CANYON SERVICES GROUP INC.

ANNUAL INFORMATION FORM
For the year ended December 31, 2013

March 25, 2014

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FORWARD-LOOKING INFORMATION

Certain statements contained in this annual information form constitute forward looking statements. These statements relate to future events or the Corporation's future performance. Forward-looking statements are often, but not always, identified by the use of words such as, "can", "may", "expect", "believe", "objective", "target", "project", "could", "ongoing", "budget", "strategy", "potential", and "will" and similar expressions, are forward-looking statements. These statements include, but are not limited to, future capital expenditures, future financial resources, future dividend payments by the Corporation, future oil and gas well activity, outcome of specific events, business objectives, and trends in the oil and gas industry. These statements are derived from certain assumptions and analyses made by the Corporation based on its experience and interpretation of historical trends, current conditions and expected future developments, and other factors that it believes are appropriate in the circumstances. These statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Corporation's expectations, such as volatility of industry conditions; seasonality; reliance on personnel; competition; capital markets; current global financial conditions; access to equipment, parts and development of new technology; dependence on suppliers; credit risk; environmental liability; operating risk and insurance; governmental regulations and changes thereto; vulnerability to market changes; operating equipment risks; protection of technology risks; dependence on major customers; alternatives to and changing demand for petroleum products; access to additional financing; conflicts of interest; legal proceedings; climate change legislation; interest rate risk; and other factors, many of which are beyond the control of the Corporation. Consequently, all of the forward-looking statements made in this annual information form are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Corporation will be realized, or that they will have the expected consequences or effects on the Corporation or its business or operations. The Corporation assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable securities laws.

CANYON SERVICES GROUP INC.

Canyon Services Group Inc. (the "**Corporation**" or "**Canyon**") was incorporated under the *Business Corporations Act (Alberta)* (the "**ABCA**") on April 8, 2004 as "1101701 Alberta Ltd." The Corporation filed articles of amendment to change its name to "Jade Oilfield Service Frac Division Ltd." on July 5, 2004, and to "Jade Energy Services Inc." on September 7, 2004. On October 28, 2004, the Corporation acquired all of the outstanding shares of Canyon Technical Services Ltd. (the "**Subsidiary**"), a private water and vacuum truck services company that had been in operation since 1979. On February 3, 2006, the Corporation filed articles of amendment to remove its private company restrictions. On March 17, 2006, the Corporation filed articles of amendment to change its name to "Canyon Services Group Inc.". On April 1, 2009, the Corporation amended its articles to allow its board of directors (the "**Board**") to appoint additional directors between annual meetings.

On May 15, 2007, Canyon Technical Services Inc. ("**Canyon US**"), a wholly-owned subsidiary of the Corporation, was incorporated in the State of Delaware. To date, Canyon US has not carried on any business.

The head office of the Corporation is located at 2900 Bow Valley Square III, 255 – 5th Avenue S.W., Calgary, Alberta, T2P 3G6. The registered office of the Corporation is located at 4600, 525 – 8th Avenue S.W., Calgary, Alberta, T2P 1G1.

Intercorporate Relationships

The Subsidiary and Canyon US are the only subsidiaries of the Corporation and are wholly-owned by the Corporation. The Subsidiary was incorporated under the ABCA.

GENERAL DEVELOPMENT OF THE BUSINESS AND THREE YEAR HISTORY

The Corporation provides specialized stimulation services to oil and gas exploration and production companies ("**E&P Companies**") operating in the Western Canadian Sedimentary Basin ("**WCSB**"). Advanced stimulation technology currently deployed by the Corporation involves the use of specialized fracturing and acidizing equipment by experienced personnel, together with materials chemically engineered to develop and implement treatment solutions that are tailored to maximize hydrocarbon production and recoverable reserves from the reservoir targeted. The stimulation services provided include hydraulic fracturing, high-rate nitrogen fracturing, coiled tubing, chemical stimulation and remedial cementing. A description of each of Canyon's services can be found below under "*Service Divisions and Equipment*".

Canyon services the WCSB from operating bases located in Red Deer, Grande Prairie and Medicine Hat, Alberta and Estevan, Saskatchewan. Canyon's corporate headquarters and technology center are located in Calgary, Alberta.

Since acquiring the Subsidiary in October 2004, Canyon has invested in new, state-of-the art equipment and facilities, funded by private placements completed in October 2004 and October 2005, the initial public offering completed in May 2006, public offerings completed in October 2009 and April 2010 and funds from operations.

On October 28, 2009, the Corporation completed a public offering of 10,000,000 common shares ("**Common Shares**") at a price of $2.00 per Common Share. Concurrent with the public offering, the Corporation sold 15,000,000 Common Shares to ARC Energy Funds 6 Canadian Limited Partnership ("**ARC**") at a price of $2.00 per Common Share pursuant to a private placement. The aggregate net proceeds of approximately $47 million were used to fund the Corporation's 2009 and 2010 capital expansion program, initiated in October 2009, and for general corporate purposes.

On April 6, 2010, the Corporation completed a public offering of 12,305,000 Common Shares at a price of $3.80 per Common Share. The aggregate net proceeds of approximately $44 million were used to fund the completion of the Corporation's 2010 capital expansion program and for general corporate purposes.

On November 12, 2010, ARC announced its intention to sell up to 8,500,000 Common Shares through the TSX which were subsequently sold on November 19, 2010.

As a result of the 2009 to 2012 capital expansion programs, Canyon's pressure pumping fleet grew from 25,500 Hydraulic Horsepower ("**HHP**") in the fourth quarter of 2009 to 225,500 HHP at December 31, 2012. This rapid growth in Canyon's pumping capacity allowed the Corporation to focus on the deeper more complex areas of the WCSB and commit to larger jobs and longer-term projects.

