CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canyon Services Group Inc.

We have audited the accompanying consolidated financial statements of Canyon Services Group Inc., which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canyon Services Group Inc. as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

March 5, 2015
Calgary, Canada

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CANYON SERVICES GROUP INC.

Consolidated Balance Sheets

000's of dollars	Note	December 31, 2014	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		$20,613	$21,308
Trade and other receivables	4	123,669	62,403
Inventories		23,091	17,201
Prepayments		2,485	2,278
Current tax assets		-	15,864
Total current assets		169,858	119,054
Non-current assets:			
Property and equipment	10	377,571	283,476
Investment in subsidiary		246	-
Intangible assets	11	41,264	177
Goodwill	11	49,831	-
Total non-current assets		468,912	283,653
Total Assets		$638,770	$402,707
Liabilities and Equity			
Current liabilities:			
Bank indebtedness	13	$11,588	$-
Trade and other payables	12	115,452	65,239
Finance leases	13	2,742	2,688
Dividend payable		10,294	9,397
Current tax liabilities		7,902	-
Total current liabilities		147,978	77,324
Non-current liabilities:			
Bank indebtedness	13	30,000	-
Finances leases	13	6,193	3,096
Deferred tax liabilities	14	34,070	20,901
Total non-current liabilities		70,263	23,997
Equity:			
Share capital	15	297,761	189,764
Contributed surplus		13,565	11,218
Retained earnings		109,203	100,404
Total equity		420,529	301,386
Total liabilities and equity		$638,770	$402,707

The notes are an integral part of these consolidated financial statements.

Signed:"Raymond P. Antony"
Raymond P. Antony

Signed: "Bradley P.D. Fedora"
Bradley P. D. Fedora

CANYON SERVICES GROUP INC.

Consolidated Statements of Comprehensive Income (Loss)

For the year ended December 31

000's of dollars, except per share amounts	Note	2014	2013
Revenue		$591,022	$299,614
Cost of services	6	(486,261)	(279,805)
Gross profit		104,761	19,809
Administrative expenses	7, 8	(36,588)	(24,537)
Results from operating activities		68,173	(4,728)
Finance costs		(1,512)	(658)
Foreign exchange (loss) gain		(746)	171
Gain on sale of property and equipment		315	5
Profit (loss) before income tax		66,230	(5,210)
Income tax (expense) recovery			
Current	9	(15,370)	6,707
Deferred	9, 14	(1,766)	(5,872)
		(17,136)	835
Profit (loss) and comprehensive income (loss)		$49,094	$(4,375)
Earnings (loss) per share	15		
Basic		$0.75	$(0.07)
Diluted		$0.74	$(0.07)

The notes are an integral part of these consolidated financial statements.

CANYON SERVICES GROUP INC.

Consolidated Statements of Changes in Equity

000's of dollars	Note	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at December 31, 2012		$187,173	$8,350	$142,252	$337,775
Loss and comprehensive loss for the year				(4,375)	(4,375)
Transactions with owners, recorded directly in equity:					
Issue on exercise of stock options	15	1,545			1,545
Reclassification on exercise of stock options and incentive-based units		1,046	(1,046)		-
Share-based payment transactions	16		3,914		3,914
Dividends				(37,473)	(37,473)
Balance at December 31, 2013		$189,764	$11,218	$100,404	$301,386
Profit and comprehensive income for the year				49,094	49,094
Transactions with owners, recorded directly in equity:					
Issue of shares related to business combination		101,574			101,574
Issue on exercise of stock options	15	4,648			4,648
Reclassification on exercise of stock options and incentive-based units		1,775	(1,775)		-
Share-based payment transactions	16		4,122		4,122
Dividends				(40,295)	(40,295)
Balance at December 31, 2014		$297,761	$13,565	$109,203	$420,529

The notes are an integral part of these consolidated financial statements.

CANYON SERVICES GROUP INC.

