue and operating income is directly related to oil and natural gas drilling activity in western Canada. The level of drilling activity by exploration and production companies is based on several factors including, but not limited to, hydrocarbon prices, production levels, access to capital and government approvals. As a service provider to the oil and natural gas industry, the Corporation 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 and at historical lows, causing a reduction in the level of natural gas drilling activity. Although recent oil drilling and production activity has increased in western Canada due to a combination of higher oil prices and multi-stage fracturing techniques, oil prices have fluctuated significantly over the past several years, and may remain volatile in the future.

The Corporation cannot determine the impact of the reduction in natural gas exploration activity as this reduced activity has been offset by the increased activity in oil directed drilling activity. The Corporation has taken steps to mitigate its operations from natural gas exposure by increasing its operational focus toward heavy oil and oil sands activity.

Competition

The various business segments in which Cordy participates are highly competitive. The Corporation competes with several large companies in the energy services and mining industries 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 technological change and its access to a modern fleet of equipment to remain competitive in its various businesses.

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's reliance on Lyncorp International Ltd for equipment through its Equipment Rental Program presents a risk whereas if the relationship were to end, the Corporation's financial performance may be adversely affected. To mitigate this risk, management has maintained relationships with certain key suppliers. No assurances can be given that the Corporation will be successful in maintaining its supply of equipment, parts and components and technology resources.

Economic Dependence

The Corporation's businesses within each operating segment are, to a large extent, economically dependent on a limited number of key customers.

In 2013, 61% of the Heavy Construction Segment's sales were concentrated with three of its largest customers. Likewise, three of the largest customers of the Environmental Segment comprised 45% of sales. The Manufacturing and Supply Segment's largest three customers accounted for 31% of the sales. 51% of the Pipeline and Facilities Construction Segment sales were generated from three of its largest 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.

Two customers represented 16% and 11% of the Corporation's consolidated revenue for the year ended December 31, 2013 respectively.

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.

First Nation Relationships

A key part of the Corporation's business strategy is based on developing and maintaining positive relationships with First Nations in geographic areas of strategic importance to the Corporation. These relationships are expected to be important to the Corporation's future operations and to its customers who desire to work on traditional First Nation lands.

The inability to develop and maintain effective relationships with First Nations and to be in compliance with local requirements could adversely affect a portion of the Corporation's business strategy, growth and profitability.

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.

Environmental Risks

All phases of the oil and gas industry present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

The Government of Canada expects Canada to reduce its greenhouse gas emissions to specified levels. There has been much public debate with respect to Canada's ability to meet specified targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. A number of federal, provincial and state governments have announced intentions to regulate greenhouse gases and other air pollutants. These governments are currently developing the regulatory and policy frameworks to deliver on these announcements. In most cases, there are few technical details regarding the implementation and coordination of the plans to reduce emissions. It is also expected that further federal, provincial and state announcements and regulatory frameworks to address emissions will emerge. These initiatives may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby

decreasing the demand for the Corporation's services. Given the evolving nature of emission regulations, management is unable to predict the impact of these initiatives on the Corporation. It is possible that these initiatives will adversely affect the Corporation's business, financial condition, results of operations and cash flows.

Access to Additional Financing

The economic slowdown and uncertainty over the recent years 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 and acquisitions 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 or acquisitions 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.

Vulnerability to Market Changes

Petroleum, natural gas and coal prices 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 or substantial 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 material 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 a 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 heavy construction and 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 heavy construction and oilfield services industries generally, which could have a material adverse effect on the Corporation's operating results and cash flows.

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

Seasonality

The level of activity and equipment utilization in the heavy construction, environmental services and pipeline and facilities 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 and dispositions of businesses and assets in the ordinary course of business.

Acquisitions 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 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.

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 or dispositions.

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.

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 mitigated by the number, reputation and diversified nature of the companies with which the Corporation does business.

At December 31, 2013, the Corporation had an allowance for doubtful trade accounts receivable of $1.7 million (December 31, 2012 – $1.2 million). Management considers its trade accounts receivable to be overdue if outstanding for more than 30 days.