In 2013, Canyon continued to invest in training, improving logistics infrastructure and augmenting its customer base to include multinational enterprises that are investing in the WCSB for the long-term. In 2013, Canyon also continued its expansion into Southeast Saskatchewan.

In 2014, Canyon will continue to implement its corporate strategy of focusing sales and operations primarily on well capitalized customers with a diverse asset base that are executing drilling programs that result in larger, high-rate treatments in the deep basins of Northwest Alberta and Northeast British Columbia, including those areas that hold tight sand and shale resource plays that are rich in oil and natural gas liquids ("**NGL**"). These areas require much more intensive pumping services to complete the well and almost invariably require multi-stage fracturing as part of a horizontal well completion design.

Industry Conditions

Since mid-2006, the Western Canadian well stimulation services industry activity levels have experienced tremendous volatility. 2007 was plagued with uncertainty as the Alberta Government introduced a new royalty regime that dramatically affected natural gas well economics. Beginning in the summer of 2008, oil and natural gas prices declined sharply amid global financial market weakness leading E&P Companies to dramatically reduce capital expenditure budgets. In 2009, the key indicators for utilization of stimulation equipment, well licensing activity and drilling rig utilization, recorded their weakest levels since the early 1990's.

Nevertheless, during these periods of reduced activity across the well stimulation services industry, Canyon stayed focused on growing its market share. The Corporation deployed new fracturing methods, including the patented Grand Canyon® process, re-vamped its sales team, and built a modern and technologically-advanced equipment fleet and new operating bases in Grande Prairie and Medicine Hat, which opened in January 2008 and July 2008 respectively. In 2009, Canyon expanded into the deeper segments of the WCSB adding to the Corporation's portfolio of large, horizontal, multi-stage fracs in the Montney formation located in Northwest Alberta and Northeast British Columbia. Also in early 2011, Canyon opened an operating base in Estevan, Saskatchewan to provide exposure to the Canadian Bakken and other Saskatchewan based activity.

In 2010 and 2011, activity levels in the pressure pumping industry across the WCSB underwent a significant turnaround compared to the collapse of activity that occurred in 2009. Higher oil and NGL prices led to increased activity in emerging and established oil and liquids rich natural gas plays such as the Cardium, Viking, Deep Basin, Montney and Bakken. Technological improvements led to a major shift towards drilling wells with lengthy horizontal sections, which has provided the opportunity to increase fracturing intensity as multi-staged fracture programs are applied to the horizontal sections of the well bore. In addition, the size and the pumping rates of the average fracture have also grown significantly which, when combined with the increased fracture intensity, has resulted in a dramatic increase in demand for fracturing equipment and services by E&P Companies which now require significantly more HHP capacity to complete their wells.

In 2012, activity and pricing levels in the WCSB declined throughout the year resulting in lower job counts with pricing in the fourth quarter dropping approximately 20% below first quarter 2012 levels due to the combined effects of lower producer activity and increased equipment capacity across the WCSB. In particular, lower natural gas prices and volatile oil prices led to curtailed producer spending especially during the second half of 2012.

In 2013, reduced activity levels and reduced pricing in the WCSB persisted through the first three quarters of the year. In the fourth quarter, activity began to improve across the industry, due to increased natural gas prices, stable crude oil prices and early-stage LNG related activity. The increased activity was not; however, matched by improved customer pricing as pricing continued to erode as a result of competition for market share in the WCSB in anticipation of further increasing activities levels in 2014. Overall, customer pricing was approximately 35% below fourth quarter 2011 levels.

Some positive indicators in the fourth quarter of 2013, namely, strong oil and natural gas prices and positive news relating to the eventual export of LNG off the West Coast of Canada, have led to optimism with respect to increased activity levels in 2014 .

See "*Narrative Description of the Business of the Corporation – Risk Factors – Current Global Financial Conditions*".

NARRATIVE DESCRIPTION OF THE BUSINESS OF THE CORPORATION

The Corporation's activities are conducted in the oilfield services industry and are focused on providing reliable, specialized fracturing and chemical stimulation services to E&P Companies operating in the WCSB. These services are designed to enhance oil and natural gas production and maximize recovery from conventional and unconventional reservoirs.

Fracturing Services Overview

Oil and natural gas is typically found in reservoirs contained within formations of permeable rock located beneath the earth's surface which are accessed by drilling a well bore from a surface location. Fracturing, or "fracing", is a stimulation technique that involves pumping fluids or gas into the sub-surface formation under sufficiently high pressure to cause fractures within the rock formation. These fractures create or improve the conductivity within the formation and allow the oil or natural gas within the reservoir to flow through the formation to the well bore, and then to the earth's surface. Fracturing fluids, typically consisting of water and chemicals, are designed to carry solid particles called proppants and are pumped under high pressure into the target formation. When the fracturing fluid retreats back out of the formation, the proppants stay behind to prop open the fractures created allowing for improved flow of hydrocarbons to the well bore.

The chemical compositions of fracturing fluids are tailored to the particular requirements of the targeted reservoir. The development of effective fracturing fluids can involve complex and sophisticated chemical technologies and such fluids tend to be proprietary to each service company. The composition of proppants has evolved from the exclusive use of sand granules (which can be pulverized under extreme pressure conditions and thus become ineffective as a propping agent) to using various ceramic and synthetic compounds which are more durable and conductive in extreme pressure conditions.

