Management's Discussion and Analysis

NINE MONTHS ENDED SEPTEMBER 30, 2014

This management discussion and analysis ("MD&A") is dated November 6, 2014 and should be read in conjunction with the Consolidated Financial Statements and Notes of Canyon Services Group Inc. ("Canyon" or the "Company") as at and for the three and nine months ending September 30, 2014 and September 30, 2013 as well as the annual financial statements and MD&A. Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2013, is available on SEDAR at www.sedar.com.

The following MD&A contains forward-looking information and statements. We refer you to the end of the MD&A for our disclaimer on forward-looking information and statements.

OVERVIEW OF THIRD QUARTER 2014

000's except per share, job amounts and hydraulic pumping capacity (Unaudited)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	2012	2014	2013	2012
Consolidated revenues	$204,481	$81,081	$94,401	$402,945	$195,398	$268,310
Income (loss) and comprehensive income (loss)	$31,726	$3,908	$17,036	$28,314	$(4,752)	$47,263
Per share-basic	$0.46	$0.06	$0.28	$0.44	$(0.08)	$0.77
Per share-diluted	$0.45	$0.06	$0.27	$0.43	$(0.08)	$0.76
EBITDA before share-based payments[(1)]	$57,657	$14,241	$32,496	$75,904	$21,470	$88,960
Funds from (used in) operations[(1)]	$45,939	$14,316	$27,727	$65,735	$21,141	$77,035
Total jobs completed [(2)]	887	553	524	2,124	1,174	1,709
Consolidated average revenue per job [(2)]	$213,320	$147,794	$180,540	$182,798	$167,144	$157,521
Average fracturing revenue per job	$310,403	$208,524	$247,746	$252,184	$236,358	$230,516
Hydraulic Pumping Capacity						
Average HHP	245,500	225,500	220,000	240,000	225,500	200,500
Exit HHP	245,500	225,500	225,500	245,500	225,500	225,500
Capital expenditures	$43,976	$1,586	$9,740	$75,847	$7,398	$64,521

000's except per share amounts (Unaudited)	As at September 30, 2014	As at December 31, 2013	As at December 31, 2012
Cash and cash equivalents	$5,599	$21,308	$22,584
Working capital	$50,417	$41,730	$56,245
Total long-term financial liabilities	$54,249	$3,096	$3,475
Total assets	$594,576	$402,707	$406,113
Cash dividends declared per share	$0.45	$0.60	$0.60

Note (1): See NON-GAAP MEASURES

Note (2): Includes all jobs from each service line in the pressure pumping business, specifically hydraulic fracturing; coiled tubing; nitrogen fracturing; acidizing and remedial cementing

The current quarter includes the results of Canyon's pressure pumping business as well as the results of Fraction Energy Services Ltd., ("Fraction") a leading provider of fracturing fluid management, including water sourcing, transfer, wellsite storage, fluid heating, flowback transfer and produced water storage services, which was acquired by Canyon effective July 1, 2014.

In summary, Q3 2014 was extremely busy for Canyon with consolidated revenues reaching a record $204.5 million compared to $81.1 million in Q3 2013, an increase of 152%. For the nine months ended September 30, 2014, consolidated revenues were $402.9 million, a 106% increase over $195.4 million recorded in the comparable period of 2013. The increased activity and revenues combined with Canyon's considerable operating leverage in its pressure pumping business and the inclusion of Fraction resulted in a significant improvement in profitability with consolidated income and comprehensive income increasing to $31.7 million in Q3 2014 compared to $3.9 million in Q3 2013. For the nine months ended September 30, 2014 consolidated income and comprehensive income increased to $28.3 million from a loss and comprehensive loss of $4.8 million for the comparable 2013 period.

Pressure Pumping Services

Canyon's equipment fleet was essentially fully utilized for most of Q3 2014 resulting in jobs completed and revenues earned increasing by 60% and 132% respectively compared to Q3 2013. Pressure pumping revenues in the current quarter totaled a record $188.2 million from 887 jobs completed compared to $81.1 million from 553 jobs in the comparable quarter of 2013. For the nine months ended September 30, 2014, pressure pumping revenues increased by 98% to $386.7 million compared to $195.4 million in the comparable 2013 period, while jobs completed increased by 81% to 2,124 from 1,174 over the same periods.

We estimate that overall industry activity in the Western Canadian Sedimentary Basin ("WCSB") as measured by total meters drilled increased by approximately 10% percent in Q3 2014 year over year. This increasing trend in industry activity has been evident since late 2013 and is driven by several factors including changing well designs resulting in customers' growing preference for drilling wells with longer horizontal sections and increased fracturing intensity on a per well basis. In addition, more favourable Canadian/US exchange rates, E&P companies' improved access to capital markets to fund capital programs over the first half of 2014 and, until recently, strong commodity prices led to the increased activity. As a result, the key industry indicators such as well licensing, drilling rig utilization and well completions have been strong year to date and continue to point to a positive outlook for the upcoming winter season. Well licensing for service-intensive deep wells drilled in NW Alberta and NE British Columbia increased by approximately 14% in Q3 2014 compared to Q3 2013, and by about 11% for the nine months ended September 30, 2014. Drilling rig utilization increased to about 52% in Q3 2014 compared to 46% for Q3 2013, and to 48% from 44% on a year to date basis. Although well completions were relatively flat in Q3 2014 and for the year to date compared to the prior year comparable periods, total meters completed increased by approximately 10% compared to Q3 2013 and by 11% for the year to date. Also, natural gas well completions have increased by about 30% for the year to date partially due to LNG related delineation drilling. The trend over the past 18 months of significantly increased fracturing intensity has resulted in Canyon completing much larger jobs in 2014 compared to 2013. Our customers have continued to apply greater fracturing intensity to their wells via an increase to the number of stages on a per well basis and/or larger fractures per stage. Third quarter proppant volumes pumped by Canyon increased by 137% compared to Q3 2013, and by 127% for the nine months ended September 30, 2014 compared to 2013. In addition, the growing trend by customers to use more expensive “Ottawa” sand rather than domestic sand has also contributed to increased revenue per job. In Q3 2014, average fracturing revenue per job increased by 49% to $310,403 in Q3 2014 from $208,524 in Q3 2013 due predominantly to increased job size. Overall, pricing and cost recovery had a modest impact on revenue per job and revenues in Q3 2014 and was approximately 5% higher than Q1 2014 levels and 10% higher than Q3 2013.