Consolidated Statements of Cash Flows

For the year ended December 31

000's of dollars	Note	2014	2013
Cash flows from operating activities:			
Profit (loss) for the year		$49,094	$(4,375)
Adjustments for:			
Depreciation and amortization	6, 7	49,320	33,035
Share based payment transactions		3,985	4,189
Gain on sale of property and equipment		(315)	(5)
Finance costs		1,512	658
Equity investment income		(31)	-
Income tax expense (recovery)	9, 14	17,136	(835)
		120,701	32,667
Change in inventories		(5,738)	(2,998)
Change in trade and other receivables		(51,352)	1,577
Change in prepayments		(19)	(988)
Change in trade and other payables		12,996	26,985
Cash generated from operating activities		76,588	57,243
Interest paid		(1,512)	(658)
Income tax received (paid)		6,747	(5,135)
Net cash from operating activities		81,823	51,450
Cash flows from investing activities:			
Proceeds from sale of property and equipment		1,631	449
Acquisition of property and equipment	10	(112,677)	(14,840)
Acquisition of subsidiary, net of cash acquired	5	7,711	-
Change in non-cash working capital		24,641	(424)
Net cash used in investing activities		(78,694)	(14,815)
Cash flows from financing activities:			
Advances on bank indebtedness	13	41,588	-
Proceeds from exercise of share options		4,648	1,545
Repayment of long-term debt and other borrowings		(7,548)	(8)
Payment of finance lease liabilities		(3,114)	(2,079)
Dividends paid	15	(39,398)	(37,369)
Net cash used in financing activities		(3,824)	(37,911)
Net decrease in cash and cash equivalents		(695)	(1,276)
Cash and cash equivalents at January 1		21,308	22,584
Cash and cash equivalents at December 31		$20,613	$21,308

The notes are an integral part of these consolidated financial statements.

1. Reporting Entity

Canyon Services Group Inc. (the “Company” or “Canyon”) is a company domiciled in Canada. The Company is a publicly-traded company listed on the Toronto Stock Exchange under the symbol ‘FRC’. These consolidated financial statements include the accounts of Canyon Services Group Inc. and its wholly-owned subsidiaries, Canyon Technical Services Ltd., Canyon Technical Services Inc. and Fraction Energy Services Ltd. (“Fraction”). The address of the Company’s registered office is 2900 Bow Valley Square III, 255 – 5th Avenue S.W., Calgary, Alberta, Canada, T2P 3G6.

The Company's activities are conducted in the oilfield services industry and are focused on providing pressure pumping services and fluid management services. Pressure pumping services specializes in fracturing and chemical stimulation services to companies exploring for and developing petroleum and natural gas resources operating in the Western Canadian Sedimentary Basin. These services are designed to enhance oil and natural gas production and maximize recovery from conventional and unconventional reservoirs. Fluid management services specializes in providing fluid management, including: water sourcing, transfer, wellsite storage, fluid heating, flowback transfer and produced water storage services.

2. Basis of preparation:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Canadian generally accepted accounting principles (“GAAP”) as contained within Part 1 of the CPA Canada Handbook – Accounting. These consolidated financial statements were approved by the Board of Directors on March 5, 2015.

(b) New accounting policies

IFRIC 21 “Levies” was developed by the IFRS Interpretations Committee (“IFRIC”) and is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payments, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. Lastly, the interpretation clarifies that a liability should not be recognized before the specified minimum threshold to trigger that levy is reached. The retrospective adoption of this interpretation did not have any impact on the Company’s financial statements.

(c) Future accounting pronouncements

Financial Instruments

On July 24, 2014, the IASB issued IFRS 9 – Financial Instruments ("IFRS 9") to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, as opposed to multiple rules prescribed by IAS 39. The approach is based on how an entity manages its financial instruments given its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 also requires a single impairment method to be used, which replaces the multiple impairment methods within IAS 39. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is assessing the impacts of adopting IFRS 9 on its consolidated financial statements.

Revenue Recognition

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") to replace IAS 18 – Revenue. This standard clarifies the principles for recognizing revenue and that can be applied consistently across various transactions, industries and capital markets. IFRS 15 is effective for years beginning on or after January 1, 2017 and is to be applied using either a full retrospective approach or a modified retrospective approach. Early adoption is permitted and the Company is assessing the impacts of adopting IFRS 15 on its consolidated financial statements.

(d) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended December 31, 2014.

(e) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. All financial information presented has been rounded to the nearest thousand, except where indicated.

(f) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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 is adjusted for required changes as agreed to by the customer.

Estimates of Collectability of Trade Receivables

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 $41 has been established as at December 31, 2014 (December 31, 2013 - $261) 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.

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.

Non-Financial Assets

Where impairment indicators exist, the recoverable amount of the asset or cash-generating unit ("CGU") 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.

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.

Business Combinations

The acquired assets and assumed liabilities are recognized at fair value on the date the Company obtains control in a business combination. The measurement of the acquired assets and assumed liabilities are based on information available to the Company on the acquisition date. The estimate of fair value of the acquired assets and assumed liabilities requires significant judgement which is largely based on projected cash flows, discount rates and other market conditions that are present on the date of acquisition.

