SERVICES GROUP INC.

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2013 and 2012

UNAUDITED

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Balance Sheets
(Unaudited)

000's of dollars	Note	September 30, 2013	December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents		$15,206	$22,584
Trade and other receivables	4	44,802	63,980
Inventories		16,185	14,203
Prepayments		2,159	1,290
Income taxes recoverable		9,102	4,022
Total current assets		87,454	106,079
Non-current assets:			
Property and equipment	8	284,621	299,716
Intangible assets		251	318
Total non-current assets		284,872	300,034
Total Assets		$372,326	$406,113
Liabilities and Equity			
Current liabilities:			
Trade and other payables	9	$33,992	$38,402
Loans and borrowings	10	2,834	2,138
Dividend payable		9,378	9,294
Total current liabilities		46,204	49,834
Non-current liabilities:			
Loans and borrowings	10	2,493	3,475
Deferred tax liabilities	11	14,517	15,029
Total non-current liabilities		17,010	18,504
Equity			
Share capital	12	189,561	187,173
Contributed surplus		10,126	8,350
Retained earnings		109,425	142,252
Total equity		309,112	337,775
Total liabilities and equity		$372,326	$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 September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Revenue		$81,224	$94,401	$195,591	$268,310
Cost of services	5	69,422	64,228	183,039	187,216
Gross profit		11,802	30,173	12,552	81,094
Administrative expenses	6	6,220	7,015	17,294	16,826
Results from operating activities		5,582	23,158	(4,742)	64,268
Finance costs		149	175	467	572
Profit (loss) before income tax		5,433	22,983	(5,209)	63,696
Income tax expense (recovery)					
Current tax	7	(81)	4,594	55	11,353
Deferred tax	11	1,606	1,353	(512)	5,080
		1,525	5,947	(457)	16,433
Profit (loss) and comprehensive income (loss)		$3,908	$17,036	$(4,752)	$47,263
Earnings (loss) per share					
Basic		$0.06	$0.28	$(0.08)	$0.77
Diluted		$0.06	$0.27	$(0.08)	$0.76

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	-	-	47,263	47,263
Transactions with owners, recorded directly in equity:				
Issue on exercise of stock options	1,075	-	-	1,075
Issue on exercise of warrants	1,700	-	-	1,700
Reclassification on exercise of stock options and incentive-based units	428	(428)	-	-
Reclassification on exercise of warrants		-	-	-
Share-based payment transactions	-	2,543	-	2,543
Dividends	-	-	(27,622)	(27,622)
Balance at September 30, 2012	$186,427	$8,199	$144,400	$339,026
Balance at December 31, 2012	$187,173	$8,350	$142,252	$337,775
Profit (loss) and comprehensive income (loss) for the period	-	-	(4,752)	(4,752)
Transactions with owners, recorded directly in equity:				
Issue on exercise of stock options	1,381	-	-	1,381
Reclassification on exercise of stock options and incentive-based units	1,007	(1,007)	-	-
Share-based payment transactions	-	2,783	-	2,783
Dividends	-	-	(28,075)	(28,075)
Balance at September 30, 2013	$189,561	$10,126	$109,425	$309,112