Recent Developments

As discussed under "*General Development of the Business and Three Year History – Industry Conditions*", technological improvements have led to an increasing focus by E&P Companies on the exploration and development of unconventional resource plays that include expansive sands and shales that hold both oil, natural gas and NGLs. Many of these shales and tight sand plays holding natural gas NGLs and oil (Montney, Duvernay, Horn River, etc.) were previously uneconomic due to a lack of technology required for the effective drilling and completion of wells into these reservoirs. Horizontal drilling technology combined with multistage fracturing programs has made the development of some of these plays economic at prices lower than those required for the development of conventional oil and natural gas reservoirs. E&P Companies have also begun applying what they have learned in unconventional reservoirs with respect to horizontal drilling and multistage fracturing programs to conventional reservoirs such as shallow and deep oil plays such as Viking oil in central and eastern Alberta and Cardium oil in western Alberta. All of these types of plays will continue to be the highlight of Western Canadian activity and correspondingly management believes that demand for multistage fracturing programs will continue. In addition, strong oil and NGL prices have led to a focus by E&P Companies on oil and NGL drilling activity which now accounts for approximately 80% of the wells being drilled in the WCSB, until natural gas prices return to more economically attractive levels.

Since multistage fracturing has become integral to completion programs for a variety of oil and natural gas bearing reservoirs, the industry has experienced a dramatic increase in the demand for pressure pumping services required as the number and size of fractures per well have increased significantly. HHP deployed per well has increased to as high as 20,000 – 50,000 in the deep horizontal wells in tight sands and shale plays such as the Montney, Duvernay or Horn River. Fracturing equipment is also on location for much longer as the completion programs have evolved to multistage programs that require several days to complete.

Service Divisions and Equipment

The Corporation's services are marketed and operated under the name Canyon Technical Services Ltd. with its corporate headquarters and laboratory located in Calgary, Alberta. Canyon services the WCSB from field operations in Grande Prairie, Red Deer and Medicine Hat, Alberta and Estevan, Saskatchewan. Canyon offers a full complement of customized stimulation solutions for a variety of reservoirs, through its four operating divisions: Hydraulic Fracturing; Nitrogen Fracturing; Coiled Tubing; and Chemical Stimulation and Cementing.

Hydraulic Fracturing Division

This service line offers a complete line of hydraulic fracturing services and fluid systems to Canyon's customers in all areas of the WCSB. The services include hydrocarbon fracturing, water-based fracturing, foam fracturing and emulsion fracturing.

Canyon offers the newest hydraulic fracturing equipment fleet in the industry to service customers across the WCSB, and includes carbon dioxide and nitrogen support services for foam fracturing applications. The Corporation currently has a hydraulic pressure pumping capacity of 225,500 HHP with 14 blenders and associated equipment such as loading, handling, storage and transportation facilities and equipment for sand / proppant carbon dioxide, nitrogen and fluids. Canyon's pumping equipment includes a fleet of the latest generation of heavy duty 2,500 HHP triplex and quintaplex pumpers, as well as smaller 2,250 and 1,500 HHP units. Canyon's blenders are fully automated, with capacities of up to 19 cubic meters per minute allowing Canyon to stimulate with high pressures and rates. Canyon's proprietary fracturing fluid systems are specifically tailored to minimize reservoir damage and offer significantly improved cost and performance benefits to its customers.

Carbon dioxide and nitrogen are used in Canyon's foam fracturing and play a unique role in the stimulation of low-permeability, and fluid sensitive reservoirs. Canyon has developed proprietary foam generation equipment to result in a more stable and higher viscosity fracturing fluid with greatly enhanced proppant transport characteristics and reduced fluid loss. Unique new base fluids and surfactant blends have been developed in order to maintain a clean proppant pack, and maximize the fluid recovered after the fracture treatment is completed. Canyon is continuing to expand its suite of applications for the stimulation of shale gas reservoirs in the WCSB.

Nitrogen Fracturing Division

Canyon offers high-rate nitrogen pumps, nitrogen transportation and on-site storage facilities. The evolution of nitrogen driven foam and nitrogen assist fracturing treatments has contributed to a high utilization rate for the Corporation’s nitrogen fleet. In addition to the high-rate nitrogen pumps used in nitrogen fracturing services, Canyon also offers the industry smaller conventional nitrogen pumping equipment in support of coiled tubing operations.

Coiled Tubing Division

Canyon offers a full range of shallow, mid-depth and deep coiled tubing units with tubing sizes ranging from 1½" to 3¼" capable of reaching depths of 1,000 to 7,000 metres which are designed to be deployed for a variety of stimulation and support services. Canyon's unique mast designs allow fast rig-ups and the ability to service slanted wells. Coiled tubing assets are used on their own for work such as well clean-outs and drill outs and in conjunction with fracturing equipment to offer efficient fracturing through coiled tubing or around the annulus with the coiled tubing in the wellbore.

Chemical Stimulation and Cementing Division

With eight custom-designed acid/chemical pumping units, this division provides acid treatments utilizing proprietary chemical systems to treat oil and natural gas wells. Canyon has been able to draw on the many years of technical experience of its engineering and laboratory staff to develop unique and exceptional chemical systems. Compatibility problems commonly associated with chemical stimulation are all but eliminated, producing reliable and effective results in all well conditions.

To further service the Corporation's customers, Canyon also has seven single cementing units have been added to provide remedial cementing. In addition to cementing a wellbore as part of an abandonment process, this service compliments the stimulation service line as "cement squeezes" need to be performed on depleted zones before a new horizon can be completed in an existing well bore. Canyon has developed a complete line of cementing materials specifically designed to provide the proper slurry properties to perform at the varying temperatures, depths and pressures.

Business Objectives

Canyon's objective is to become a leading oilfield stimulation services company providing reliable, specialized fracturing and chemical stimulation services to E&P Companies. The Corporation will strive to continue to expand its market share, focusing on larger, high-rate treatments in Northeast British Columbia, Northwest Alberta and in oil shales in Saskatchewan and central Alberta. The Corporation's strategy is to compete on the basis of the quality of its customized fracturing and chemical stimulation services rather than to compete on the basis of being a low cost service provider. The Corporation focuses on providing highly technical solutions tailored to the specific requirements of each well, with the intention of pursuing high profit-margin stimulation work. Management believes this strategy will allow the Corporation to participate in E&P Companies' increasing focus on unconventional reservoirs and more technically focused conventional reservoirs.