Pressure pumping cash flow and profitability remains highly levered to changes in revenue due to the fixed cost nature of the business. The increased activity and revenues led to significantly improved margins in Q3 2014 compared to the comparable quarter of 2013 and compared to Q1 2014. (The second quarter is not comparable as it experiences our annual spring break up and is therefore characterized by much lower industry-wide activity). In Q3 2014, EBITDA before stock-based compensation expense from pressure pumping was $53.9 million, or 29% of revenues, compared to $15.9 million or 20% of revenues in the comparable 2013 quarter. The increased scale of operations has also significantly increased EBITDA before stock-based compensation expense from pressure pumping to $75.0 million, or 19% of revenues, for the nine months ended September 30, 2014 from $25.6 million or 13% of revenues for the comparable 2013 period.

Fluid Management Services

Fraction was acquired by Canyon effective July 1, 2014 and continues as a wholly owned and independent operating subsidiary. Fraction is a leading provider of water and fracturing fluid logistics, containment, transfer and storage for the oil and gas industry in NW Alberta and NE British Columbia. The acquisition of Fraction complements Canyon’s current offering of services to our customers.

For the three months ended September 30, 2014, storage tank rental revenues were strong while water transfer and fluid logistics revenues were negatively impacted later in the quarter by water access restrictions due to the dry summer in the northern regions of the WCSB where Fraction is most active. In the quarter, Fraction contributed $16.3 million to consolidated revenue, $6.2

million to consolidated EBITDA before stock-based compensation expense and $3.6 million to consolidated income and comprehensive income.

NON-GAAP MEASURES

The Company's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain measures in this document do not have any standardized meaning as prescribed by IFRS and are considered NON-GAAP measures.

EBITDA before share-based payments and funds from operations are not recognized measures under IFRS. Management believes that in addition to profit and comprehensive income, EBITDA before share-based payments and funds from operations are useful supplemental measures as they provide an indication of the results generated by the Company's business activities prior to consideration of how those activities are financed, amortized or taxed, as well as the cash generated by the Company's business activities without consideration of the timing of the monetization of non-cash working capital items. Readers should be cautioned, however, that EBITDA before share-based payments and funds from operations should not be construed as an alternative to profit and comprehensive income determined in accordance with IFRS as an indicator of the Company's performance. Canyon's method of calculating EBITDA before share-based payments and funds from operations may differ from other companies and accordingly, EBITDA before share-based payments and funds from operations may not be comparable to measures used by other companies. Canyon calculates EBITDA before share-based payments as profit and comprehensive income for the year adjusted for depreciation and amortization, equity settled share-based payment transactions, gain or loss on sale of property and equipment, finance costs, foreign exchange (gain) loss and income tax expense. Reconciliations of these NON-GAAP measures to the most directly comparable IFRS measures are outlined below.

The Company describes revenue less cost of services as gross profit.

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EBITDA before share-based payments

000's (Unaudited)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Income (loss) and comprehensive income (loss)	$31,726	$3,908	$28,314	$(4,752)
Add:				
Depreciation and amortization	12,890	7,971	32,596	23,467
Finance costs	727	149	978	467
Foreign exchange loss (gain)	633	(143)	901	(193)
Share-based payment transactions	1,073	799	2,959	2,950
(Gain) on sale of property and equipment	(172)	32	(188)	(12)
Income tax expense (recovery)	10,780	1,525	10,344	(457)
EBITDA before share-based payments	$57,657	$14,241	$75,904	$21,470

Funds from Operations

000's (Unaudited)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Net cash from operating activities	$14,713	$(801)	$25,700	$28,673
Add:				
Income tax (recovered) paid	(4,461)	1,468	(4,461)	5,135
Change in working capital	46,016	13,568	52,757	(12,612)
Current tax (expense) recovery	(10,329)	81	(8,261)	(55)
Funds from operations	$45,939	$14,316	$65,735	$21,141

Operating and Financial Highlights

The operating and financial highlights for the three and nine months ended September 30, 2014 are summarized as follows:

- Q3 2014 represents a record quarter with revenues reaching $204.5 million compared to $81.1 million in Q3 2013, an increase of 152%. For the nine months ended September 30, 2014, consolidated revenues were $402.9 million, a 106% increase over $195.4 million recorded in the comparable period of 2013.

- The increased revenues combined with Canyon's considerable operating leverage in its pressure pumping business and the inclusion of Fraction resulted in consolidated EBITDA before share based payments improving to $57.7 million in the current quarter from $14.2 million in Q3 2013 and consolidated income and comprehensive income increasing to $31.7 million in Q3 2014 from $3.9 million in Q3 2013. For the nine months ended September 30, 2014 consolidated EBITDA before share based payments increased to $75.9 million from $21.5 million, while consolidated income and comprehensive income increased to $28.3 million from a loss and comprehensive loss of $4.8 million for the comparable 2013 period.

- Effective July 1, 2014, Canyon acquired Fraction, a leading provider of water and fracturing fluid logistics, containment, transfer and storage for the oil and gas industry in NW Alberta and NE British Columbia. In Q3 2014, Fraction contributed $16.3 million to consolidated revenue, $6.2 million to consolidated EBITDA before stock-based compensation expense and $3.6 million to consolidated income and comprehensive income.

- Effective July 14, 2014, Canyon acquired four deep coiled tubing packages which included twin fluid pumpers, BOPs, injectors and three cranes (the "Assets") from a Canadian oilfield services company for approximately $19.7 million. This acquisition has increased Canyon's deep coiled tubing fleet to 11 packages.

- Including the purchase of the Assets but excluding the purchase of Fraction, Canyon's 2014 capital budget is estimated at $107 million. This amount includes fracturing equipment consisting of 30,000 Hydraulic Horsepower ("HHP") in pumping capacity as well as miscellaneous support equipment such as sand logistics equipment, a high rate blender and transportation equipment, coiled tubing equipment including the Assets described above, nitrogen and cement and acid equipment, expansion of Canyon's Grande Prairie operating base and storage tanks and water transfer equipment for the Fraction business.

- On September 25, 2014, Canyon declared a quarterly dividend of $0.15 per common share, or $10.3 million, which was paid to shareholders on October 24, 2014.

