CANYON

SERVICES GROUP INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 and 2012

UNAUDITED

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Balance Sheets
(Unaudited)

000's of dollars	Note	June 30, 2013	December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents		$28,199	$22,584
Trade and other receivables	4	27,001	63,980
Inventories		14,684	14,203
Prepayments		3,120	1,290
Current tax receivable		7,553	4,022
Total current assets		80,557	106,079
Non-current assets:			
Property and equipment	8	290,796	299,716
Intangible assets		274	318
Total non-current assets		291,070	300,034
Total Assets		$371,627	$406,113
Liabilities and Equity			
Current liabilities:			
Trade and other payables	9	$30,183	$38,402
Loans and borrowings	10	2,576	2,138
Dividend payable		9,367	9,294
Total current liabilities		42,126	49,834
Non-current liabilities:			
Loans and borrowings	10	2,969	3,475
Deferred tax liabilities	11	12,911	15,029
Total non-current liabilities		15,880	18,504
Equity			
Share capital	12	189,395	187,173
Contributed surplus		9,330	8,350
Retained earnings		114,896	142,252
Total equity		313,621	337,775
Total liabilities and equity		$371,627	$406,113

The notes are an integral part of these Condensed Consolidated Interim Financial Statements.

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Statements of Comprehensive Income (loss)
(Unaudited)

000's of dollars, except per share amounts	Note	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Revenue		$27,419	$37,974	$114,368	$173,909
Cost of services	5	(44,035)	(42,534)	(113,617)	(122,988)
Gross profit (loss)		(16,616)	(4,560)	751	50,921
Administrative expenses	6	(5,551)	(4,276)	(11,074)	(9,812)
Results from operating activities		(22,167)	(8,836)	(10,323)	41,109
Finance costs		(162)	(235)	(318)	(396)
Profit (loss) before income tax		(22,329)	(9,071)	(10,641)	40,713
Income tax (expense) recovery					
Current tax	7	1,486	4,510	(136)	(6,760)
Deferred tax	11	3,657	(2,379)	2,118	(3,726)
		5,143	2,131	1,982	(10,486)
Profit (loss) and comprehensive income (loss)		$(17,186)	$(6,940)	$(8,659)	$30,227
Earnings (loss) per share					
Basic		$(0.28)	$(0.11)	$(0.14)	$0.49
Diluted		$(0.28)	$(0.11)	$(0.14)	$0.48

The notes are an integral part of these Condensed Consolidated Interim Financial Statements.

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)

000's of dollars	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at December 31, 2011	$183,224	$6,084	$124,759	$314,067
Profit and comprehensive income for the period	-	-	30,227	30,227
Transactions with owners, recorded directly in equity:				
Issue on exercise of stock options	705	-	-	705
Reclassification on exercise of stock options and incentive-based units	255	(255)	-	-
Share-based payment transactions	-	1,688	-	1,688
Dividends	-	-	(18,345)	(18,345)
Balance at June 30, 2012	$184,184	$7,517	$136,641	$328,342
Balance at December 31, 2012	$187,173	$8,350	$142,252	$337,775
Profit (loss) and comprehensive income (loss) for the period	-	-	(8,659)	(8,659)
Transactions with owners, recorded directly in equity:				
Issue on exercise of stock options	1,280	-	-	1,280
Reclassification on exercise of stock options and incentive-based units	942	(942)	-	-
Share-based payment transactions	-	1,922	-	1,922
Dividends	-	-	(18,697)	(18,697)
Balance at June 30, 2013	$189,395	$9,330	$114,896	$313,621

The notes are an integral part of these Condensed Consolidated Interim Financial Statements.