In the short-term, Canyon will look to position itself for significant expansion opportunities, such as continued deployment of equipment in Western Canada, and in particular in high-demand plays such as the Montney and the Duvernay. Canyon views Western Canada as the world's most attractive hydraulic fracturing market. It is the second largest in the world, and has supply-demand fundamentals that are second to no other major pressure pumping market. In Canyon's chosen market, management foresees long-term demand growth outpacing staffed industry supply additions.

Competitive Strengths

Canyon only operates in Canada as management believes that Canada at this time will provide the best return on invested capital to holders of Common Shares ("**Shareholders**"). Canyon has the newest pressure pumping fleet in the WCSB and has demonstrated operational excellence in the field on a consistent basis. Presently, Canyon has no debt and a very strong customer base of multinational and national E&P Companies which it serves.

Specialized Skill and Knowledge

The Corporation's operations team has been specifically selected to ensure that experienced and competent technical staff is complemented by equally experienced and competent field personnel. This complementary mix of experience and expertise from technical and field personnel has facilitated useful input on equipment design and ongoing monitoring during fabrication. Each well's stimulation treatment program is developed by Canyon's engineering and laboratory staff in conjunction with its customers' technical staff, and is individually designed to reflect the particular temperature and pressure characteristics, porosity and permeability, and other potentially unique characteristics of the targeted formation. As at December 31, 2013, the Corporation had over 900 employees. The Corporation has made significant investments to recruit employees, provide employee training and implement recognized standards for health and safety in order to provide quality support for the services provided to customers.

Components

The Corporation sources its raw materials such as proppant, chemicals, nitrogen, carbon dioxide, coiled tubing, component parts for its fracturing equipment and cement from a variety of suppliers located mostly in Canada and the United States. More than one supplier exists for the Corporation's main raw materials. In the past, the source, supply and price of raw materials has been reasonably consistent, although in periods of high industry activity there may be shortages of certain materials. To mitigate this risk, the Corporation maintains relationships with a number of suppliers and where necessary identifies alternate sources of supply.

Intellectual Property

The Corporation has developed proprietary technologies and on January 22, 2008, the Corporation was granted a Canadian Patent (No. 2536957) for treating an oil or gas formation with non-metallic deformable proppant in a partial monolayer. The Canadian patent expires on February 17, 2026. On January 25, 2011, the Corporation was granted a U.S. Patent (No. 7,875,574) for treating an oil or gas formation with layered or coated polymers in a partial monolayer. On November 22, 2011, the Corporation was granted a U.S. Patent (No. 8,062,998) for treating an oil or gas formation with non-metallic deformable proppant in a partial monolayer. Both U.S. patents expire on February 22, 2026. On January 9, 2014 the Corporation was granted Australian patent (No. 2006200745) for treating an oil and gas formation using deformable proppants. In addition, the Corporation has developed proprietary equipment designed to introduce light weight proppant at fracturing pressures in both gases and liquids.

The Corporation has also developed proprietary chemical stimulation materials for chemical stimulation, acidizing and fluid fracturing, however, no patent applications have been filed with respect to these materials.

Where appropriate, the Corporation undertakes to protect intellectual property that it develops through applications for patent protection.

Competition

The market in which the Corporation operates is highly competitive. The Corporation currently operates in Canada and competes against a large number of companies that offer services that overlap and are competitive with the Corporation's services and products. The Corporation's competition includes multinational oilfield service companies as well as regional competitors. The Corporation's major multinational competitors include Baker Hughes Inc., Halliburton Energy Services, Inc., Schlumberger Limited, Trican Well Service Ltd. and Calfrac Well Services Ltd. In addition, the Corporation competes against a number of smaller and locally oriented businesses, which provide products and services similar to the Corporation's. See "*Risk Factors – Competition*".

Regulation

The Corporation operates under the jurisdiction of a number of regulatory bodies that regulate worker safety standards, the handling of hazardous materials and the protection of the environment. Environmental laws and regulations that the Corporation is subject to have become more stringent in recent years and have generally sought to impose greater liability on a larger number of potentially responsible parties. Because the Corporation provides services to companies producing oil and natural gas, it may become subject to claims relating to the release of such substances into the environment. See "*Risk Factors – Environmental Liability*" and "*Risk Factors – Government Regulation*".

Environmental Protection

The oil and natural gas industry is subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances associated with certain oil and natural gas industry operations. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in the imposition of material fines and penalties. Further, the Corporation owns and operates radioactive densitometers which require the Corporation to comply with additional regulations, a breach of which may result in the imposition of significant penalties. The Corporation did not incur any material expenditure in the past year as a result of environmental protection requirements, nor does it anticipate environmental protection requirements to have any material financial or operational effects on the capital expenditures, earnings or competitive position of the Corporation in 2014. See "*Risk Factors – Environmental Liability*" and "*Risk Factors – Government Regulation*".

Environmental Policies

Canyon is dedicated to providing efficient services, protecting and conserving the environment in which it operates and protecting the health of all persons in the communities directly or indirectly affected by the Corporation's presence. To this end, Canyon has implemented an environmental policy designed to minimize the impact of its operations on the environment. Canyon's Health, Safety and Environment Committee monitors the policy to ensure it is effective, complies with applicable legislation and is consistent with industry standards. The Health, Safety and Environment Committee meets at least four times annually.

The financial and operational impacts of complying with applicable environmental laws have not been isolated from general operating costs since they are minimal and have not varied significantly.

Risk Factors

The financial condition and results of operations of the Corporation are subject to the following risk factors.

Volatility of Industry Conditions

The demand, pricing and terms for oilfield services in the Corporation's existing and anticipated service areas largely depend upon the level of exploration and development activity for oil and natural gas. Industry conditions are influenced by numerous factors over which the Corporation has no control, including: oil and natural gas prices; expectations about future oil and natural gas prices; pipeline capacity for export out of Western Canada; 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 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. Any prolonged substantial reduction in oil and natural gas prices would likely reduce oil and natural gas exploration and production activity and therefore affect the demand for drilling and well services. 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.