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.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

These consolidated financial statements include the accounts of Canyon and its subsidiaries, which are entities over which Canyon has control. Control exists when Canyon is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the investee. The financial results of Canyon's subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of Canyon's subsidiaries have been aligned with the policies adopted by Canyon. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions have been eliminated upon preparation of these consolidated financial statements.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

(c) Financial instruments

(i) Non-Derivative Financial Assets

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

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in

transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

The Company has the following non-derivative financial assets:

Financial Assets at Fair Value Through Profit or Loss

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

The Company records cash at FVTPL. The Company did not hold any other financial assets designated at fair value through profit or loss as at December 31, 2014, and December 31, 2013.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Loans and Receivables

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

Loans and receivables comprise trade and other receivables.

(ii) Non-Derivative Financial Liabilities

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

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

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

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

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within gain on sale of property and equipment in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment (repair and maintenance) are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Management bases the estimate of the useful life and salvage value of property and equipment on expected utilization, technological change and effectiveness of maintenance programs. When parts of an item of property

and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is recognized in profit or loss either on a straight-line or declining balance basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Deprecation is calculated as follows:

Field equipment	1.5 to 10 years	straight line
Automotive	15 to 30%	declining balance
Office, shop and yard	5%	declining balance
Computers and office equipment	20 to 30%	declining balance
Leasehold improvements	over the term of the lease	straight line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditure is recognized in profit and loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets include intellectual properties with respect to proprietary light weight proppant, a license to perform a patented stimulation technique in both horizontal and vertical wellbores that was acquired by the Company, and non-competition agreements and customer relationships acquired through business combinations. Intellectual properties with respect to proprietary light weight proppant and the license to perform a patented stimulation technique have finite useful lives and are measured at cost less accumulated

amortization and accumulated impairment losses. Non-competition agreements and customer relationships acquired through business combinations have finite lives and are measured at fair value on the acquisition date and subsequently measured at cost, less accumulated amortization and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

Amortization is calculated over the cost of the asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative year is as follows:

Intellectual property with respect to light weight proppant	15 years straight line
License for patented stimulation technique	3 years straight line
Non-competition agreements	3 years straight line
Customer relationships	10 years straight line

Amortization methods, useful lives and residual values are reviewed at each financial period-end and adjusted if appropriate.

(f) Leased assets

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and the leased assets are not recognized in the Company's consolidated balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined using the weighted average cost method, and includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Financial assets (including trade and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment. Evidence of impairment may include changes in well-bore, equipment or treating conditions and the customers' ability to pay for the services provided by the Company.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value

using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets and reflects the lowest level at which each CGU is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Employee benefits

(i) Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(ii) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if it is probable that the liability will be payable.

(iii) Share-based payment transactions

The Company has a Share Purchase Option Plan under which options may be granted to directors, officers, key employees and consultants of the Company. The Company also has a Stock-Based Compensation Plan under which units may be granted to certain directors, officers, key employees and consultants of the Company.

The grant date fair value of awards granted to directors, officers, key employees and consultants pursuant to the Share Purchase Option Plan and Stock-Based Compensation Plan, is recognized as an employee expense, with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. When awards under the Share Purchase Option Plan and Stock-Based Compensation Plan are exercised, the proceeds together with the amount recorded in contributed surplus are recorded in share capital.

The fair value of the amount payable to directors, officers and employees in respect of Share Appreciation Rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the directors, officers and employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date and is recorded in trade and other payables. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

(k) Revenue

The Company's services are generally sold based upon orders or contracts with customers that include agreed upon rates for equipment, services, down-hole tools used, supplies consumed and travel time. Revenue is recognized when there is persuasive evidence that an arrangement exists, the service has been provided, the rate is fixed and determinable, and the collection of the amounts billed to the customer is reasonably assured. The Company considers persuasive evidence to exist when a formal contract is signed or customer acceptance is obtained. There are no post-service delivery obligations.

(l) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is based on the weighted average number of common shares issued and outstanding during the year, adjusted by the total of the additional common shares that would have been issued assuming exercise of all awards under the Share Purchase Option Plan and Stock-Based Compensation Plan with exercise prices at or below the average market price for the year, offset by the reduction in common shares that would be purchased with the exercise proceeds.

(o) Business combinations

The Company uses the acquisition method to account for business acquisitions. The Company measures goodwill as the fair value of the consideration transferred, less the fair value of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. If the fair value of the identifiable assets acquired and liabilities assumed are in excess of the consideration transferred, a gain is recognized immediately in net income.

Goodwill is allocated to the CGU's expected to benefit from the business combination. Goodwill acquired through business combinations have indefinite lives and are not subject to amortization. Goodwill is subject to impairment tests at least annually. Goodwill is subsequently measured at cost less accumulated impairment losses.

Transaction costs that the Company incurs in connection with a business combination are expensed as incurred and recognized within administrative expenses within the consolidated statements of comprehensive income (loss).