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Statement of Cash Flows
(Unaudited)

000's of dollars	Note	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Cash flows from operating activities:					
Profit (loss) and comprehensive income (loss) for the year		$(17,186)	$(6,940)	$(8,659)	$30,227
Adjustments for:					
Depreciation and amortization	5, 6	7,792	7,094	15,496	14,180
Share-based payment transactions	13	1,241	(2,144)	2,151	(1,202)
Loss (gain) on sale of property and equipment		(12)	36	(44)	77
Finance costs		162	235	318	396
Income tax expense	7, 11	(5,143)	(2,131)	(1,982)	10,486
		(13,146)	(3,850)	7,280	54,164
Change in inventories		(262)	(960)	(482)	(2,165)
Change in trade and other receivables		29,970	59,117	36,979	44,436
Change in prepayments		(908)	(312)	(1,830)	253
Change in trade and other payables		(2,840)	(8,576)	(8,490)	(27,539)
Cash generated from operating activities		12,814	45,419	33,457	69,149
Interest paid		(162)	(235)	(318)	(396)
Income tax paid		(2,512)	(3,516)	(3,667)	(23,066)
Net cash from operating activities		10,140	41,668	29,472	45,687
Cash flows from investing activities:					
Proceeds from sale of property and equipment		91	116	270	149
Acquisition of property and equipment	8	(2,310)	(20,653)	(5,811)	(54,779)
Change in trade and other payables		(733)	(5,568)	42	2,800
Net cash used in investing activities		(2,952)	(26,105)	(5,499)	(51,830)
Cash flows from financing activities:					
Proceeds from exercise of share options and warrants		338	93	1,280	705
Repayment of borrowings		-	(3)	-	(7)
Payment of finance lease liabilities		(517)	(488)	(1,015)	(909)
Dividends paid	12	(9,330)	(9,170)	(18,623)	(12,986)
Net cash from (used in) financing activities		(9,509)	(9,568)	(18,358)	(13,197)
Net decrease in cash and cash equivalents		(2,321)	5,995	5,615	(19,340)
Cash and cash equivalents at beginning of period		30,520	17,146	22,584	42,481
Cash and cash equivalents at June 30		$28,199	$23,141	$28,199	$23,141

The notes are an integral part of these Condensed Consolidated Interim Financial Statements.

1. Reporting Entity:

Canyon Services Group Inc. (the "Company") is a company domiciled in Canada. The Company is a publicly-traded company listed on the Toronto Stock Exchange under symbol 'FRC'. These Condensed Consolidated Interim Financial Statements include the accounts of Canyon Services Group Inc. and its wholly-owned subsidiaries, Canyon Technical Services Ltd. and Canyon Technical Services Inc.

The Company's activities are conducted in the oilfield services industry and are focused on providing specialized fracturing and chemical stimulation services to companies exploring for and developing petroleum and natural gas resources operating in the Western Canadian Sedimentary Basin. These services are designed to enhance oil and natural gas production and maximize recovery from conventional and unconventional reservoirs.

2. Basis of preparation:

(a) Statement of compliance:

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standards (IAS) 34 and do not include all the information required for full annual financial statements. As such, they should be read in conjunction with the 2012 annual financial statements.

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on August 8, 2013.

(b) New Accounting Policies

Effective January 1, 2013, the Company adopted IFRS 10, 11, 12, 13 and IAS 19R and the revisions to IAS 27 and 28. These standards had no impact on the recognition or measurement of any items recorded in the Company's financial statements. The disclosure requirements contained in IFRS 12 are mandatory annual disclosures required in the preparation of annual financial statements; there were no amendments to the minimum disclosure requirements in IAS 34 for the preparation of condensed interim financial statements as a result of IFRS 12. The disclosure requirements in IFRS 7 and IFRS 13 required as a result of the amendments to IAS 34 have been included in Note 2(c) and (d). There have been no other changes to the Company's accounting policies from those disclosed in the 2012 consolidated annual financial statements.

(c) Financial instruments

Financial Assets

The Company initially recognizes trade and other receivables and deposits on the date that they originate. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is classified at fair value through profit or loss ("FVTPL") if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Financial Liabilities

Liabilities (including liabilities designated at fair value through profit or loss) are recognized on the date at which the Company becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings, dividend payable and trade and other payables.

These financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost.

(d) Fair value

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, accrued liabilities, and dividends payable approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings utilize a combination of short term fixed rates through the use of 30 to 90 day Banker's Acceptance and floating rates and accordingly its fair market value approximates its carrying value.