Any addition to, or elimination or curtailment of, government incentives could have a significant impact on the oilfield 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 oilfield services personnel; and affect the Corporation's ability to obtain access to capital to finance and grow the Corporation's business.

Reliance on Key Personnel

The success of the Corporation is dependent upon its management, technical and field personnel. Any loss of the services of such individuals could have a material adverse effect on the business and operations 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. Currently, the Corporation does not maintain key person insurance.

Dependence on Major Customers

The Corporation has a customer base of more than 60 E&P Companies, ranging from large multinational public entities to small private companies. Notwithstanding the Corporation's significant customer base, five customers accounted for approximately 39% of the Corporation's revenue in 2013. The Corporation has historically had a stable relationship with these customers and has no reason to believe there will be any change to this relationship in the future. Notwithstanding the foregoing, there can be no assurance that the Corporation's relationship with these customers will continue. A significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, may have a material adverse effect on the Corporation's business, results of operations, financial condition and cash flows.

Excess Equipment Levels in the Industry (Canada)

Due to the long-life nature of oilfield service equipment and the long delivery time for equipment being manufactured, the quantity of equipment available does not always correspond with the demand for its use. High levels of demand often lead to increases in manufacturing which in turn lead to increased supply and decreased demand. Such increases in supply often lead to downward pricing pressures across the industry which could materially impact the Corporation’s profitability.

Government Regulation

The Corporation's operations are subject to a variety of Canadian federal, provincial and local laws, regulations and guidelines, including laws and regulations relating 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 that the Corporation is in material 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. It is not expected that any changes to these laws, regulations or guidelines would affect the operations of the Corporation in a manner materially different than they would affect other oil and natural gas service companies of a similar size.

Additionally, the U.S. and Canadian federal governments and certain U.S. state and Canadian provincial governments are currently reviewing certain aspects of the scientific, regulatory and policy framework under which hydraulic fracturing operations are conducted. At present, most of these governments are primarily engaged in the collection, review and assessment of technical information regarding the hydraulic fracturing process and, with the exception of increased chemical disclosure requirements in many of the jurisdictions in which the Corporation operates, have not provided specific details with respect to any significant actual, proposed or contemplated changes to the hydraulic fracturing regulatory framework. However, certain environmental and other groups have suggested that additional federal, provincial, territorial, state and municipal laws and regulations may be needed to more closely regulate the hydraulic fracturing process, and have made claims that hydraulic fracturing techniques are harmful to surface water and drinking water sources. Further, certain governments in jurisdictions where the Corporation does not currently operate have considered a temporary moratorium on hydraulic fracturing until further studies can be completed and some governments have adopted, and others have considered adopting, regulations that could impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing operations. As these federal and regional programs are under development, the Corporation is unable to predict the total impact of the potential regulations upon its business. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs or third party or governmental claims, and could increase the Corporation's cost of compliance and doing business or could otherwise negatively impact the Corporation's business.

Climate Change Legislation

Over the course of the preceding years, a number of initiatives relating to climate change have been proposed, both through domestic legislation and international agreements (such as the Kyoto Protocol, the United Nations Framework Convention on Climate Change and the Copenhagen Accord). Many of these initiatives require nations to reduce their emissions of carbon dioxide and other greenhouse gases. Reductions in greenhouse gases from oil and gas producers may be required which could result in, among other things, increased operating and capital expenditures for those producers which may make certain production of crude oil or natural gas by those producers uneconomic, resulting in reductions in such production and a resulting decrease in the demand for the Corporation's services. The Corporation is unable to predict the impact, if any, of any such climate change initiatives, both current and future, on the Corporation.

Seasonality

The level of activity in the oilfield services industry is influenced by seasonal weather. During the months from March to June, the spring thaw makes the ground unstable and less capable of supporting heavy weights. Consequently, municipalities and transportation departments enforce road bans that restrict the movement of heavy equipment, thereby reducing 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 service activities tend to increase in the fall and peak in the winter months of November through March. 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 in the weather can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Competition

The oilfield services industry is highly competitive and the Corporation competes with a substantial number of companies which have more equipment and personnel as well as greater financial resources. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new or existing competitors will not enter the various markets in which the Corporation is active. In certain aspects of its business, the Corporation also competes with a number of small and medium-sized companies, which, like the Corporation, have certain competitive advantages such as low overhead costs and specialized regional strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue to the Corporation.

Capital Markets

During the second half of 2008 and until late 2009, the Corporation, along with all participants in the oil and natural gas service industry, experienced restricted access to capital and increased borrowing costs as a result of the weakened global economic situation. Throughout the last few years, access to capital has marginally improved, however, global economic conditions have yet to return to pre-2008 levels and capital markets have experienced prolonged periods of volatility.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

As at December 31, 2013, the Corporation had $100 million of unused credit available under its bank credit facilities which includes a $40 million accordion feature which is available upon request by Canyon and subject to review and approval by its lender. Based on current funds available and expected funds from operations, management believes that the Corporation has sufficient funds available to fund its projected capital expenditures.

Access to Equipment, Parts, Development of New Technology

The ability of Canyon to compete and increase its operations and provide reliable service to customers is dependent on the Corporation having access to reliable equipment, spare parts and components, which are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies as industry conditions require. There can be no assurance that existing sources for equipment will be maintained or that new technologically advanced equipment will be acquired. If such equipment is not available, Canyon's ability to compete may be weakened.

Dependence on Suppliers

The Corporation's ability to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials which the Corporation purchases from various suppliers, most of whom are located in Canada. Alternate suppliers exist for all raw materials. The source and supply of materials has been consistent in the past, however in periods of high industry activity, as has been experienced in recent years, periodic shortages of certain materials have been experienced and costs have been affected. Management maintains relationships with a number of suppliers in an attempt to mitigate this risk. However, if the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the Corporation's customers could have a material adverse effect on the Corporation's business, financial condition, results of operations and funds from operations.