- Canyon remains in a very strong financial position. As at September 30, 2014, Canyon had available credit facilities combined with positive working capital totaling $100 million.

2014 OUTLOOK

Our decision to strengthen and expand the organization throughout 2013 and into 2014 proved beneficial as we have been experiencing a very busy second half of 2014. Activity levels continue to be robust in the fourth quarter with our staff and equipment fleet operating at near maximum utilization. We expect to remain busy as Canyon is essentially fully booked until break up 2015. Throughout Q3 2014, approximately 80% of the revenue was conducted via 24 hour operations, as our customers are always seeking operational efficiencies. We expect this allocation to continue until breakup as more of our work is pad based. The increased demand for 24 hour services presents the opportunity for us to improve operating cost efficiency. Clarity beyond break up is difficult, since commodity prices have been declining with WTI oil prices down approximately 25% due to global concerns around oil supply and economic growth. AECO natural gas prices softened recently from a Q3 2014 average of $4.03 per mcf to about $3.50 per mcf, mainly due to stronger than expected storage injections over the summer but have since recovered. While near-term activity levels for the fourth quarter and for the upcoming winter drilling season are expected to remain robust, the second half of 2015 remains uncertain until such time as producers' 2015 capital budgets are finalized reflecting updated views on commodity prices. If commodity prices are expected to remain at current levels or lower for the foreseeable future, we expect this to impact producer capital expenditure budgets primarily in the second half of 2015. Finally, with approximately 70% of Canyon's completion activity natural gas directed, we expect the deeper areas of the WCSB such as NW Alberta and NE British Columbia to remain active due to relatively robust natural gas prices and attractive condensate prices, all augmented by ongoing LNG-related reserves delineation. Canyon continues to operate with a lean management structure, incurring little change to G&A in the past two to three years. The main exception to this has been the expansion of the sales group which was critical in attracting top-tier customers.

LNG remains a big question in this industry and although Canada is still several years from seeing the first LNG exports, visibility has sharpened, overall risks have been marginalized and upstream momentum has accelerated. The British Columbia government has embraced the LNG opportunity as evidenced by the October 21, 2014 announcement detailing the proposed LNG tax structure which has been viewed favourably by the energy industry. Numerous projects have been proposed, representing approximately 15 – 20 billion cubic feet per day in combined export capacity. Project approvals were granted in 2013, while site preparation and front-end engineering were initiated for some projects. We are anticipating an announcement on the first project's final investment decision by early 2015.

Canyon's strategy remains unchanged. Our goal is to build a Canadian service provider that can succeed and grow over the long term. Our plan is to significantly grow Canyon's staff and operating assets over the next five years, primarily to service the anticipated demand for pressure-pumping services in western Canada. We have set out by working to cement relationships with top-tier multinational customers and continuing to grow in activity and reputation in the region's premier unconventional plays. Growth in our market share in NW Alberta and NE British Columbia will be complemented by pursuit of attractive opportunities in the Cardium, Bakken and Lower Shaunavon plays. The primary criterion for Canyon's investment and expansion decisions has always been its projected return on capital over a five to seven-year horizon. On this basis, we continue to believe that western Canada is still the world's best pressure pumping market as it continues to hold fantastic growth potential in all the hydrocarbon basins and offers superior supply-demand fundamentals to the world's largest market, the United States, with fewer competitors and higher barriers to entry.

Canyon's investment proposition is straightforward: We are a geographically focused, high-quality service provider with a stable fixed-cost structure and robust organization that can accommodate much higher revenue. This creates the foundation for rapidly growing revenue, operating margins and EBITDA on a per share basis.

QUARTERLY CONSOLIDATED COMPARATIVE STATEMENTS OF OPERATIONS

000's except per share amounts (Unaudited)	Three Months Ended September 30	
	2014	2013
Revenues	$204,481	$81,081
Cost of services	(150,753)	(69,422)
Gross profit	53,728	11,659
Administrative expenses	(9,862)	(6,220)
Results from operating activities	43,866	5,439
Finance costs	(727)	(149)
Foreign exchange (loss) gain	(633)	143
Income before income tax	42,506	5,433
Income tax expense	(10,780)	(1,525)
Income and comprehensive income	$31,726	$3,908
EBITDA before share-based payments(1)	$57,657	$14,241
Earnings per share:		
Basic	$0.46	$0.06
Diluted	$0.45	$0.06

Note (1): See NON-GAAP MEASURES

Pressure Pumping Services

000's except per share amounts (Unaudited)	Three Months Ended September 30			
	2014		2013	
Revenues	$188,225		$81,081	
Cost of services	(141,118)	75.0%	(69,422)	85.6%
Gross profit	47,107	25.0%	11,659	14.4%
Administrative expenses	(5,255)	2.8%	(4,235)	5.2%
Results from operating activities	$41,852	22.2%	$7,424	9.2%
EBITDA before share-based payments[1]	$53,940	28.7%	$15,861	19.6%

Revenues

The rebound in industry activity in 2014 led to Canyon having the busiest quarter in its history and resulted in Q3 2014 jobs completed by the pressure pumping segment increasing by 60% to 887 from 553 in Q3 2013, while revenues increased by 132% to $188.2 million from $81.1 million in the prior year quarter. Over 90% of Q3 2014 pressure pumping revenues were provided by hydraulic fracturing services with average fracturing revenue per job increasing by 49% to $310,403 from $208,524 in Q3 2013. The increase in average fracturing revenue per job is more a function of larger job sizes than pricing increases due to a huge increase in product consumption, particularly sands. Proppants pumped by Canyon in Q3 2104 increased by 137% over the tonnages pumped in Q3 2013. On the other hand, Q3 2014 pricing averaged about 5% higher than Q1 2014 levels and as a result only had a modest impact on revenue per job and revenues in the quarter.

Cost of services

Cost of services for the three months ended September 30, 2014 totaled $141,118 (2013: $69,422) and includes materials, products, transportation and repair costs of $98,388 (2013: $43,538), employee benefits expense of $31,643 (2013: $18,384), and depreciation of property and equipment of $11,087 (2013: $7,500).