(p) Segmented reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating results are reviewed regularly on a segmented basis by the Company's chief operating decision makers to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

4. Financial risk management overview

The Company has exposure to the following risks:

a) Credit risk
b) Liquidity risk
c) Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Company has not changed its policy for managing and mitigating financial risk during the year ended December 31, 2014.

(a) Credit risk

Trade and Other Receivables

The Company's trade receivables are due from customers that operate in the oil and gas exploration and production industry, and are subject to typical industry credit risks that include oil and natural gas price fluctuations and the customers' ability to secure appropriate financing. During the year ended December 31, 2014, one customer accounted for 17% of the Company's revenue (2013: 11%) which was primarily allocated to the pressure pumping segment. As at December 31, 2014, five customers accounted for 43% (2013: five customers accounted for 50%) of the Company's accounts receivable while five customers account for 43% (2013: five customers account for 39%) of the revenue.

Standard payment terms for the industry are 30-60 days from the invoice date, however industry practice allows for payment up to 90 days after invoice date. The Company's accounts receivable as at December 31, 2014 is aged as follows:

000's of dollars	December 31, 2014	December 31, 2013
Current (0-30 days from invoice date)	$65,195	$32,678
31-60 days past due	45,511	23,135
Over 60 days past due	13,004	6,851
Sub-total	123,710	62,664
Less: Allowance for doubtful accounts	(41)	(261)
Total	$123,669	$62,403

The Company estimates that the carrying value of financial assets within trade and other receivables approximates their fair value.

The Company held cash and cash equivalents of $20,613 as at December 31, 2014 (2013: $21,308), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with major bank and financial institution counterparties.

Investments

The Company limits its exposure to credit risk by investing only in liquid debt securities and only major bank and financial institution counterparties. Management does not expect any counterparty to fail to meet its obligations.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following table of financial obligations shows the timing of cash outflows relative to trade and other payables, bank indebtedness, finance leases, dividend payable and current tax liabilities as at December 31, 2014:

000's of dollars	Total	Next 12 months	1-3 years	4-5 years	After 5 years
Trade and other payables	$115,452	$115,452	$ -	$ -	$ -
Current tax liabilities	7,902	7,902	-	-	-
Bank indebtedness	41,588	11,588	30,000	-	-
Finance leases	8,935	2,742	6,193	-	-
Dividend payable	10,294	10,294	-	-	-
	$184,171	$147,978	$36,193	$ -	$ -

The Company monitors cash flow requirements and optimizes its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

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

The Company is bound by certain financial and non-financial covenants. The Company was in compliance with the terms of the lending agreements as at December 31, 2014 and December 31, 2013.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk

The Company is exposed to currency risk on purchases that are denominated in United States Dollars (USD). At December 31, 2014 and December 31, 2013 the exposure to USD was not significant.

At this time, the Company does not buy and sell derivatives such as forward exchange contracts to manage currency risk as the Company's exposure to USD fluctuations is not significant.

The Company keeps foreign currency exposure to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term requirements.

Capital Management

The Company's objectives when managing its capital structure are to maintain a balance between debt and capitalization so as to maintain investor, creditor and market confidence and to sustain future development of the business. Debt includes current and non-current portions of bank indebtedness less cash and cash equivalents. Capitalization is calculated as the debt, as described above, and shareholders' equity less intangible assets and goodwill. The Company also manages its capital structure to ensure compliance with the financial covenants on its credit facilities. The Company may be required to adjust its capital structure from time to time as a result of expansion activities.

The debt to capitalization ratios were as follows:

000's of dollars, except ratios	December 31, 2014	December 31, 2013
Bank indebtedness, net of cash	$20,975	-
Shareholders' equity (net of intangible assets and goodwill)	$329,434	$301,209
Capitalization	$350,409	$301,209
Debt to Capitalization ratio	6.0%	-

The Company also manages its capital structure to ensure compliance with the following financial covenants specified in the credit facilities:

The Company is required to maintain a ratio of funded debt to profit (loss) before income tax, plus depreciation and amortization, plus finance costs, plus share-based payment transactions that does not exceed 3.0 to 1.0, calculated as at the end of each fiscal quarter. Funded debt is defined as the aggregate of all outstanding loans, interest bearing liabilities and capital leases.

The Company's ratio of profit (loss) before income taxes, plus depreciation and amortization, finance costs, plus share-based payment transactions to total debt service obligations is calculated on an annual basis on December 31 of each year, and cannot be less than 1.25 to 1.00. Debt service obligations are defined as the sum of all interest paid on all bank and third party indebtedness, including capital leases.