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 September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Cash flows from operating activities:					
Profit (loss) and comprehensive income (loss) for the period		$3,908	$17,036	$(4,752)	$47,263
Adjustments for:					
Depreciation and amortization	5, 6	7,971	7,602	23,467	21,782
Share-based payment transactions	13	799	1,620	2,950	419
Loss (gain) on sale of property and equipment		32	116	(12)	193
Finance costs		149	175	467	572
Income tax expense (recovery)	7, 11	1,525	5,947	(457)	16,433
		14,384	32,496	21,663	86,662
Change in inventories		(1,501)	1,732	(1,982)	(434)
Change in trade and other receivables		(17,801)	(28,113)	19,178	16,323
Change in prepayments		961	815	(870)	1,069
Change in trade and other payables		4,773	2,176	(3,714)	(25,363)
Cash generated from operating activities		816	9,106	34,275	78,257
Interest paid		(149)	(175)	(467)	(572)
Income tax paid		(1,468)	(8,405)	(5,135)	(31,471)
Net cash from operating activities		(801)	526	28,673	46,214
Cash flows from investing activities:					
Proceeds from sale of property and equipment		82	134	352	283
Acquisition of property and equipment	8	(1,586)	(9,740)	(7,398)	(64,521)
Change in trade and other payables		(904)	2,670	(861)	5,470
Net cash used in investing activities		(2,408)	(6,936)	(7,907)	(58,768)
Cash flows from financing activities:					
Proceeds from exercise of share options and warrants		102	2,070	1,381	2,775
Repayment of borrowings		(8)	(7)	(8)	(14)
Payment of finance lease liabilities		(511)	(598)	(1,526)	(1,506)
Dividends paid	12	(9,367)	(9,175)	(27,991)	(22,161)
Net cash from (used in) financing activities		(9,784)	(7,710)	(28,144)	(20,906)
Net decrease in cash and cash equivalents		(12,993)	(14,120)	(7,378)	(33,460)
Cash and cash equivalents at beginning of period		28,199	23,141	22,584	42,481
Cash and cash equivalents at September 30		$15,206	$9,021	$15,206	$9,021

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 November 5, 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 the 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 nine months ended September 30, 2013, no single customer accounted for more than 11% of the Company's revenue (year ended December 31, 2012: 14%). As at September 30, 2013, five customers accounted for 52% (December 31, 2012 – five customers accounted for 51%) of the Company's accounts receivable while five customers account for 38% (December 31, 2012 – five customers account for 50%) of the revenue.

The Company's accounts receivable is aged as follows:

000's of dollars	September 30, 2013	December 31, 2012
Current (0-30 days from invoice date)	$32,558	$21,277
31-60 days past due	8,723	23,749
Over 60 days past due	3,782	19,130
Sub-total	45,063	64,156
Less: Allowance for doubtful accounts	(261)	(176)
Total	$44,802	$63,980

5. Cost of Services:

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

000's of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Employee benefits expense	$18,384	$18,604	$50,796	$50,783
Depreciation of equipment	7,500	7,272	22,271	20,848
Operating expense	43,538	38,352	109,972	115,585
	$69,422	$64,228	$183,039	$187,216

During the nine months ended September 30, 2013, inventories recognized as cost of services amounted to $57,528 (2012: $63,629).

6. Administrative Expenses:

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

000's of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Employee benefits expense	$3,070	$3,686	$7,969	$8,756
Depreciation of equipment	449	307	1,130	867
Amortization of intangibles	22	22	66	66
Share - based payment transactions and cash settlement of deferred share units	799	1,620	2,950	2,717
Other administration expenses	1,880	1,380	5,179	4,420
	$6,220	$7,015	$17,294	$16,826

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7. Income Tax Expense:

The Company's consolidated effective tax rate for the nine months ended September 30, 2013 was (8.8)% (2012: 25.8%).

000's of dollars	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Current tax expense (recovery):				
Current period	$(81)	$4,594	$55	$11,353
Deferred tax expense:				
Recognition and reversal of temporary differences	1,606	1,353	(512)	5,080
Total income tax expense (recovery)	$1,525	$5,947	$(457)	$16,433

Reconciliation of Effective Tax Rate

000's of dollars	Nine Months Ended September 30, 2013		2012	
Profit (loss) and comprehensive income (loss) for the period		$(4,752)		$47,263
Total income tax expense (recovery)		(457)		16,433
Profit (loss) excluding income tax		(5,209)		63,696
Income tax using the Company's domestic tax rate	(25.0%)	(1,302)	25.0%	15,924
Non-deductible expenses	14.0%	732	1.0%	669
Other	2.2%	113	(0.2%)	(160)
	(8.8%)	$(457)	25.8%	$16,433

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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	106	3,181	3,784	(92)	419	7,398
Finance leases	-	-	-	1,028	220	1,248
Disposals	-	-	-	(963)	-	(963)
Balance at Sept 30, 2013	**$9,446**	**$24,207**	**$285,468**	**$81,297**	**$6,204**	**$406,622**
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**	**$99,223**
Depreciation for the period	-	719	16,344	5,836	502	23,401
Disposals	-	-	-	(623)	-	(623)
Balance at Sept 30, 2013	**$ -**	**$3,642**	**$82,737**	**$31,917**	**$3,705**	**$122,001**
Carrying amounts:						
At December 31, 2012	$9,340	$18,103	$215,291	$54,620	$2,362	$299,716
At September 30, 2013	$9,446	$20,565	$202,731	$49,380	$2,499	$284,621

Property and Equipment Under Construction

As at September 30, 2013, costs incurred on field and automotive equipment and facilities under construction totaled $8,117 (December 31, 2012: $48,945).