Materials, products, transportation and repair costs increased by 126% to $98,388 in the current quarter from $43,538 in Q2 2013, due to the increased job count in the quarter and due to the increase in materials consumed per well, especially sand. The increase in employee benefits expense is mainly due to field staff additions to support the higher activity levels, increased variable pay as a result of the higher activity and inflation in labour rates. The increase in depreciation of property and equipment is due to additional depreciation pertaining to equipment introduced into service in late 2013 and in 2014, and accelerated depreciation relating to the replacement of a number of pump components.

Administrative expenses

Administrative expenses for the three months ended September 30, 2014 totaled $5,255 compared to $4,234 in Q3 2013 and include employee benefits expense, share-based payments expense, depreciation of buildings and office equipment and other administrative expenses. Share-based payments expense represents the value assigned to the granting of options and incentive-based units under the Company's Share Purchase Option Plan and Stock Based Compensation Plan respectively, using the Black-Scholes model. For Q3 2014, $685 (Q3 2013 - $433) was charged to expenses and included in contributed surplus in respect of these two plans.

EBITDA Before Share-Based Payments (See NON-GAAP MEASURES)

Pressure pumping profitability remains highly levered to changes in revenue due to the fixed cost nature of the business and as a result the aforementioned 60% increase in the job count and the 132% increase in revenues led to significantly improved margins in Q3 2014 compared to the comparable quarter of 2013. As a result, Q3 2014, EBITDA before share-based payments totaled $53,940 in the pressure pumping segment, or 29% of revenues compared to $15,861, or 20% of revenues in Q3 2013.

Fluid Management Services

000's except per share amounts (Unaudited)	Three Months Ended September 30			
	2014		2013	
Revenues	$16,256		$-	
Cost of services	(9,635)	59.3%	-	-%
Gross profit	6,621	40.7%	-	-%
Administrative expenses	(1,769)	10.9%	-	-%
Results from operating activities	$4,852	29.8%	$-	-%
EBITDA before share-based payments(1)	$6,225	38.3%	$-	-%

Revenues

The water management services business, acquired effective July 1, 2014, contributed $16,256 of revenues to Canyon in Q3 2014. In the current quarter, storage tank rental revenues were strong while water transfer and fluid logistics revenues were negatively impacted in the quarter by water access restrictions due to the dry summer in the northern regions of the WCSB where Fraction is most active. This resulted in customers having to adjust project timelines.

Cost of services

Cost of services for the three months ended September 30, 2014 totaled $9,635 and includes materials, products, transportation and repair costs of $5,259, employee benefits expense of $3,062, and depreciation of property and equipment of $1,314.

Administrative expenses

Administrative expenses for the three months ended September 30, 2014 totaled $1,769 and include employee benefits expense, depreciation of buildings and office equipment and amortization of intangibles and other administrative expenses.

EBITDA Before Share-Based Payments (See NON-GAAP MEASURES)

Q3 2014 EBITDA before share-based payments totaled $6,225 in the fluid management services division, or 38% of revenues.

Corporate

000's except per share amounts (Unaudited)	Three Months Ended September 30	
	2014	2013
Revenues	$-	$-
Administrative expenses	(2,838)	(1,985)
Results from operating activities	$(2,838)	$(1,985)
EBITDA before share-based payments(1)	$(2,508)	$(1,620)

This segment consists of costs incurred to operate a public company, including corporate management, head office costs, corporate share-based payment expenses and professional fees.

Administrative expenses

Administrative expenses for the three months ended September 30, 2014 totaled $2,838 compared to $1,985 in Q3 2013 and include employee benefits expense, share-based payments, and other head office administrative expenses. The increase in administrative expenses is due to the larger scale of operations in 2014.

Share-based payments expense represents the value assigned to the granting of options and incentive-based units under the Company's Share Purchase Option Plan and Stock Based Compensation Plan respectively, using the Black-Scholes model. For Q3 2014, $388 (Q3 2013 - $428) was charged to expenses and included in contributed surplus in respect of these two plans. In addition, obligations for payments under the Company's Deferred Share Unit Plan are accrued as share-based payments expense over the vesting period. The accrued liability increases or decreases with fluctuations in the price of the Company's common shares, with a corresponding increase or decrease in the share-based payments expense. In Q3 2014, share-based payments expense was nil (2013: a reduction of $62) for the Company's Deferred Share Unit Plan to reflect changes in the price of the common shares of the Company.

Other Items – Quarterly Consolidated Comparative Statement of Operations

Finance costs

Finance costs include interest on finance lease obligations and automobile loans and totaled $727 in Q3 2014 (2013: $149). The increase in finance costs is due to the increase in loans and borrowings used to partially fund the Company's 2014 capital program.

Income Tax Expense

At the expected combined income tax rate of 25%, the income before income tax for the three months ended September 30, 2014 of $42,506 would have resulted in an income tax expense of

$10,626, compared to the actual income tax expense of $10,780. The actual income tax expense was increased by non-deductible expenses.

EBITDA before share-based payments (See NON-GAAP MEASURES)

In Q3 2014, Canyon's increased activity resulted in consolidated EBITDA before share-based payments (see NON-GAAP MEASURES) of $57,657. The four-fold increase over the $14,241 recorded in the comparable 2013 quarter is due to the increase in activity as discussed above.

Income and comprehensive income and earnings per share

Income and comprehensive income increased significantly to $31,726 in Q3 2014 from $3,908 in Q3 2013, due to the improved job count as previously discussed. The eight-fold increase in income and comprehensive income was due to the increase in activity as previously discussed.

Basic and diluted earnings per share were $0.46 and $0.45 respectively for the three months ended September 30, 2014 compared to basic and diluted earnings per share of $0.06 and $0.06 respectively for the comparable 2013 quarter.