Credit Risk

The Corporation's accounts receivable are with E&P Companies, whose revenues may be impacted by fluctuations in commodity prices. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be low at this time. The Corporation assesses the credit worthiness of its customers, and monitors accounts receivable outstanding on a regular and ongoing basis.

Environmental Liability

The Corporation is subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Corporation's operations. The Corporation has established procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials. However, 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. On occasion, substantial liabilities to third parties may be incurred. The Corporation may have the benefit of insurance maintained by it or its customers; 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 Risk and Insurance

The Corporation has an insurance and risk management program in place to protect its assets, operations and employees. The Corporation also has programs in place to address compliance with current safety and regulatory standards. However, the Corporation's operations are subject to risks inherent in the oilfield services industry, such as equipment defects, malfunction, failures and natural disasters. In addition, hazards such as unusual or unexpected geological formations, pressures, blow-outs, fires or other conditions may be encountered in drilling and servicing wells. 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.

Although the Corporation has obtained insurance against certain of the risks to which it is exposed which it considers adequate and customary in the oilfield services industry, 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.

Vulnerability to Market Changes

Fixed costs, including costs associated with operating expenses, leases, labour costs and depreciation account for a significant portion of the Corporation's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could have a material adverse effect on the Corporation's business, results of operations, financial condition and cash flows.

Operating Equipment Risks

The ability of the Corporation to meet customer demands in respect of 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 funds from operations. No assurances can be given that its competitors will not achieve technological advantages over the Corporation.

Protection of Technology Risks

The success and ability of the Corporation to compete depends on the proprietary technology of the Corporation and the Subsidiary, proprietary technology of third parties that has been, or is required to be, licensed by the Corporation and the Subsidiary and the ability of the Corporation and such third parties to prevent others from copying such proprietary technologies. The Corporation currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licenses and patents, to protect its proprietary technology; and on third parties from whom licenses have been received to protect their proprietary technology. The Corporation may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether or not the Corporation is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Corporation and the Subsidiary or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Corporation. Furthermore, others may develop technologies that are similar or superior to the technology of the Corporation or such third parties or design around the patents owned by the Corporation, the Subsidiary and/or such third parties.

Despite the efforts of the Corporation or such third parties, the intellectual property rights, particularly existing or future patents, of the Corporation or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Corporation or such third parties may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Corporation's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

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.

Access to Additional Financing

The Corporation may find it necessary in the future to obtain additional debt or equity to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. 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. See "*Capital Markets*" and "*Current Global Financial Conditions*" above.

Legal Proceedings

The Corporation is involved in litigation from time to time in the ordinary course of its business. 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.

Interest Rate Risk

The Corporation is exposed to interest rate risk on certain debt instruments. Exposure to interest rate risk is minimal at this time as the Corporation has not drawn any funds on its credit facility. Should the Corporation be required to draw on its credit facility to finance a portion of its operational expenses or fund its capital requirements, or should there be any other reason which would result in the Corporation taking on indebtedness, all or a portion of this indebtedness may be tied to floating interests rates which cannot be controlled by the Corporation. Any increase in interest rates will result in an increase in the amount the Corporation pays to borrow funds on its credit line and service debt, which could negatively impact the Corporation's financial position and the market price of the Common Shares. The Corporation also incurs interest rate risk through its short term investments and, to a lesser extent, its cash position. The Corporation currently manages its interest rate risk through a combination of fixed and floating rate borrowings. The Corporation does not currently have any interest rate swap or financial contracts in place to mitigate this risk.

Foreign Currency Risk

Although the Corporation operates exclusively in Canada, it does have exchange rate exposure on purchases of some materials and equipment produced in the United States. The Corporation has not entered into any material hedging positions.

CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares ("**Preferred Shares**"), issuable in series. As at December 31, 2013, 62,527,948 Common Shares and nil Preferred Shares were issued and outstanding as fully-paid and non-assessable. The holders of Common Shares are entitled to receive notice of, and to one vote per share at, every meeting of Shareholders, to receive such dividends as the Board declares, and to share equally in the assets of the Corporation remaining upon the liquidation of the Corporation after the creditors of the Corporation have been satisfied. The Preferred Shares are issuable in series, with the Board to determine the number of Preferred Shares to comprise a series and the designation, rights, privileges, restrictions and conditions attaching to each series, including voting rights (if any), dividend terms and entitlement, and terms and conditions of redemption, purchase and conversion.

As at December 31, 2013, there were 3,435,604 options issued pursuant to the Corporation's Stock Option Plan, each of which entitles the holder thereof to purchase one Common Share. As at December 31, 2013, there were 329,038 incentive based units issued pursuant to the Corporation's Stock Based Compensation Plan, each of which entitles the holder thereof to acquire one Common Share for no additional consideration. Canyon has no warrants outstanding.

DIVIDENDS

On November 17, 2010, the Corporation announced its intention to commence paying a semi-annual dividend to the holders of Common Shares. The Corporation declared its first semi-annual dividend of $0.05 per Common Share, which was paid on January 28, 2011 to Shareholders of record on January 14, 2011. The Corporation declared a dividend pursuant to its semi-annual dividend policy of $0.05 per Common Share, which was paid on July 28, 2011 to Shareholders of record on July 14, 2011.

On November 8, 2011, the Corporation announced that the Board approved an increase and change to the Corporation's dividend policy to increase the dividend paid to Shareholders from $0.10 per Common Share per annum to $0.25 per Common Share per annum to be paid quarterly commencing January 2012. The Corporation declared its first quarterly dividend of $0.0625 per Common Share, which was paid on January 26, 2012 to Shareholders of record on January 12, 2012.