As at December 31, 2014 and December 31, 2013, the Company was in compliance with each of the above financial covenants.

5. Business combination

On July 1, 2014, the Company acquired all of the issued and outstanding shares of Fraction, a privately held water and fracturing fluid management company. The total consideration paid was $101.6 million which consisted of 5.4 million Canyon common shares issued at $18.81. The purchase has been accounted for as a business combination using the acquisition method of accounting. Transaction costs of $674 were incurred by the Company and have been expensed within administrative expenses on the consolidated statement of comprehensive income.

The acquisition represents a complementary division for the Company and is part of a long term strategy of developing comprehensive service solutions for water and fracturing fluid management.

The purchase price is comprised as follows:

$CDN (000's)	
Share capital issued	$101,574

The following is the purchase price allocation:

$CDN (000's)	
Working capital assumed (includes cash of $7,711)	$2,918
Equipment	23,522
Debt assumed	(7,548)
Intangible assets	44,128
Deferred tax liability	(11,403)
Other	126
Net identifiable assets	51,743
Goodwill on acquisition	49,831
Total consideration paid	$101,574

The goodwill on acquisition represents the potential future cash flows derived from the Fluid Management Services segment. The goodwill on acquisition is not deductible for tax purposes.

Subsequent to the acquisition of Fraction, revenue of $29.1 million and net income of $5.4 million has been recognized in the consolidated statement of comprehensive income. If the business combination had occurred on January 1, 2014, revenue and net income would be $70.7 million and $7.3 million, respectively, for the year

ended December 31, 2014. These amounts are included within the fluid management services operating segment.

The following are adjustments made to provisional amounts stated as at September 30, 2014 and were made as a result of obtaining information required to reliably measure the fair value of the assets acquired:

$CDN (000's)	Provisional amounts as at September 30, 2014	Adjustments to provisional amounts	Final amounts as at December 31, 2014
Intangible assets	$-	$44,128	$44,128
Deferred tax liability	(1,046)	(10,357)	(11,403)
Goodwill	$88,094	$(38,263)	$49,831

6. Cost of services

000's of dollars	Year Ended December 31,	
	2014	2013
Employee benefits expense	$113,769	$73,539
Depreciation of equipment	44,397	31,301
Operating expense	328,095	174,965
	$486,261	$279,805

During the year ended December 31, 2014, inventories recognized as cost of services amounted to $163,323 (2013: $90,380).

7. Administrative expenses

000's of dollars	Year Ended December 31,	
	2014	2013
Employee benefits expense	$19,069	$11,719
Depreciation of equipment	1,882	1,593
Amortization of intangibles	3,041	141
Share – based payment transactions	3,985	4,189
Other administration expenses	8,611	6,895
	$36,588	$24,537

8. Related parties

a. Compensation of key management personnel

000's of dollars	Year Ended December 31,	
	2014	2013
Salaries, other benefits and directors' fees	$3,594	$2,726
Share-based payments	1,805	2,388
	$5,399	$5,114

Key management personnel are comprised of the Company's directors and executive officers.

b. Other related party transactions

From time to time the Company will purchase nitrogen from entities that are related by common directors. The amount of Nitrogen purchases throughout the year totaled $5.9 million (2013: $2.2 million) and as at December 31, 2014 the Company had an outstanding balance of $0.6 million (2013: $1.3 million) payable to the related party.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash. The balances are unsecured and non-interest bearing.

9. Income tax expense

The Company's consolidated effective tax rate for the year ended December 31, 2014 was 25.9% (2013: (16.1%))

000's of dollars	2014	2013
Current tax expense (recovery):		
Current year	$15,370	$(6,707)
	15,370	(6,707)
Deferred tax expense:		
Origination and reversal of temporary differences	1,766	5,872
	1,766	5,872
Total income tax expense (recovery):	$17,136	$(835)

Reconciliation of Effective Tax Rate

000's of dollars	2014	2014	2013	2013
Profit (loss) for the year		$49,094		$(4,375)
Total income tax expense (recovery)		17,136		(835)
Profit (loss) before income tax		66,230		(5,210)
Income tax using the Company's domestic tax rate	25.0%	16,558	(25.0%)	1,303
Reduction in tax rate	-%	-	(12.5%)	650
Non-deductible expenses	1.2%	774	20.2%	(1,055)
True-up of prior balances	(0.2)%	(138)	-%	-
Other	(0.1)%	(58)	1.2%	(63)
	25.9%	$17,136	(16.1%)	$835