NINE MONTHS ENDED SEPTEMBER 30, 2014 COMPARATIVE STATEMENTS OF OPERATIONS

000's except per share amounts (Unaudited)	Nine Months Ended September 30	
	2014	2013
Revenues	$402,945	$195,398
Cost of services	(338,644)	(183,039)
Gross profit	64,301	12,359
Administrative expenses	(23,764)	(17,294)
Results from operating activities	40,537	(4,935)
Finance costs	(978)	(467)
Foreign exchange (loss) gain	(901)	193
Income (loss) before income tax	38,658	(5,209)
Income tax (expense) recovery	(10,344)	457
Income (loss) and comprehensive income (loss)	$28,314	$(4,752)
EBITDA before share-based payments(1)	$75,904	$21,470
Earnings (loss) per share:		
Basic	$0.44	$(0.08)
Diluted	$0.43	$(0.08)

Note (1): See NON-GAAP MEASURES

Pressure Pumping Services

000's except per share amounts (Unaudited)	Nine Months Ended September 30			
	2014		2013	
Revenues	$386,689		$195,398	
Cost of services	(329,009)	85.1%	(183,039)	93.7%
Gross profit	57,680	14.9%	12,359	6.3%
Administrative expenses	(15,528)	4.0%	(12,155)	6.2%
Results from operating activities	$42,152	10.9%	$204	0.1%
EBITDA before share-based payments(1)	$75,032	19.4%	$25,587	13.1%

Revenues

The increase in industry activity that has been evident since late 2013 is driven by several factors including customers' preference for drilling deeper wells with longer horizontal sections, more favourable Canadian/US exchange rates, E&P companies' improved access to capital markets to fund capital programs over the first half of 2014 and, until recently, strong commodity prices. As a result of the improved activity, jobs completed increased by 81% to 2,124 from 1,174 for the nine months ended September 30, 2014, while revenues increased by 98% to $386,689 from $195,398 over the comparable 2013 period. Over 90% of consolidated revenues in the nine months ended September 30, 2014 were provided by hydraulic fracturing services with average fracturing revenue per job increasing by 7% to $252,184 from $236,358 in the 2013 comparable period.

Cost of services

Cost of services for the nine months ended September 30, 2014 totaled $329,009 (2013: $183,039) and includes materials, products, transportation and repair costs of $221,524 (2013: $109,972), employee benefits expense of $77,597 (2013: $50,796), and depreciation of property and equipment of $29,888 (2013: $22,271).

Materials, products, transportation and repair costs increased by 101% to $221,524 in the current period from $109,972 as the job count increased by 81% in the current period compared to the comparable nine month period in 2013 and due to higher quantities of materials consumed per well, especially sand. The increase in materials, products, transportation and repair costs was greater than the percentage increase in the job count mainly due to the larger job sizes in 2014 as previously discussed. The increase in employee benefits expense is mainly due to field staff additions to support the higher activity levels, increased variable pay as a result of the higher activity and inflation in labour rates. Canyon had approximately 1,150 employees in its pressure pumping business as at September 30, 2014 compared to about 850 at the same time last year. The increase in depreciation of property and equipment is due to additional depreciation pertaining to equipment introduced into service in late 2013 and in 2014 and accelerated depreciation relating to the replacement of a number of pump components.

Administrative expenses

Administrative expenses for the nine months ended September 30, 2014 totaled $15,528 (2013: $12,155) and include employee benefits expense, share-based payments expense, depreciation of buildings and office equipment and amortization of intangibles and other administrative expenses. Employee benefits expense increased mainly due to staff additions and the implementation of a cost of living increase effective Q4 2013.

Share-based payments expense represents the value assigned to the granting of options and incentive-based units under the Company's Share Purchase Option Plan and Stock Based Compensation Plan respectively, using the Black-Scholes model. For the nine months ended September 30, 2014, $1,786 (2013 - $1,928) was charged to expenses and included in contributed surplus in respect of these two plans.

EBITDA before share-based payments (See Non-GAAP Measures)

For the nine months ended September 30, 2014, Canyon's increased activity resulted in EBITDA before share-based payments (see NON-GAAP MEASURES) for pressure pumping services of $75,032, or 19% of revenues, compared to $25,587, or 13% of revenues for the comparable 2013 period.

Fluid Management Services

000's except per share amounts (Unaudited)	Nine Months Ended September 30			
	2014		2013	
Revenues	$16,256		$-	
Cost of services	(9,635)	59.3%	-	-%
Gross profit	6,621	40.7%	-	-%
Administrative expenses	(1,769)	10.9%	-	-%
Results from operating activities	$4,852	29.8%	$-	-%
EBITDA before share-based payments(1)	$6,225	38.3%	$-	-%

For a discussion of revenues, cost of services and administrative expenses please see Water Management Services under QUARTERLY COMPARATIVE CONSOLIDATED STATEMENT OF OPERATIONS above. The nine months ended September 30, 2014 includes three months of operations for this segment as it was acquired by Canyon effective July 1, 2014.

Corporate

000's except per share amounts (Unaudited)	Nine Months Ended September 30	
	2014	2013
Revenues	$-	$-
Administrative expenses	(6,467)	(5,139)
Results from operating activities	$(6,467)	$(5,139)
EBITDA before share-based payments[(1)]	$(5,353)	$(4,117)

This segment consists of costs incurred to operate a public company, including corporate management, head office costs, corporate share-based payment expenses and professional fees.

Administrative expenses

Administrative expenses for the nine months ended September 30, 2014 totaled $6,467 (2013: $5,139) and include employee benefits expense, share-based payments, and other head office administrative expenses.

For the nine months ended September 30, 2014, employee benefits expense increased due to the larger scale of Canyon's operations and due to transaction costs pertaining to the acquisition of Fraction. Share-based payments expense represents the value assigned to the granting of options and incentive-based units under the Company's Share Purchase Option Plan and Stock Based Compensation Plan respectively, using the Black-Scholes model. For the nine months ended September 30, 2014 $1,173 (2013 - $855) was charged to expenses and included in contributed surplus in respect of these two plans. In addition, obligations for payments under the Company's Deferred Share Unit Plan are accrued as share-based payments expense over the vesting period. The accrued liability increases or decreases with fluctuations in the price of the Company's common shares, with a corresponding increase or decrease in the share-based payments expense. In the nine months ended September 30, 2014, share-based payments expense was nil (2013: $167) for the Company's Deferred Share Unit Plan to reflect changes in the price of the common shares of the Company.

Other Items – Nine Months Ended September 30, 2014 Comparative Statements of Operations

Finance costs

Finance costs include interest on finance lease obligations and automobile loans and totaled $978 for the nine months ended September 30, 2014 (2013: $467). The increase in finance costs is due to the increase in loans and borrowings used to partially fund the Company's 2014 capital program.

Income Tax Expense

At the expected combined income tax rate of 25%, the income before income tax for the nine months ended September 30, 2014 of $38,658 would have resulted in an income tax expense of

$9,664, compared to the actual income tax expense of $10,344. The actual income tax expense was increased by non-deductible expenses.