Trade receivables are categorized as follows:

Carrying amount ($ millions)	2013	2012
Trade receivables	15.5	19.3
Other receivables (includes accrued revenue, GST and other receivables)	2.3	1.8
Total receivables	17.8	21.1

Impairment risk

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.

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 the majority of the Corporation's borrowings bear interest at fixed rates.

At December 31, 2013 and 2012, the interest rate profile of the Corporation's interest-bearing financial instruments was:

Carrying amount ($ millions)	2013	2012
Fixed-rate instruments		
Financial assets	–	–
Financial liabilities	14.4	17.3
Total	14.4	17.3

Fair value sensitivity analysis for fixed-rate instruments

Interest rate risk arises on borrowings issued at variable rates, which exposes risk to future cash flows if interest rates were to rise. The Corporation's various financing loans are all issued at fixed rates. As at December 31, 2013, assuming all other variables were held constant, if interest rates were to increase by 1.0 percent on the $14.4 million of the Corporation's debt, including the loan payable, the Corporation would incur additional annual interest expense of approximately $0.1 million. Cordy does not account for any fixed rate financial assets and liabilities at Fair Value through Profit or Loss ("FVTPL").

Fair values versus carrying amounts

Financial instruments include cash and cash equivalents, trade and other receivables, trade and other payables, equipment

loans 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 receivables are designated as loans and receivables and are 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 financings 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 value of the equipment financing and obligations under financing leases approximates their carrying value as the interest rates applicable to these instruments reflect current market rates.

The carrying values of financial assets and liabilities approximate their fair values.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the Government of Canada yield curve at the reporting date plus an adequate credit spread, and were as follows at December 31:

	2013	2012
Loans and borrowings	12.21%	5.58%
Total	12.21%	5.58%

Foreign exchange

Foreign exchange risk represents the effect of changes in foreign exchange rates on the fair value or future cash flows of the Corporation's financial assets or liabilities. The Corporation enters into transactions denominated in United States dollars (USD) for which the related revenues, expenses and working capital balances are subject to exchange fluctuations. Exposure to exchange rate fluctuations is minor due to the short-term nature of these working capital balances and the fact that assets and revenues in USD are largely offset by liabilities and expenses in the same currency. During the year ended December 31, 2013, the Corporation recognized $6.5 million (2012 – $2.6 million) of sales denominated in USD and incurred purchases of $3.7 million (2012 – $3.3 million) denominated in USD.

Capital management

The Corporation's capital structure is comprised of shareholders' equity, long-term debt, obligations under finance leases, and a short term secured loan. Cordy's objectives in managing its capital are the following:

- To maintain flexibility as to preserve the Corporation's access to capital and its ability to meet its financial obligations
- To finance growth, including potential acquisitions

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	2013	2012
Loan Payable	5,787	-
Total debt obligations	8,485	16,982
Operating facility	-	6,697
Obligations under finance lease	115	334
Total debt	14,387	24,013
Total equity	39,787	42,707
Less: Cash	(5,590)	(2,839)
Total capitalization	48,584	63,881

As at December 31, 2013, the Corporation manages capital based on the following ratios:

- Minimum fixed charge coverage ratio ("FCCR") of 1.1 to 1[1]
- Maximum debt to total capitalization of 1 to 1

The Corporation is compliant with its covenants and ratios as at December 31, 2013.

[1] *Fixed charge coverage ratio consolidated EBITDA adjusted for the payments of income taxes and certain capital expenditures to Debt Service Charges comprised of all interest payments plus principal payments on long-term debt and finance lease obligations.*

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 arrangements. In order to manage its liquidity risk, the Corporation has a policy to maintain a positive working capital balance, a diverse clientele of well-established and well financed entities, and sufficient capacity within its financing arrangements to meet any immediate liquidity requirements. The Corporation believes that forecasted cash flows from operating activities, proceeds on disposition of equipment and other assets, along with available financing, will provide a sufficient cash resource to fund the Corporation's operating requirements, debt repayments and capital expenditures.

The Corporation has the following commitments tied to operating leases:

Operating lease payments due	($ millions)
2014	1.4
2015	0.9
2016	0.7
2017	0.5
Total	3.5

OFF-BALANCE-SHEET ARRANGEMENTS

As at December 31, 2013, 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. Specifically, EBITDAS is not recognized by nor is it defined under IFRS. These Non-GAAP Terms do not have standardized meanings and may not be comparable to similar measures presented by other entities.

