Canyon Services Group Inc.

Consolidated Financial Statements

Three Months Ended March 31, 2007 and 2006

(unaudited)

Canyon Services Group Inc.

Consolidated Balance Sheets

(unaudited)

		March 31, 2007		December 31, 2006
Assets				
Current				
Cash	$	2,227,447	$	2,834,741
Accounts receivable		9,434,334		8,561,662
Inventory		4,013,058		3,804,422
Prepaid expenses and deposits		425,957		138,682
Income taxes recoverable		1,639,038		613,308
		17,739,834		15,952,815
Property and equipment (note 2)		105,372,657		101,792,051
Intangible assets (note 3)		257,125		-
	$	123,369,616	$	117,744,866
Liabilities				
Current				
Operating facility	$	2,841,865	$	-
Accounts payable and accrued liabilities		4,407,098		4,129,756
Current portion of obligation under capital lease		2,237,939		2,206,170
Current portion of long-term debt		448,110		467,112
		9,935,012		6,803,038
Obligation under capital lease		5,919,968		6,492,599
Long-term debt		9,498,114		6,562,705
Future income taxes		3,239,880		2,750,204
		28,592,974		22,608,546
Shareholders' Equity				
Share capital (note 4)		86,830,591		86,779,804
Warrants (note 4)		257,125		-
Contributed surplus		728,211		563,730
Retained earnings		6,960,715		7,792,786
		94,776,642		95,136,320
	$	123,369,616	$	117,744,866

See accompanying notes to the consolidated financial statements

On behalf of the Board:

Signed: *Dennis J. Weinberger*

Signed: *Raymond P. Antony*

CANYON Services Group Inc.

Canyon Services Group Inc.

Consolidated Statements of Retained Earnings

(unaudited)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Retained earnings, beginning of period	$ 7,792,786	$ 5,770,098
Net earnings (loss)	(832,071)	2,914,936
Retained earnings, end of period	$ 6,960,715	$ 8,685,034

See accompanying notes to the consolidated financial statements

Canyon Services Group Inc.
Consolidated Statements of Operations
(unaudited)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Revenues	$ 14,220,235	$ 15,758,641
Expenses		
Operating	10,957,063	9,078,225
Selling, general and administrative	1,687,998	922,571
	12,645,061	10,000,796
Earnings from continuing operations before the following	1,575,174	5,757,845
Interest on long-term debt	270,833	164,727
Other interest	36,844	34,623
Depreciation	2,446,454	977,618
Earnings (loss) from continuing operations before income taxes	(1,178,957)	4,580,877
Income taxes		
Current (recovery)	(749,864)	1,276,046
Future	402,978	293,668
	(346,886)	1,569,714
Net earnings (loss) from continuing operations	(832,071)	3,011,163
Loss from discontinued operations	-	(96,227)
Net earnings (loss)	$ (832,071)	$ 2,914,936
Earnings (loss) per share from continuing operations:		
Basic	$ (0.04)	$ 0.18
Diluted	$ (0.04)	$ 0.17
Loss per share from discontinued operations:		
Basic	$ -	$ (0.01)
Diluted	$ -	$ -
Earnings (loss) per share:		
Basic	$ (0.04)	$ 0.17
Diluted	$ (0.04)	$ 0.17

See accompanying notes to the consolidated financial statements

CANYON
Services Group Inc.

Canyon Services Group Inc.
Consolidated Statements of Cash Flows
(unaudited)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Operating activities		
Net earnings (loss) from continuing operations	$ (832,071)	$ 3,011,163
Add non-cash operating items:		
Depreciation	2,446,454	977,618
Future income taxes	402,978	293,668
Stock-based compensation expense	172,518	64,520
Funds provided by continuing operations	2,189,879	4,346,969
Changes in other current assets and liabilities:		
Accounts receivable	(872,672)	(1,544,008)
Inventory	(208,636)	-
Prepaid expenses and deposits	(287,275)	(319,675)
Accounts payable and accrued liabilities	(70,774)	1,465,421
Income taxes payable	(872,909)	1,276,046
	(122,387)	5,224,753
Discontinued operations		
Funds provided by discontinued operations	-	593,999
Changes in non-cash working capital balances of discontinued operations	(66,124)	(283,937)
	(188,511)	5,534,815
Financing activities		
Advances on operating facility	2,841,865	1,854,374
Advances on long-term debt	3,000,000	-
Capital lease payments	(540,862)	(509,990)
Repayment of long-term debt	(83,593)	(17,834)
Issuance of common shares	42,750	(240,285)
	5,260,160	1,086,265
Investing activities		
Acquisition of property and equipment - continuing operations	(6,027,060)	(10,214,193)
Proceeds on sale of net assets - discontinued operations	-	5,916,135
Change in accounts payable related to capital expenditures	348,117	(3,352,993)
	(5,678,943)	(7,651,051)
Change in cash	(607,294)	(1,029,971)
Cash, beginning of period	2,834,741	3,570,090
Cash, end of period	$ 2,227,447	$ 2,540,119
Supplemental information:		
Interest paid	$ 310,431	$ 148,911
Income taxes paid	$ 87,359	$ -

See accompanying notes to the consolidated financial statements

CANYON
Services Group Inc.