EBITDA before share-based payments (See NON-GAAP MEASURES)

For the nine months ended September 30, 2014, improved industry-wide conditions as previously discussed, resulted in an increase in consolidated EBITDA before share-based payments (see NON-GAAP MEASURES) to $75,904 from $21,470 recorded in the comparable 2013 period.

Income (Loss) and comprehensive income (loss) and earnings (loss) per share

Income and comprehensive income totaled $28,314 for the nine months ended September 30, 2014 compared to loss and comprehensive loss of $4,752 in the 2013 comparable period. The significant improvement in income and comprehensive income was due to the increase in activity as previously discussed.

Basic and diluted earnings per share were $0.44 and $0.43 respectively for the nine months ended September 30, 2014 compared to basic and diluted loss per share of $0.08 for the comparable 2013 period.

Summary of Quarterly Results

000's except per share amounts (Unaudited) (1)		Revenues	EBITDA(2)	Income (Loss) and Comprehensive Income (Loss)	Basic Earnings (Loss) per Share	Diluted Earnings (Loss) per Share
2014	Q3	$204,481	$57,657	$31,726	$0.46	$0.45
	Q2	$60,279	$(9,186)	$(15,263)	$(0.24)	$(0.24)
	Q1	$138,185	$27,432	$11,850	$0.19	$0.19
2013	Q4	$104,198	$11,004	$377	$0.01	$0.01
	Q3	$81,081	$14,241	$3,908	$0.06	$0.06
	Q2	$27,419	$(13,146)	$(17,186)	$(0.28)	$(0.28)
	Q1	$86,887	$20,364	$8,527	$0.14	$0.14
2012	Q4	$84,809	$18,814	$7,146	$0.12	$0.11

Note (1): The Company's business is seasonal in nature with the periods of greatest activity being in the first, third and fourth quarters. Please see below for further discussion, "Seasonality" under RISK FACTORS AND RISK MANAGEMENT.

Note (2): See NON-GAAP MEASURES.

In Q3, 2014, revenue, EBITDA and income and comprehensive income increased significantly as Canyon's equipment fleet was essentially fully utilized for most of the period, as well as due to the inclusion of Fraction's financial results. In Q4 2012, Q1 2013 and Q3 2013, EBITDA and income and comprehensive income decreased primarily due to industry pricing pressure that commenced in the second half of 2012 and which continued throughout 2013. In Q2 2013 and Q2 2014, the lower revenues, negative EBITDA and loss and comprehensive loss were negatively impacted by the seasonal weather related drilling delays caused by the annual spring break-up. Q4 2013 was a very active quarter supported by strong commodity prices but still at very low pricing. Q1 2014 was the busiest quarter in Canyon's history and although customer pricing continued to be challenging, the increased revenues combined with Canyon's operating leverage resulted in improved EBITDA and profit and comprehensive profit.

LIQUIDITY AND CAPITAL RESOURCES

Funds from operations

Improved industry-wide activity and Canyon's sales initiatives resulted in funds from operations (See NON-GAAP MEASURES) of $45,939 in Q3 2014 compared to $14,316 in the comparable 2013 quarter. For the nine months ended September 30, 2014, funds from operations increased to $65,735 from $21,141 in the comparable 2013 period. The funds from operations were primarily used to finance the capital program and to fund the Company's quarterly dividend. Please refer to "Capital Expenditures" below.

Financing

(Share amounts in thousands)

Equity:
For the three and nine months ended September 30, 2014, there were 95 and 614 common shares respectively issued by the Company to employees and officers upon exercise of options pursuant to the Share Purchase Option Plan and nil and 52 incentive based units respectively pursuant to the Stock-Based Compensation Plan for aggregate proceeds of $1.0 million and $4.5 million respectively.

Debt:
Loans and borrowings as at September 30, 2014 total $56.9 million (December 31, 2013: $5.8 million) which comprise amounts drawn on the credit facilities of $50.0 million (December 31, 2013: nil) and equipment lease obligations of $6.9 million (December 31, 2013: $5.8 million).

In Q3, 2014, Canyon amended its bank credit facilities to extend the term by one year. These facilities comprise a $20 million Operating Facility and an $80 million Revolving Facility which now includes a $10 million accordion feature. During the quarter, Canyon exercised $20 million of the accordion feature thereby reducing this feature from $30 million as at June 30, 2014 to $10 million as at September 30, 2014. The accordion feature is available upon request by the Company and subject to review and approval by the lenders. As at September 30, 2014, the net bank debt position was $44.4 million (amounts drawn on the Revolving Facility of $50 million less cash and cash equivalents of $5.6 million).

Working Capital and Cash Requirements

As at September 30, 2014, Canyon had a working capital balance of $50.4 million compared to $41.7 million as at December 31, 2013. As at September 30, 2014, trade and other receivables increased by $59.5 million due to the higher revenues in Q3 2014. Cash and cash equivalents decreased by $15.7 million while loans and borrowings increased by $51.1 million compared to December 31, 2013 due to the funding of deposits and expenditures on the Company's increased capital expenditure program as well as the timing of customer receipts versus supplier payments. Current tax assets mainly resulted from the prepayment of 2012 estimated tax installments that exceeded actual amounts owed, as well as a recovery of prior years' income taxes due to the application of current year's non-capital losses. The Company's working capital position and available operating credit facilities exceed the level required to manage timing differences between cash collections and cash payments.

The Company continually monitors individual customer trade receivables, taking into account numerous factors including industry conditions, payment history and financial condition in assessing credit risk. The Company establishes an allowance for doubtful accounts for specifically identifiable customer balances which are assessed to have credit risk exposure. As at September 30, 2014, accounts receivable included an allowance of $87 thousand for doubtful receivables (December 31, 2013: $261 thousand).

The Company will use its cash available, funds from operations and, if required, available credit facilities to fund completion of the 2014 capital program. Please refer to "Capital Expenditures" below.

Investments

For the three and nine months ended September 30, 2014, capital expenditures, net of finance leases, totaled $44.0 million and $75.8 million respectively, including the purchase, effective March 18, 2014, of 20,000 HHP and two data vans from a Canadian competitor for $9.3 million, the purchase of four coiled tubing packages for $19.7 million, and the addition of sand handling and support equipment. Please refer to "Capital Expenditures" below.