EBITDAS

EBITDAS is defined as earnings before interest, taxes, depreciation, amortization, impairment and share-based payments. EBITDAS is not a recognized measure under IFRS. Management believes, in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the results generated from the Corporation's principal business activities prior to considering financing activities and taxation thereon. Readers are cautioned that EBITDAS 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 EBITDAS may differ from that of other companies and, accordingly, EBITDAS may not be comparable to measures used by other companies.

Year ended December 31 ($ millions)	2013	2012
Net earnings (loss) from continued operations	(1.5)	(3.1)
Add (deduct):		
Amortization expense	6.1	6.2
Finance costs	1.2	1.0
Gain on disposal of equipment	(0.9)	(0.1)
Gain on financial instrument	-	(0.1)
Share-based payments	0.1	0.4
Impairment of equipment	0.2	1.9
Income taxes	(0.6)	(1.5)
EBITDAS	**4.6**	**4.7**

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 certain-

ty; therefore, these estimates may change as new events occur, more experience is acquired or the Corporation's operating environment changes. More detailed information regarding the accounting estimates believed by management to require the most difficult, subjective or complex judgments and which are material to the Corporation's financial reporting results are discussed in the Corporation's Annual MD&A for the year ended December 31, 2013.

IMPAIRMENT TESTS

During 2013, the Corporation performed impairment tests on its property and equipment and goodwill and reviewed intangible assets for impairment indicators and concluded that there is an impairment loss of $0.2 million (2012 – $1.9 million). Assumptions regarding the future profitability of the Corporation and demand for its services were factored into the impairment tests. The Corporation estimated future performance based upon past operating results and industry outlook. Differences between estimated future results for the Corporation and actual results could have a material impact on the valuation of goodwill and intangible assets.

The Corporation provides for estimated obsolescence or excess inventory equal to the difference between the carrying value of inventory and its estimated net realizable value based upon assumptions about future demand for the products, market conditions and the risk of obsolescence driven by the introduction of new product. During 2013, the reviewed inventory for obsolescence and excess and concluded that an obsolescence reserve of $0.4 million (2012 - $1.0 million) is required.

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 2013, the Corporation recorded depreciation expense on property and equipment of $6.1 million (2012 – $6.2 million) and amortization expense on intangible assets of $0.2 million (2012 – $0.5 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, 2013, the Corporation had an allowance for doubtful accounts of $1.7 million (2012 – $1.2 million) netted against accounts receivable of $19.4 million (2012 – $22.3 million). Actual bad debts incurred can differ from the reserves provided.

SHARE-BASED PAYMENTS

The Corporation applies the fair value method of accounting for all stock-based options and awards. Cordy follows certain weighted average assumptions that are acceptable under IFRS to determine the fair value of the options on the date of grant including an estimated forfeiture rate. Differences between estimates and actual results, including forfeiture rates, can have a material impact on stock-based compensation expense and the Corporation's results. For the year ended December 31, 2013, the Corporation recorded share-based payment expenses of $0.1 million (2012 - $0.4 million).

TAX ASSETS

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

ACQUISITIONS

Acquisitions of businesses are accounted for using the acquisition method. Acquired assets and assumed liabilities are recognized at their fair values at the acquisition date. For those acquisitions that include a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and subsequent changes in such fair value amounts are recognized in net income. Acquisition-related costs are recognized in net income as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Cordy reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2013, the Corporation adopted IFRS 7- Financial Instruments: Disclosures; IFRS 10 – Consolidated Financial Statements; IFRS 11 – Joint Arrangements; IFRS 12- Disclosure of Interest in Other Entities; and IFRS 13 – Fair Value Measurement. IFRS 10, 11 and 12 were applied retrospectively. IFRS 13 was applied prospectively.

IFRS 7, 'Financial Instruments: Disclosures', develop common disclosure requirements for financial assets and financial liabilities that are offset in the financial statements, or that are subject to enforceable master netting arrangements or similar agreements. The adoption of this standard did not have a material effect on the Corporation.