On March 6, 2012, the Corporation announced that the Board approved a 140% increase to the Corporation's quarterly dividend policy. Effective April 2012, the quarterly dividend increased from $0.0625 to $0.15 per Common Share resulting in an annualized dividend of $0.60 per Common Share.

The Corporation declared the following quarterly dividends in 2013: (i) a dividend of $0.15 per Common Share, which was paid on April 25, 2013 to Shareholders of record on April 12, 2013; (ii) a dividend of $0.15 per Common Share, which was paid on July 25, 2013 to Shareholders of record on July 12, 2013; (iii) a dividend on $0.15 per Common Share, which was paid on October 25, 2013 to Shareholders of record on October 11, 2013; and (iv) a dividend of $0.15 per Common Share, which was paid on January 24, 2014 to Shareholders of record on January 10, 2014.

Any future payments of dividends will be at the discretion of the Board and will depend upon the Corporation satisfying the applicable solvency provisions of the ABCA, the financial condition, capital requirements and earnings of the Corporation as well as other factors the Board considers relevant. The Corporation's articles do not contain any restrictions on the payments of dividends.

See "*Narrative Description of the Business of the Corporation – Risk Factors – Sustainability of Dividends*".

MARKET FOR SECURITIES

The Common Shares are listed on the TSX under the symbol "FRC". The following table sets forth the monthly price ranges and volumes of trading of the Common Shares on the TSX from January 1, 2013 to December 31, 2013, as reported by the TSX:

Period	**High $**	**Low $**	**Volume**
January	11.52	10.52	4,176,856
February	11.24	10.09	4,544,062
March	11.32	9.60	4,609,407
April	11.13	9.60	4,787,017
May	11.77	9.92	5,042,246
June	12.32	11.23	3,663,937
July	12.83	11.39	5,561,299
August	12.96	11.52	4,461,207
September	12.24	11.33	3,932,959
October	12.39	11.02	5,354,392
November	11.59	10.80	2,956,695
December	12.21	11.05	3,739,975

DIRECTORS AND OFFICERS

The following table sets forth information with respect to the directors and executive officers of the Corporation for the year ended December 31, 2013:

Name and Municipality of Residence	Offices Held and Date Appointed[(4)]	Principal Occupation During the Past Five Years
Bradley P.D. Fedora[(3)] Alberta, Canada	Chief Executive Officer (November 13, 2009) President (September 1, 2007) Director (March 2008)	President of the Corporation since September 2007 and Chief Executive Officer since November 2009. Principal in the Corporate Finance group of Peters & Co. Limited, a full service investment banking firm since 2000.
Stan G.P. Grad Alberta, Canada	Director (April 8, 2004)	President of Soderglen Ranches Ltd., a private ranching company since 1996.
Raymond P. Antony[(1)(2)] Alberta, Canada	Chairman (May 27, 2011) Director (September 7, 2004)	Self-employed businessman since August 2006.
Neil Murray Mackenzie[(3)] Alberta, Canada	Director (February 4, 2009)	Director and Partner of Blackstone Fluids since 2010. Director and Vice-president of Newpark Drilling Fluids Canada Inc., a subsidiary of Newpark Resources, Inc., an international oil and gas services company, from 1998 to 2009.
Miles Lich[(1)(2)] Alberta, Canada	Director (May 22, 2013)	Co-Founder and Managing Director of Northern Plains Capital Ltd. a private company since September 2005.
Richard E. Peterson[(2)(3)] Alberta, Canada	Director (May 25, 2010)	Chief Executive Officer of Oculus Transport Ltd., a general oilfield hauling company, since 2011. Director of Horizon North Logistics Inc., a provider of logistics solutions to resource companies throughout western and northern Canada and Alaska, since 2006 and Chief Executive Officer from 2006 to January 2010.

M. Scott Ratushny[(1)] Alberta, Canada	Director (May 26, 2011)	Chairman and Chief Executive Officer of Cardinal Energy Ltd., a public oil and gas company. Chairman and Director of Enseco Energy Services Corp., a public oil and gas services company, since 2006. Chairman, Chief Executive Officer and Director of Midway Energy Ltd., an oil and gas production, exploration and development company, from July 2009 to April 2012.
Barry O'Brien Alberta, Canada	Vice-President, Finance and Chief Financial Officer (January 2, 2007)	Vice-President, Finance and Chief Financial Officer of the Corporation since January 2007.
A.J. (Joe P.) Peskunowicz Alberta, Canada	Chief Operating Officer (November 2004 to March 2008) Executive Vice-President, Corporate (March 2008)	Officer of the Corporation since November 2004.
Todd G. Thue Alberta, Canada	Senior Vice-President (January 2006) Chief Operating Officer (March 2008)	Officer of the Corporation since March 2008.
Chuck Vozniak Alberta, Canada	Vice President, Technical Services (April 2012)	Officer of the Corporation since April 2012. Sales Manager and Technical Services Manager of Trican Well Services Ltd., an oilfield services company since 2000.

Notes:
(1) Member of Audit Committee.
(2) Member of Corporate Governance and Compensation Committee.
(3) Member of Health, Safety and Environment Committee.
(4) All directorships expire at the next annual general meeting of the Shareholders. All officers hold office at the pleasure of the Board.

As of the close of business on March 24, 2014, the directors and executive officers of the Corporation beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 4,348,301Common Shares, representing 6.00% of the 68,805,747issued and outstanding Common Shares as at that date.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Neil M. MacKenzie has been a director of BakBone Software Incorporated ("**BakBone**") since 2000. In October 2004, BakBone announced that, in conjunction with a change of accountants, it would not be in a position to file its quarterly report on Form #10-Q for the September 30, 2004 period and consequently, on December 4, 2004, each of the Alberta, British Columbia and Ontario Securities Commissions issued cease trade orders against BakBone to the effect that all trading in the securities of BakBone cease until it has filed its financial statements in accordance with Canadian securities legislation. The outstanding financial statements have since been filed and the cease trade orders have been lifted.