Capital Management

The Company's objectives when managing its capital structure are to maintain a balance between debt and capitalization so as to withstand industry and seasonal volatility, maintain investor, creditor and market confidence and to sustain future development of the business. Debt includes the current and long-term portions of loans and borrowings less cash and cash equivalents. Capitalization is calculated as the debt, as described above, and shareholders' equity less intangible assets.

The Company also manages its capital structure to ensure compliance with the financial covenants on its credit facilities, which include a ratio of funded debt to EBITDA before share-based payments and a ratio of EBITDA before share-based payments to total debt service obligations. As of September 30, 2014, the Company was in compliance with each of the above financial covenants. The Company had $50 million drawn on its debt facilities as at September 30, 2014. The Company may be required to adjust its capital structure from time to time as a result of expansion activities.

The Company believes that it has access to sufficient capital through cash on hand, internally generated funds from operations and available credit facilities to meet its obligations associated with financial liabilities and capital expenditures.

Contractual Obligations

As at September 30, 2014, Canyon's contractual obligations are summarized as follows:

000's (Unaudited)	Total	Next 12 months	1 - 3 years	4 - 5 years	After 5 years
Trade and other payables	$89,956	$89,956	$ -	$ -	$ -
Loans and borrowings	56,931	2,682	54,249	-	-
Dividend payable	10,290	10,290	-	-	-
Operating leases and office space	6,331	1,810	3,327	1,194	-
Capital Expenditure Commitments	32,010	32,010	-	-	-
Total contractual obligations	$195,518	$136,748	$57,576	$1,194	$ -

The Company leases a number of offices and warehouse facilities under operating leases. The leases typically run for a period of three to seven years, with an option to renew the lease after that date.

Capital expenditure commitments will be funded from cash available, funds from operations (See NON-GAAP MEASURES) and, if required, available debt facilities. Please see "Working Capital and Cash Requirements" above and "Capital Expenditures" below.

Capital Expenditures

Canyon's 2014 capital budget is estimated at $107 million which includes 30,000 HHP of which 20,000 HHP was introduced into service in July and 10,000 HHP currently under construction. The addition of this equipment will bring Canyon's fracturing equipment fleet to 255,500 HHP. Also included in the capital program are four deep coiled tubing packages acquired in July for $20 million comprising twin fluid pumpers, BOPs, injectors and three cranes, sand and chemical storage and handling equipment, nitrogen pumping and storage equipment, acid units, expansion of Canyon's Grande Prairie operating base and storage tanks and water transfer equipment for the Fraction business.

Funding for Canyon's remaining $31 million capital expenditures (total 2014 capital program of $107 million less $76 million incurred to September 30, 2014) will be provided from existing cash flows, funds from operations (see NON-GAAP MEASURES), and available bank credit facilities.

Outstanding Share, Option and Incentive Based Unit Data

The following table summarizes Canyon's capitalization as follows:

000's (Unaudited)	October 31, 2014	September 30, 2014	December 31, 2013
Common Shares	68,600	68,594	62,528
Options	3,674	3,649	3,436
Incentive Based Units	490	481	329

In the three months ended September 30, 2014, 95 share options were granted to directors, officers and employees at an average exercise price of $16.32 per option, 96 share options were exercised by directors, officers and employees and 44 share options were forfeited. In the three months ended September 30, 2014, 3 incentive based units were granted to directors, officers and employees, nil were exercised and 4 were forfeited.

FINANCIAL INSTRUMENTS

Fair Values

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

Interest Rate Risk

The Company manages its interest rate risk on borrowings by utilizing a combination of short-term fixed rates through the use of 30 to 90 day Banker's Acceptance rates and floating rates on debt. For the nine months ended September 30, 2014, the loans and borrowings, comprising amounts drawn on the revolving facility were at short term fixed rates while equipment leases and automobile loans, were at fixed rates.

Foreign Currency Risk

The Company mitigates its foreign currency risk by purchasing foreign currencies to the extent it deems necessary to offset foreign currency obligations at any given time.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at September 30, 2014, other than the operating leases described above under "Contractual Obligations".

ACCOUNTING POLICIES AND ESTIMATES

The Company's IFRS accounting policies are provided in Note 3 to the Consolidated Financial Statements as at and for the years ended December 31, 2013 and 2012.

Critical Accounting Estimates and Judgments

In the preparation of the Company's consolidated financial statements, management has made estimates that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Actual results could differ from these estimates. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the consolidated financial statements are prepared. Please refer to the Note 3 to the consolidated financial statements for the year ended December 31, 2013 for a description of the accounting policies of the Company. The Company considers the following to be the significant accounting policies and practices involving the use of estimates and judgments that are critical to determining Canyon's financial results.

Key Sources of Estimation Uncertainty

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these consolidated financial statements.

Revenue Recognition

The Company recognizes revenue based on the completion of planned programs of services and adjusted for required changes as agreed by the customer.

Estimates of Collectability of Accounts Receivable

The Company's management regularly reviews outstanding accounts receivable and follows up with customers when settlement has not occurred on a timely basis. A provision for doubtful accounts of $87 thousand has been established as at September 30, 2014 (December 31, 2013 - $261 thousand) based on management's assessment of the Company's accounts receivable collection history. This assessment of collectability involves significant judgment and frequently involves material dollar amounts. As such, the Company's operating results could be affected if bad debts in excess of the allowance are actually experienced.

Depreciation of Property and Equipment

Depreciation is calculated using varying methods and is intended to reflect the historical value of the underlying component that is consumed in conducting each period's operations. Estimates affecting management's assessment of the most appropriate depreciation rate and method of calculation for any particular asset component include the productive life of the asset, its salvage value, equipment utilization rates, planned maintenance programs and technological change.

Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

Management believes that its assessment and choice of estimates used in calculating depreciation are reasonable; however there is no certainty that the depreciation expense provided will correctly measure the actual reduction in value of asset components used in operations over time. Please refer to Note 9 to the consolidated financial statements for the years ended December 31, 2013 and 2012.

Non-Financial Assets

Where impairment indicators exist, the recoverable amount of the asset or cash-generating unit ("CGU" or "CGUs") is determined using the greater of fair value less costs to sell or value-in-use. Value-in-use calculations require assumptions for discount rates and estimations of the timing for events or circumstances that will affect future cash flows. Fair value less costs to sell requires management to make estimates of fair value using market conditions for similar assets as well as estimations for costs to sell taking into account dismantling and transportation costs.