Leased equipment

The leased equipment secures lease obligations. As at September 30, 2013, the net carrying amount of the leased equipment was $5,188 (December 31, 2012: $5,509).

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

9. Trade and other payables:

000's of dollars	September 30, 2013	December 31, 2012
Trade payables	$23,261	$25,541
Accrued expenses	6,682	8,980
Deferred share unit obligation	4,049	3,881
	$33,992	$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	September 30, 2013	December 31, 2012
Current Liabilities:				
Secured equipment loans	5%	2013	$-	$8
Finance lease liabilities	6.0-9.3%	2013-2015	2,834	2,130
			$2,834	$2,138
Non-current liabilities:				
Finance lease liabilities	6.0-9.3%	2013-2015	$2,493	$3,475

Effective June 21, 2013, the Company renewed its bank credit facilities for the term of three years, extendible 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 September 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

September 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 September 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	
	Sept. 2013	Dec. 2012	Sept. 2013	Dec. 2012	Sept. 2013	Dec. 2012
Property and equipment	$ -	$ -	$22,080	$17,977	$22,080	$17,977
Intangible assets	(31)	(23)	-	-	(31)	(23)
Loans and borrowings	(1,332)	(1,401)	-	-	(1,332)	(1,401)
Share-based payment transactions	(1,012)	(970)	-	-	(1,012)	(970)
Share issue costs	(202)	(409)	-	-	(202)	(409)
Non-capital losses	(4,986)	(145)	-	-	(4,986)	(145)
	$(7,563)	$(2,948)	$22,080	$17,977	$14,517	$15,029

As at September 30, 2013, deferred tax assets are based on a rate of 25% and total $7,563 (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 $22,080 as at September 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	
	September 30, 2013	December 31, 2012
Common shares issued as at January 1	61,846	60,995
Exercise of share options	520	426
Exercise of warrants	-	425
Conversion of incentive based units	133	-
Common shares issued as at end of period	62,499	61,846

Dividends

On September 7, 2013, the Company declared a quarterly dividend of $0.15 per common share payable on October 25, 2013.

During the nine months ended September 30, 2013, the Company paid dividends of $27,991 or $0.45 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 nine months ended September 30, 2013 was $2.59 (2012: $3.52) based on the date of grant valuation using the Black-Scholes option pricing model. Stock-based compensation of $2,007 has been recorded for the nine months ended September 30, 2013 (2012: $1,900).

A summary of the status of the Company's stock option plan as at September 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	1,375	$10.28 – $ 12.15	$10.93
Exercised	(520)	$ 0.78 – $ 11.64	$ 2.79
Forfeited	(220)	$ 9.71 – $ 15.12	$11.73
Outstanding as at September 30, 2013	3,298	$ 0.96 – $ 15.54	$ 9.97
Exercisable as at September 30, 2013	1,289	$ 0.96 – $ 15.54	$ 7.85

(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 nine months ended September 30, 2013, there were 185 incentive based units granted to directors, officers and key employees of the Company. There were 133 incentive based units converted into common shares of the Company by directors, officers and key employees during the nine months ended September 30, 2013 and 19 incentive based units were forfeited. The compensation cost to the Company for the nine months ended September 30, 2013 was $776 (2012: $643). As at September 30, 2013, there were 309 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 $4,049 as at September 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 nine months ended September 30, 2013, the Company recorded compensation costs of $167 (2012: $174) related to the outstanding deferred share units.

14. Capital commitments:

As at September 30, 2013 the Company has commitments to purchase property and equipment for $9 million (as at December 31, 2012: $10 million).