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10. Property and equipment

000's of dollars	Land	Office, Shop & Yard	Field Equipment	Automotive	Office Equipment & Leaseholds	Total
Cost:						
Balance at January 1, 2013	$9,340	$21,026	$281,867	$81,141	$5,565	$398,939
Additions:						
Owned	106	3,638	10,508	90	498	14,840
Finance leases	-	-	-	1,994	264	2,258
Disposals	-	-	(5,498)	(1,250)	-	(6,748)
Balance at Dec 31, 2013	$9,446	$24,664	$286,877	$81,975	$6,327	$409,289
Additions:						
Acquisitions through business combination	-	19	19,763	3,572	168	23,522
Owned	3,754	540	95,263	11,710	1,410	112,677
Finance leases	-	-	-	5,358	909	6,267
Disposals	-	-	(12,265)	(3,648)	(278)	(16,191)
Balance at Dec 31, 2014	**$13,200**	**$25,223**	**$389,638**	**$98,967**	**$8,536**	**$535,564**
Depreciation:						
Balance at January 1, 2013	$ -	$2,923	$66,393	$26,704	$3,203	$99,223
Depreciation for the year	-	1,017	21,908	7,890	698	31,513
Disposals	-	-	(4,117)	(806)	-	(4,923)
Balance at Dec 31, 2013	$ -	$3,940	$84,184	$33,788	$3,901	$125,813
Depreciation for the year	-	1,157	29,608	8,441	885	40,091
Disposals	-	-	(5,247)	(2,469)	(195)	(7,911)
Balance at Dec 31, 2014	**$ -**	**$5,097**	**$108,545**	**$39,760**	**$4,591**	**$157,993**
Carrying amounts:						
At December 31, 2013	$9,446	$20,724	$202,693	$48,187	$2,426	$283,476
At December 31, 2014	**$13,200**	**$20,126**	**$281,093**	**$59,207**	**$3,945**	**$377,571**

Property and Equipment Under Construction

As at December 31, 2014, costs incurred on field and automotive equipment and facilities under construction totaled $55,794 (2013: $7,759).

As at December 31, 2014, costs incurred on field and automotive equipment and facilities that are available for use, but not yet in service, therefore not being depreciated, totaled $6,940 (2013: $15,800).

Leased equipment

Property and equipment includes leased assets as the Company leases equipment under a number of finance lease agreements. The leased equipment secures lease obligations (see note 13). As at December 31, 2014, the net carrying amount of the leased equipment was $8,351 (2013: $5,567).

Change in depreciation estimate

During the year ended December 31, 2014, management revised estimates and underlying assumptions on the depreciable lives of certain equipment. One of the components of fracturing equipment, which management previously expected to dispose of after two years of use, is now expected to last one and a half years from the date of purchase.

The change in estimate is being made on a prospective basis. Depreciation expense on this equipment increased by $646 in 2014 and is expected to increase by approximately $502 in 2015.

11. Intangible assets and goodwill

(a) Intangible assets

000's of dollars	Intellectual properties	Licenses	Non-competition agreements	Customer relationships	Total
Cost:					
Balance at January 1, 2013	$286	$303	$-	$-	$589
Additions:	-	-	-	-	-
Balance at Dec 31, 2013	$286	$303	$-	$-	$589
Additions:					
Acquisitions through business combination	-	-	6,820	37,308	44,128
Balance at Dec 31, 2014	**$286**	**$303**	**$6,820**	**$37,308**	**$44,717**
Amortization:					
Balance at January 1, 2013	$112	$159	$-	$-	$271
Amortization for the year	16	125	-	-	141
Balance at Dec 31, 2013	$128	$284	$-	$-	$412
Amortization for the year	19	19	1,137	1,866	3,041
Balance at Dec 31, 2014	**$147**	**$303**	**$1,137**	**$1,866**	**$3,453**
Carrying values:					
At December 31, 2013	$158	$19	$-	$-	$177
At December 31, 2014	**$139**	**$-**	**$5,683**	**$35,442**	**$41,264**

(b) Goodwill

As at December 31, 2014, the carrying amount of goodwill of $49.8 million has been allocated to the Fluid Management Services segment which also represents a CGU. As at December 31, 2014 an impairment test was performed at the CGU level and no impairment was recognized. The recoverable amount of the CGU is estimated at its value in use, using discounted cash flows expected to be generated from continuing operations of the CGU to which the goodwill has been allocated. The cash flow projections have been completed using a five year model with an average five year growth rate of 8.0% and a terminal growth rate of 2.1% which management estimates is the long-term growth rate of a market participant. The discount rate used to calculate the net present value of cash flows is 16.5% and is based on the Company's weighted average cost of capital, with reference to an approximate industry peer group. Based on the Company's analysis as at December 31, 2014, the recoverable amount is in excess of the carrying value and no impairment has been recorded for the year ended December 31, 2014 (2013: nil).