1) Significant accounting policies:

a) Basis of presentation:

These financial statements include the accounts of Canyon Services Group Inc. (formerly Jade Energy Services Inc), consolidated with the accounts of its wholly-owned subsidiary, Canyon Technical Services Ltd. (formerly Jade Oilfield Service Ltd.). These interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements. The Company's interim financial statements should be read in conjunction with the most recent annual financial statements. The Company's interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements except where noted below.

b) Seasonality of operations:

The Company's business is seasonal in nature with the periods of greatest activity being in the first and fourth quarter, and the least activity tending to be in the second quarter because of spring break-up. Spring break-up typically occurs for periods of up to six weeks between March and May. The Company's operating activities can also be affected by extended periods of rainy weather which can result in restrictions to the movement of heavy equipment.

c) Financial instruments:

On January 1, 2007 the Company adopted the new accounting standards regarding the recognition, measurement, disclosure and presentation of financial instruments. The financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. The new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair market value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

On adoption of the new standards, the Company elected to recognize, as separate assets and liabilities, only for those embedded derivatives in hybrid instruments issued, acquired or substantially modified after January 1, 2003. The Company did not identify any material embedded derivatives, which required separate recognition and measurement.

The new standards require a new statement of comprehensive income, which is comprised of net earnings and other comprehensive income which may report the changes in fair value in, derivatives designated as cash flow hedges and available-for-sale investments and foreign currency translation. The Company had no “other comprehensive income or loss” transactions during the three months ended March 31, 2007 and no opening or closing balances for the accumulated other comprehensive income or loss.

Canyon Services Group Inc.
Notes to Consolidated Financial Statements
Three Months Ended March 31, 2007 and 2006
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2) Property and equipment:

	March 31, 2007		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 3,349,060	$ -	$ 3,349,060
Field equipment	80,693,921	6,525,598	74,168,323
Automotive	21,210,838	2,325,193	18,885,645
Office, shop and yard	7,546,342	274,492	7,271,850
Computers and office equipment	2,087,963	478,345	1,609,618
Leasehold improvements	92,406	4,245	88,161
	$ 114,980,530	$ 9,607,873	$ 105,372,657

	December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 3,349,060	$ -	$ 3,349,060
Field equipment	76,028,043	4,869,634	71,158,409
Automotive	20,445,407	1,668,383	18,777,024
Office, shop and yard	7,207,855	227,731	6,980,124
Computers and office equipment	1,830,700	392,537	1,438,163
Leasehold improvements	92,406	3,135	89,271
	$ 108,953,471	$ 7,161,420	$ 101,792,051

3) Intangible assets:

In February 2007, the Company completed the acquisition of intangible assets for consideration of 125,000 warrants. The property consists of certain intellectual property from a private company for proprietary light weight proppant. The fair value of this property totalling $257,125 is being amortized using the straight line method over its estimated useful life of 15 years. The private company is one-third owned by a senior employee of the Company.

Canyon Services Group Inc.
Notes to Consolidated Financial Statements
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4) Share capital:

a) Common shares issued:

	Number	Amount
Balance, December 31, 2005	16,835,200	$ 34,563,197
Initial public offering	5,000,000	55,000,000
Share issuance costs (net of income tax effect of $1,202,934)	-	(2,783,393)
Balance, December 31, 2006	21,835,200	86,779,804
Issued on exercise of stock options	19,000	42,750
Transfer from contributed surplus on exercise of options	-	8,037
Balance, March 31, 2007	21,854,200	$ 86,830,591

b) Stock options:

The average fair value of the 239,000 options granted in the first quarter of 2007 was $1.933 (2006 - $.857) per option using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 4.25%, maximum life of 5 years, expected dividends of nil and expected volatility of 40%. The compensation cost to the Company for the three months ending March 31, 2007 and 2006 was $172,518 and $64,520 respectively.

c) Warrants:

In connection with the purchase of intellectual property during the period, the Company issued 125,000 warrants valued at $257,125 using the Black-Scholes method with the following assumptions: risk free interest rate of 4.25%, maximum life of 5 years, expected dividends of nil and expected volatility of 40%. These warrants entitle the holder to purchase common shares of the Company at an exercise price of $4.96 per share, become exercisable over a three year period and expire in November 2011.

5) Per share amounts:

	March 31, 2007	March 31, 2006
Weighted average common shares outstanding - basic	21,847,867	16,835,200
Effect of stock options and warrants	-	721,593
Weighted average common shares outstanding - diluted	21,847,867	17,556,793

The calculation of dilutive earnings per share does not include anti-dilutive options or warrants. Including those options and warrants would cause the diluted earnings per share to be overstated. The number of excluded options is 1,880,333 (2006 - 10,000) and the number of warrants is 125,000 (2006 - nil).