Other than as disclosed herein, to the knowledge of the Corporation, no director or executive officer of the Corporation is, as at the date hereof, or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that: (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Corporation, no director or executive officer of the Corporation, or 10% Shareholder: (a) is as at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including the Corporation) that, while such person was acting in such capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets; or (b) has, within ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or has a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

To the knowledge of the Corporation, no director or executive officer of the Corporation, or 10% Shareholder, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Olympia Trust Company at its principal offices in Calgary, Alberta, and Toronto, Ontario.

INTERESTS OF EXPERTS

KPMG LLP has prepared the auditor's report on the consolidated financial statements of the Corporation for the year ended December 31, 2013. KPMG LLP has confirmed that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Corporation's Audit Committee (the "**Audit Committee**") operates under a written charter that sets out its purpose, organization, duties and responsibilities. The Audit Committee charter is set forth in Appendix "A" to this annual information form.

Composition of Audit Committee

As of the date hereof, the Audit Committee is comprised of Raymond P. Antony, as chairman, Miles Lich and M. Scott Ratushny, each of whom are financially literate and independent, as such terms are defined in National Instrument 52-110 – *Audit Committees of the Canadian Securities Administrators* ("**NI 52-110**").

Relevant Education and Experience

Raymond P. Antony

Mr. Antony has been a Chartered Accountant and member of the Canadian Institute of Chartered Accountants for the past 25 years. Mr. Antony serves as an officer and director of a number of public and private oil and gas companies. Mr. Antony has a Bachelor of Commerce from the University of Alberta.

Miles Lich

Mr. Lich holds a Petroleum Engineering degree and was a partner and oil field services analyst at Peters & Co. Limited for more than 7 years. Mr. Lich was a co-founder and managing director of Northern Plains Capital Ltd. where he sat on the boards of a number of public and private corporations.

M. Scott Ratushny

Mr. Ratushny serves as an officer and director of Cardinal Energy Ltd. and Chairman and director of Enseco Energy Services Corp. Mr. Ratushny served as an officer and director of Midway Energy Ltd. from 2009 to 2012. Mr. Ratushny serves on the audit committees of a number of corporations both public and private.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on any exemptions from NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee charter requires that the Audit Committee pre-approve all non-audit services to be provided to the Corporation or its subsidiary by the Corporation's external auditor or the external auditor of Canyon's subsidiaries, provided that the Audit Committee may satisfy the pre-approval requirement by either delegating to one or more members of the Audit Committee the authority to pre-approve non-audit services or adopting specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

KPMG LLP has served as the Corporation's external auditor since its formation in 1999. The following table lists the fees paid to KPMG LLP, by category, for the years ended December 31, 2013 and 2012.

	Year Ended December 31, 2012	Year Ended December 31, 2013
Audit fees	$219,770	$234,500
Audit-related fees	-	-
Tax fees	$48,4600	$128,200
All other fees	-	-
Total fees	$268,230	$362,700

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the Corporation's annual financial statements or services provided in connection with statutory and regulatory filings or engagements and for limited services relating to the Corporation's interim financial statements.

Audit-related Fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual and interim financial statements and are not reported under the audit fees item above. These services included the review of incentive bonus calculations as well as accounting consultations and advice relating to variable interest entities, lease accounting and accounting for future income taxes.

Tax Fees

Tax fees were paid for professional services relating to tax compliance, tax advice and tax planning. These services consisted of tax compliance including the review of original and amended tax returns, tax planning and advisory services relating to common forms of taxation including income tax, large corporations tax, goods and services tax, sales tax and tax consulting related to employee benefit programs.

All Other Fees

All other fees were paid for products or services other than the audit fees, audit-related fees and tax fees described above. These services included advice related to testing the effectiveness of the Corporation's internal controls over financial reporting, assistance related to the transition to International Financial Reporting Standards and costs associated with preparation of a prospectus.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issue under equity compensation plans, will be contained in the Corporation's management information circular for the annual and special meeting of Shareholders to be held on May 21, 2014. Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2013.

The above referenced documents and further additional information relating to the Corporation may be found on the Corporation's SEDAR profile at www.sedar.com.

APPENDIX "A"
AUDIT COMMITTEE CHARTER

Mandate

The primary function of the audit committee (the "**Committee**") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and Shareholders, the Corporation's systems of internal controls regarding finance and accounting, and the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements.

- Review and appraise the performance of the Corporation's external auditors.

- Provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board.

Composition

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be independent directors, pursuant to the policies of the TSX.

At least one member of the Committee shall have accounting or related financial management expertise.

All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Corporation's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual Shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

Meetings

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions. The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Committee members with copies to the Board, the Chief Financial Officer or such other officer acting in that capacity, and the external auditor.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Documents/Reports Review

- Review and update this Committee Charter annually.

- Review the Corporation's financial statements, MD&A and any annual and interim earnings, press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

External Auditors

- Require the external auditors to report directly to the Committee.

- Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the Shareholders of the Corporation.

- Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation.

- Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.

- Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.

- Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for Shareholder approval and the compensation of the external auditors.

- Review with management and the external auditors the terms of the external auditors' engagement letter.

- At each meeting, may consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.

- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

- Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.

- Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

    - the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent (5%) of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;

    - such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and

    - such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

Financial Reporting Process

- In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.

- Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

- Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management.

- Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.

- Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

- Review any significant disagreement among management and the external auditors regarding financial reporting.

- Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.

- Review the certification process.

- Establish procedures for:

    - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

    - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Other

- Review disclosure of any related-party transactions.

Authority

The Committee may:

- engage independent outside counsel and other advisors as it determines necessary to carry out its duties;

- set and pay the compensation for any advisors employed by the Committee; and

- communicate directly with the internal and external auditors.

The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.