3. Seasonality of Operations:

The Company's business is seasonal in nature with the periods of greatest activity being in the first, third 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 eight weeks between March and June. The Company's operating activities can also be affected by extended periods of adverse weather which can result in restrictions to the movement of heavy equipment. As a result, March through June is traditionally the Company's least active time and as such the operating results of the Company will vary on a quarterly basis.

4. Trade and Other Receivables

The Company's accounts receivable are due from customers that operate in the oil and gas exploration and production industry, and are subject to typical industry credit risks that include oil and natural gas price fluctuations and the customers' ability to secure appropriate financing. During the six months ended June 30, 2013, no single customer accounted for more than 10% of the Company's revenue (year ended December 31, 2012: 14%). As at June 30, 2013, five customers accounted for 76% (December 31, 2012 – five customers accounted for 51%) of the Company's accounts receivable while five customers account for 42% (December 31, 2012 – five customers account for 50%) of the revenue.

The Company's accounts receivable is aged as follows:

000's of dollars	June 30, 2013	December 31, 2012
Current (0-30 days from invoice date)	$7,643	$21,277
31-60 days past due	16,854	23,749
Over 60 days past due	2,765	19,130
Sub-total	27,262	64,156
Less: Allowance for doubtful accounts	(261)	(176)
Total	$27,001	$63,980

5. Cost of Services:

Cost of services for the three and six months ended June 30, 2013 are detailed as follows:

000's of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Employee benefits expense	$13,053	$12,202	$32,412	$32,269
Depreciation of equipment	7,424	6,788	14,772	13,576
Operating expense	23,558	23,544	66,433	77,143
	$44,035	$42,534	$113,617	$122,988

During the six months ended June 30, 2013, inventories recognized as cost of services amounted to $34,850 (2012: $42,215).

6. Administrative Expenses:

Administrative expenses for the three and six months ended June 30, 2013 are detailed as follows:

000's of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Employee benefits expense	$2,182	$2,086	$4,899	$5,070
Depreciation of equipment	345	284	680	560
Amortization of intangibles	22	22	44	44
Share - based payment transactions and cash settlement of deferred share units	1,242	154	2,152	1,096
Other administration expenses	1,760	1,730	3,299	3,042
	$5,551	$4,276	$11,074	$9,812

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7. Income Tax Expense:

The Company's consolidated effective tax rate for the six months ended June 30, 2013 was 19.9% (2012: 25.8%).

000's of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Current tax expense (recovery):				
Current period	$(1,486)	$(4,510)	$136	$6,760
Deferred tax expense:				
Recognition and reversal of temporary differences	(3,657)	2,379	(2,118)	3,726
Total income tax expense (recovery)	$(5,143)	$(2,131)	$(1,982)	$10,486

Reconciliation of Effective Tax Rate

000's of dollars	Six Months Ended June 30,			
		2013		2012
Profit (loss) and comprehensive income (loss) for the period		$(8,659)		$30,227
Total income tax expense (recovery)		(1,982)		10,486
Profit (loss) excluding income tax		(10,641)		40,713
Income tax using the Company's domestic tax rate	(25.0)%	(2,660)	25.0%	10,178
Non-deductible expenses	5.0%	531	1.1%	440
Other	1.4%	147	(0.3)%	(132)
	(18.6)%	$(1,982)	25.8%	$10,486

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8. Property and equipment:

000's of dollars	Land	Office, Shop & Yard	Field Equipment	Automotive	Office Equipment & Leaseholds	Total
Cost:						
Balance at January 1, 2012	$9,046	$14,097	$234,071	$65,540	$5,006	$327,760
Additions:						
Owned	294	6,929	47,613	14,605	499	69,940
Finance leases	-	-	-	2,662	96	2,758
Disposals	-	-	-	(1,483)	(36)	(1,519)
Balance at Dec 31, 2012	**$9,340**	**$21,026**	**$281,684**	**$81,324**	**$5,565**	**$398,939**
Additions:						
Owned	-	3,100	2,531	(111)	291	5,811
Finance leases	-	-	-	826	121	947
Disposals	-	-	-	(642)	-	(642)
Balance at Jun 30, 2013	**$9,340**	**$24,126**	**$284,215**	**$81,397**	**$5,977**	**$405,055**
Accumulated depreciation:						
Balance at January 1, 2012	$ -	$2,254	$46,909	$18,397	$2,530	$70,090
Depreciation for the period	-	669	19,484	9,079	702	29,934
Disposals	-	-	-	(772)	(29)	(801)
Balance at Dec 31, 2012	**$ -**	**$2,923**	**$66,393**	**$26,704**	**$3,203**	**$99,223**
Depreciation for the period	-	424	10,851	3,860	317	15,452
Disposals	-	-	-	(416)	-	(416)
Balance at Jun 30, 2013	**$ -**	**$3,347**	**$77,244**	**$30,148**	**$3,520**	**$114,259**
Carrying amounts:						
At December 31, 2012	9,340	18,103	215,291	54,620	2,362	299,716
At June 30, 2013	9,340	20,779	206,971	51,249	2,457	290,796

Property and Equipment Under Construction

As at June 30, 2013, costs incurred on field and automotive equipment and facilities under construction totaled $6,785 (December 31, 2012: $48,945).

Leased equipment

The leased equipment secures lease obligations. As at June 30, 2013, the net carrying amount of the leased equipment was $5,467 (December 31, 2012: $5,509).

The Company reviewed the carrying amounts of property, equipment and intangible assets for any indication of impairment as at June 30, 2013 and concluded no impairment indicators were present.

9. Trade and other payables:

000's of dollars	June 30, 2013	December 31, 2012
Trade payables	$22,829	$25,541
Accrued expenses	3,243	8,980
Deferred share unit obligation	4,111	3,881
	$30,183	$38,402

10. Loans and borrowings:

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

000's of dollars	Nominal Interest Rate	Year of Maturity	June 30, 2013	December 31, 2012
Current Liabilities:				
Secured equipment loans	5%	2013	$8	$8
Finance lease liabilities	6.0-9.3%	2013-2015	2,568	2,130
			$2,576	$2,138
Non-current liabilities:				
Finance lease liabilities	6.0-9.3%	2013-2015	$2,969	$3,475
			$2,969	$3,475

Effective June 21, 2013, the Company renewed its bank credit facilities for the term of three years, extendable annually at the Company's request and subject to lender approval. The renewed facilities comprise an Operating Facility and a Revolving Facility.

The Operating Facility is a three year committed revolving facility up to a maximum of $15 million, and bears interest, payable monthly, at the bank's prime lending rate plus 0.4% to 1.4%, dependent on certain financial ratios of the Company. As at June 30, 2013 and December 31, 2012, no amounts were drawn on the Operating Facility.

The Revolving Facility is a three year committed revolving facility up to a maximum of $85 million including a $40 million accordion feature. This facility bears interest, payable monthly, at the bank's prime lending rate plus 0.4% to 1.4%, dependent on certain financial ratios of the Company. As at

June 30, 2013 and December 31, 2012, no amounts were drawn on the Revolving Facility. The $40 million accordion feature is available upon request by the Company, subject to review and approval by the lenders.

Security for the Operating Facility and the Revolving Facility is provided by a general security over all of the Company's assets.

The Company is bound by certain financial and non-financial covenants. The Company was in compliance with the terms of the lending agreements as at June 30, 2013 and December 31, 2012.

11. Deferred tax assets and liabilities:

Recognized Deferred Tax Assets and Liabilities

000's of dollars	Assets		Liabilities		Net	
	June 30 2013	Dec. 31 2012	June 30 2013	Dec. 31 2012	June 30 2013	Dec. 31 2012
Property and equipment	$-	$ -	$20,741	$17,977	$20,741	$17,977
Intangible assets	(28)	(23)	-	-	(28)	(23)
Loans and borrowings	(1,384)	(1,401)	-	-	(1,384)	(1,401)
Share-based payment transactions	(1,028)	(970)	-	-	(1,028)	(970)
Share issue costs	(271)	(409)	-	-	(271)	(409)
Tax loss carry forwards	(5,119)	(145)	-	-	(5,119)	(145)
	$(7,830)	$(2,948)	$20,741	$17,977	$12,911	$15,029