IFRS 10- Consolidated Financial Statements established the principles under which the Corporation has to present its consolidated financial statements. Management has concluded that Cordy has the power to govern the financial and operating policies of Dene-Cor. This has resulted in a change in how Cordy accounts for its 49% investment in Dene-Cor from equity accounting to full consolidation with the partner's 51% share in the investment reported as non-controlling interest. IFRS 10 was applied retrospectively in these consolidated financial statements and the comparative financial statements were restated to conform with the current period presentation.

IFRS 11, 'Joint Arrangements', establishes the principles under which a reporting issuer accounts for its interest in a joint arrangement, including joint ventures or joint operations. This standard is effective for the annual periods beginning on or after January 1, 2013. The adoption of this standard did not have a material effect on the Corporation.

IFRS 12, 'Disclosures of Interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is effective for the annual periods beginning on or after January 1, 2013. The adoption of this standard did not have a material effect on the Corporation.

IFRS 13, Fair value measurement, establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The standard is effective for annual periods beginning on or after January 1, 2013. The adoption of this standard did not have a material effect on the Corporation.

The Corporation early adopted the amendments of IAS 36.

NEW IFRS PRONOUNCEMENTS

The new pronouncement set forth below is effective for financial statements with annual periods beginning on or after January 1, 2014:

IAS 32, 'Financial Instruments: Presentation', clarifies existing requirements for offsetting financial assets and financial liabilities for the annual periods beginning on or after January 1, 2014. Management has completed its initial assessment of the amendments to IAS 32. Based on such assessment, the Corporation does not anticipate a material impact on its financial statements.

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, pricing and availability of raw materials, 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, 2013 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 contained in this MD&A are expressly qualified by this cautionary statement.

In particular, forward-looking information and statements include discussion reflecting the Corporation's belief that:

- Cordy expects that the overall business activity for the first half of 2014 will be slower than 2013 for Cordy given the current pricing issues for oil, natural gas and coal within western Canada. However, there is on-going development and planning for long term capital projects within the heavy oil and oil sand regions in western Canada that management believes will support increased activity slightly in the second half of 2014 in the Heavy Construction and Environmental Services segments;

- Cordy intends to continue to re-evaluate and deploy our people and equipment to strategically expand our business over the long term. Management plans to continue to adjust the equipment fleet to reflect business realities. It is Management's expectation that there will be continued growth opportunities and required investment for the Corporation within the heavy oil and the oil sands regions in western Canada as well as in the mining region in British Columbia;

- Cordy intends to use the anticipated cash flow from operating activities and the proceeds on disposition of equipment and other assets in 2014 to finance working capital requirements, debt repayments and capital expenditures, while seeking additional financing.

- Cordy expects to incur additional capital expenditures or increased rental equipment in its Heavy Construction and Environmental Services segment, however such expenditures are not yet finalized or approved, therefore any additions will be based upon an assessment of future business activities, opportunities and expected return on such investments;

- Management will continue to review Cordy's capital structure and will consider various options to support the Corporations debt repayments and its future cash flow requirements. . There can be no assurance that the amount or terms of the available facility will not be adjusted at maturity, or that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation.

Readers are cautioned that expectations, estimates, projections and assumptions used in the preparations of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward looking statements. With respect to forward looking statements, Cordy has made the following assumptions:

- Cordy will use the anticipated cash flow from operating activity, financing activities, and proceeds from disposition of equipment and other assets in 2014 to finance on-going working capital requirements and its 2014 capital expenditures. This assumption is based on Cordy's belief that its access to cash will exceed its expected requirements;

- Cordy will implement and benefit from our business restructuring initiatives, execute its strategy and achieve its revenue, net profit, and cash flow forecasts for 2014;

- 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;

- Any under-utilized owned equipment across all business segments will be sold to increase cash flow and maintain positive utilization;

- Cordy will secure specific types of rental equipment to support project activity which will allow us to meet our customer's variable service requirements while balancing the need to maximize utilization of our equipment;

- 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 and fleet management practice;

Forward looking statements address future events and conditions and, therefore, involve inherent risk and uncertainties. Risk factors and other uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements. 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's 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.