Every reporting period, management assesses the carrying value of non-financial assets for indications of impairment. When an indication of impairment is present, an impairment test is performed and if required, the asset is written down to its estimated recoverable amount. No indications of impairment existed in the quarter ended September 30, 2014 or in the years ended December 31, 2013 and 2012.

The assessment of impairment indicators is subjective and considers the various internal and external factors such as the financial performance of individual CGUs, market capitalization and industry trends. In addition, the impairment assessment is impacted by how management determines the composition of CGUs. Management has grouped assets into CGUs based on several factors with a primary focus on assets whose cash flows are interdependent. This assessment is subject to management estimate and interpretation.

Provisions and Contingencies

The Company is required to estimate the amount of provisions and contingencies based on the estimated future outcome of the event.

Share-Based Payments

The Company's estimate of share-based payment compensation is dependent upon estimates of historic volatility and forfeiture rates.

Critical Judgments in Applying Accounting Policies

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Non-Financial Assets

The Company's assets are aggregated into cash-generating units for the purpose of calculating impairment. CGUs are based on management's judgements and assessment of the CGU's ability to generate independent cash inflows. Judgments are also required to assess when impairment indicators exist and impairment testing is required.

Provisions and Contingencies

The Company is required to exercise judgment in assessing whether the criterion for recognition of a provision or a contingency has been met. The Company considers whether a present obligation exists, probability of loss and can a reliable estimate be formulated.

RISK FACTORS AND RISK MANAGEMENT

Readers of the Company's interim report should carefully consider the risks described under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2013. In addition, readers should also consider the following principal risks.

Industry Conditions

The demand, pricing and terms for oilfield services in the Company's service areas largely depend upon the level of exploration and development activity for oil, NGLs and natural gas. Industry conditions are influenced by numerous factors over which Canyon has no control, including: oil and natural gas prices, expectations about future oil and natural gas prices, pipeline capacity for export of oil and natural gas out of the WCSB, 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; and weather conditions. As a result, the level of activity in the oil and natural gas exploration and production industry is volatile. A material decline in oil or natural gas prices or industry activity could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. Conversely, during periods of high commodity prices, when customers' cash flows increase, the demand for Canyon's services can also increase.

Seasonality

There is greater demand for oilfield services provided by the Company in the WCSB in the winter season when the occurrence of freezing permits the movement and operation of heavy equipment. Consequently, oilfield services activities tend to increase in the fall and peak in the winter months of November through March. The volatility in the weather can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Intangible Property

In delivering services to its customers, Canyon has developed proprietary technology and know-how. To maintain its competitive position, the Company undertakes to protect its intellectual property by applying for patent protection. The Company has been granted a patent in Canada, Australia and the United States for fracturing with deformable, light weight proppant.

Competition

Canyon's market is highly competitive and the Company does not presently hold a dominant market position with respect to its service offerings.

Reliance on Personnel

The success of the Company is dependent on attracting and retaining skilled personnel. Any loss of key personnel could adversely affect the Company's business. To support the service line offerings, the Company had approximately 1,300 full time staff as at September 30, 2014, including Fraction.

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 Company 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.

Credit Risk

The Company's accounts receivable are due from customers that operate in the oil and natural gas exploration and production industry, and are subject to typical industry credit risks. The Company assesses the credit worthiness of its customers, and monitors accounts receivable outstanding on a regular, ongoing basis.

Interest Rate Risk

The Company manages its interest rate risk through a combination of fixed and floating rate borrowings.

Dependence on Suppliers

The ability of the Company to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to equipment, parts and components.

The Company's ability to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials which the Company purchases from various suppliers, most of whom are located in Canada. Alternate suppliers exist for all raw materials.

Dependence on Major Customers

The Company has a customer base of more than 70 exploration and production entities, ranging from large multinational public entities to small private companies. Notwithstanding the Company's significant customer base, five customers accounted for 49% of the Company's accounts receivable as at September 30, 2014, and 50% of the Company's revenue for the nine months ended September 30, 2014. The Company has historically had a stable relationship with these customers and has no reason to believe there will be any change to these relationships in the future. The Company continuously makes efforts to expand its customer base.

Vulnerability to Market Changes

Fixed costs, including costs associated with operating expenses, leases, labour costs and depreciation account for a significant portion of the Company'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 Company's business, results of operations, financial condition and cash flows.

Government Regulation

The Company'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 Company's operations. Management believes that the Company is in compliance with such laws, regulations and guidelines.

Environmental Liability

The Company 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 Company's operations. The Company has established procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Canyon’s Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to Canyon’s Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of Canyon’s disclosure controls and procedures at the financial year end of the Company and have concluded that the Company’s disclosure controls and procedures are effective at the financial year end of the Company for the foregoing purposes.

Internal Controls over Financial Reporting

Canyon’s Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Company. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of Canyon’s internal controls over financial reporting at the financial year end of the Company and have concluded that Canyon’s internal controls over financial reporting are effective at the financial year end of the Company for the foregoing purposes.

No material changes in the Company's internal controls over financial reporting were identified during the period beginning on January 1, 2014 and ended on September 30, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in Canyon's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "should", "believe", "plans" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this document contains forward-looking information and statements pertaining to the following: future oil and natural gas prices; future results from operations; future liquidity and financial capacity and financial resources; future costs, expenses and royalty rates; future interest costs; future capital expenditures; future capital structure and expansion; the making and timing of future regulatory filings; and the Company's ongoing relationship with major customers.

The forward-looking information and statements contained in this document reflect several material factors and expectations and assumptions of the Company including, without limitation: that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; certain commodity price and other cost assumptions; the continued availability of adequate debt and/or equity financing and cash flow to funds its capital and operating requirements as needed; and the extent of its liabilities. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of the Company's services; unanticipated operating results; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in the development plans of third parties; increased debt levels or debt service requirements; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; reliance on industry partners; attracting and retaining skilled personnel and certain other risks detailed from time to time in the Company's public disclosure documents (including, without limitation, those risks identified in this document and the Company's Annual Information Form).

The forward-looking information and statements contained in this document speak only as of the date of the document, and none of the Company or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.