As at June 30, 2013, deferred tax assets are based on a rate of 25% and total $7,830 (December 31, 2012: $2,948). Deferred tax assets mainly comprise amounts deductible for tax purposes in future periods in respect of: (i) amounts resulting from the recording of finance lease obligations; (ii) amounts included in trade and other payables in respect of the Company's Share Appreciation Rights; (iii) expenses associated with the issuance of common shares in 2009 and 2010; and (iv) tax loss carry forwards. The deferred tax liabilities of $20,741 as at June 30, 2013 (December 31, 2012: $17,977) which are based on a rate of 25% comprise the difference between the carrying amount of property and equipment and the underlying value for tax purposes.

12. Share capital:

000's of shares	Common Shares	
	June 30, 2013	December 31, 2012
Common shares issued as at January 1	61,846	60,995
Exercise of share options	469	426
Exercise of warrants	-	425
Conversion of incentive based units	132	-
Common shares issued as at end of period	62,447	61,846

Dividends

On June 27, 2013, the Company declared a quarterly dividend of $0.15 per common share payable on July 25, 2013.

During the six months ended June 30, 2013, the Company paid dividends of $18,623 or $0.30 per common share.

13. Share-based payments:

(a) Share Purchase Option Plan:

The Company's share purchase option plan (the "Plan") is available to Directors and certain employees as determined by the Company's Board of Directors.

The per share weighted average fair value of stock options granted during the six months ended June 30, 2013 was $2.53 (2012: $3.62) based on the date of grant valuation using the Black-Scholes option pricing model. Stock-based compensation of $1,435 has been recorded for the six months ended June 30, 2013 (2012: $1,267).

A summary of the status of the Company's stock option plan as at June 30, 2013 and December 31, 2012 and changes during the periods then ended is presented below:

000's of options	Options Outstanding	Range of Exercise Price	Weighted Average Exercise Price
Outstanding as at January 1, 2012	2,451	$ 0.78 – $ 15.54	$ 6.07
Granted	867	$ 9.29 – $ 14.35	$ 12.21
Exercised	(426)	$ 0.78 – $ 11.64	$ 2.57
Forfeited	(229)	$ 2.43 – $ 13.86	$ 10.82
Outstanding as at December 31, 2012	2,663	$ 0.78 – $ 15.54	$ 8.22
Granted	1,146	$10.28 – $ 11.88	$ 10.72
Exercised	(469)	$ 0.78 – $ 10.65	$ 2.73
Forfeited	(106)	$ 9.71 – $ 12.73	$ 11.67
Outstanding as at June 30, 2013	3,234	$ 0.96 – $ 15.54	$ 9.79
Exercisable as at June 30, 2013	1,219	$ 0.96 – $ 15.54	$ 7.62

(b) Stock-Based Compensation Plan:

(Number of incentive based units in thousands)

The Company has a Stock-Based Compensation Plan (the “Plan”) to provide certain directors, officers, key employees and consultants of the Company with an opportunity to acquire common shares in lieu of cash bonuses. Each incentive based unit will give the participant the right to receive, on or after the vesting date for such incentive based unit upon exercise, one common share for no further consideration or payment by such participant. For the six months ended June 30, 2013, there were 150 incentive based units granted to directors, officers and employees of the Company. There were 132 incentive based units converted into common shares of the Company by directors, officers and employees during the six months ended June 30, 2013 and 16 incentive based units were forfeited. The compensation cost to the Company for the six months ended June 30, 2013 was $486 (2012: $421). As at June 30, 2013, there were 278 incentive based units outstanding (276 as at December 31, 2012).

(c) Share Appreciation Rights (cash settled):

(Number of units in thousands)

The Company established a Deferred Share Unit Plan for the President. The deferred share units obligation of $4,111 as at June 30, 2013 (December 31, 2012: $3,881) is recorded as a liability in trade and other payables and revalued at each reporting period. In the six months ended June 30, 2013, the Company recorded compensation costs of $230 (2012: reduction of $592) related to the outstanding deferred share units.

14. Capital commitments:

As at June 30, 2013 the Company has commitments to purchase property and equipment for $5 million (as at December 31, 2012: $10 million).