12. Trade and other payables

000's of dollars	December 31, 2014	December 31, 2013
Trade payables	$53,844	$53,575
Accrued expenses	61,608	7,508
Deferred share unit obligation	-	4,156
	$115,452	$65,239

The Company estimates that the carrying value of the trade and other payables approximate their fair value.

13. Bank indebtedness and finance leases

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

000's of dollars	Nominal Interest Rate	Year of Maturity	December 31 2014	December 31 2013
Current liabilities:				
Drawing on operating facility	3.4-4.4%	2015-2017	$11,588	$-
Finance lease liabilities	0.0-8.4%	2015-2018	2,742	2,688
			$14,330	$2,688
Non-current liabilities:				
Drawing on revolving facility	3.4-4.4%	2015-2017	$30,000	$-
Finance lease liabilities	0.0-8.4%	2015-2018	6,193	3,096
			$36,193	$3,096

During the year ended December 31, 2014, the Company amended its credit agreement to extend the term by one year to July 2, 2017. This facility now consists of a $20 million Operating Facility and an $80 million Revolving Facility which includes a $10 million accordion feature.

The Operating Facility is a three year committed revolving facility up to a maximum of $20 million, and bears interest, payable monthly, at the bank's prime lending rate plus 0.4% to 1.4%, dependent on certain financial ratios of the Company. As at December 31, 2014, $11.6 million (December 31, 2013: $nil) was drawn on the Operating Facility.

The Revolving Facility is a three year committed revolving facility up to a maximum of $80 million which includes a $10 million accordion feature which is available upon request by the Company, subject to review and approval by the lender. This facility bears interest, payable monthly, at the bank's prime lending rate plus 0.4% to 1.4%, dependent on certain financial ratios of the Company. As at December 31, 2014 $30.0 million (December 31, 2013: $nil) was drawn on the Revolving Facility.

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

The Company is bound by certain financial covenants as described in Note 4 and non-financial covenants. The Company was in compliance with the terms of the lending agreements as at December 31, 2014 and December 31, 2013.

14. Deferred tax assets and liabilities

Recognized Deferred Tax Assets and Liabilities

000's of dollars	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Property and equipment	$ -	$ -	$25,985	$23,564	$25,985	$23,564
Intangible assets	(45)	(44)	10,324	-	10,279	(44)
Finance leases	(2,194)	(1,446)	-	-	(2,194)	(1,446)
Share-based payment transactions	-	(1,040)	-	-	-	(1,040)
Share issue costs	-	(133)	-	-	-	(133)
Tax loss carry-forwards	-	-	-	-	-	-
	$(2,239)	$(2,663)	$36,309	$23,564	$34,070	$20,901

Movement in Deferred Tax Balances During the Year

000's of dollars	Balance Jan. 1, 2013	Recognized in profit or loss	Balance Dec. 31, 2013	Recognized in profit or loss	Recognized on business combination	Balance Dec. 31, 2014
Property and equipment	$17,977	$5,587	$23,564	$2,050	$371	$25,985
Intangible assets	(23)	(21)	(44)	(709)	11,032	10,279
Finance leases	(1,401)	(45)	(1,446)	(748)	-	(2,194)
Share-based payment transactions	(970)	(70)	(1,040)	1,040	-	-
Tax loss carry-forwards	(145)	145	-	-	-	-
Share issue costs	(409)	276	(133)	133	-	-
	$15,029	$5,872	$20,901	$1,766	$11,403	$34,070

15. Capital and reserves

The Company is authorized to issue an unlimited number of no par value common shares.

Share capital

000's of shares	Common Shares Year Ended December 31, 2014		2013	
Common shares issued as at January 1	62,528	$189,764	61,846	$187,173
Issuance of shares related to business combination	5,400	101,574	-	-
Exercise of share options	624	4,648	550	1,545
Conversion of incentive based units	52	-	132	-
Reclassification on exercise of stock options and incentive-based units	-	1,775	-	1,046
Common shares issued as at December 31	68,604	$297,761	62,528	$189,764

Common shares

The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Dividends

During the year ended December 31, 2014, the Company paid total dividends of $39,398 (2013: $37,369), or a total of $0.60 per common share.

On December 18, 2014, the Company declared a quarterly dividend of $0.15 per common share paid January 26, 2015.

Earnings (loss) per share

The following summarizes the weighted average common shares used in calculating earnings (loss) per share:

000's of shares	2014	2013
Earnings (loss) for the year		
Basic	49,094	(4,375)
Diluted	49,094	(4,375)
Weighted average shares		
Basic	65,699	62,333
Dilution effect of stock options and incentive based units	867	-
Diluted	66,566	62,333
Basic earnings (loss) per share	$0.75	$(0.07)
Diluted earnings (loss) per share	$0.74	$(0.07)

Excluded from the diluted number of shares for the period ended December 31, 2014 is the effect of 15 stock options as their effect is anti-dilutive.

16. Share-based payments

Description of the share-based payment arrangements

As at December 31, 2014 the Company has the following share-based payment arrangements:

(a) Share purchase option plan

The Company's share purchase option plan (the "Plan") is available to directors and certain employees as determined by the Company's Board of Directors. The Plan allows for the granting of options to purchase Common shares to a maximum number equal to 10% of the then issued and outstanding Common Shares of the Company. The price of each share purchase option granted is set by the Company's Board of Directors based on the market value of the Company's stock on the date of the grant. Issued share purchase options generally vest equally over a three year period or, as determined by the Board of Directors, and expire on the fifth anniversary date of their issuance.

The per share weighted average fair value of stock options granted during the year ended December 31, 2014 was $1.73 (2013: $2.62) based on the date of grant valuation using the Black-Scholes option pricing model. Stock-based compensation of $2,348 has been recorded for the year ended December 31, 2014 (2013: $2,788).

A summary of the status of the Company's stock option plan as at December 31, 2014 and December 31, 2013 and changes during the periods then ended is presented below:

000's of options	Options Outstanding	Range of Exercise Price	Weighted Average Exercise Price
Outstanding as at January 1, 2013	2,663	$ 0.78 – $ 15.54	$ 8.22
Granted	1,618	$10.28 – $ 12.15	$11.05
Exercised	(550)	$ 0.78 – $ 11.64	$ 2.81
Forfeited	(295)	$ 4.28 – $ 15.12	$11.70
Outstanding as at December 31, 2013	3,436	$ 0.96 – $ 15.54	$10.12
Granted	1,078	$ 7.81 – $ 18.42	$11.71
Exercised	(624)	$ 0.96 – $ 15.54	$7.33
Forfeited	(219)	$ 4.31 – $ 16.27	$11.13
Outstanding as at December 31, 2014	3,671	$ 2.43 – $ 18.42	$11.00
Exercisable as at December 31, 2014	1,517	$ 2.43 – $ 15.54	$10.31

The weighted average share price on the exercise of options for the year ended December 31, 2014 was $14.45 (2013: $11.31).

For the share options outstanding as at December 31, 2014, the following additional information is provided:

000's of options	Options Outstanding	Range of Exercise Price	Weighted Average Exercise Price
	1,108	$ 2.43 – $10.70	$ 8.75
	855	$10.71 – $11.16	$10.78
	825	$11.17 – $12.09	$11.75
	883	$12.10 – $18.42	$13.35
	3,671	$ 2.43 – $18.42	$11.00

For the share options outstanding as at December 31, 2014, the weighted average remaining contracted life is 3 years.

(b) Stock-based compensation plan
(Number of incentive based units in thousands)

The Company has a Stock-Based Compensation Plan (the "Plan") to provide certain directors, officers, key employees and consultants of the Company with an opportunity to acquire common shares in lieu of cash bonuses. Under the Plan, the Board of Directors from time to time may grant incentive based units to participants as compensation in respect of services rendered by the participant for a fiscal year. Each incentive based unit will give the participant the right to receive, on or after the vesting date for such incentive based unit upon exercise, one common share for no further consideration or payment by such participant. Issued incentive based units generally vest equally over a three year period or, as determined by the Board of Directors, and expire on the fifth anniversary date of their issuance. The aggregate number of common shares that may be issued pursuant to the exercise of incentive based units awarded under the Plan is 5% of the issued and outstanding common shares of the Company. For the year ended December 31, 2014, there were 236 (2013: 205) incentive based units granted to directors, officers and key employees of the Company. There were 52 (2013: 132) incentive based units converted into common shares of the Company by directors during the year ended December 31, 2014 and 16 (2013: 20) incentive based units were forfeited. The compensation cost to the Company for the year ended December 31, 2014 was $1,774 (2013: $1,126). As at December 31, 2014, there were 497 incentive based units outstanding (329 as at December 31, 2013).

(c) Share appreciation rights (cash settled)
(Number of units in thousands)

In August, 2007, the Company established a Deferred Share Unit Plan. Under this plan, upon acceptance of the Company's offer of employment, the President was granted 800 units with base values varying between $5.00 and $8.65 per unit. Effective February, 2009, the term was extended, the number of units granted was modified to 600 and the base values were modified to between $1.25 and $2.00 per unit in response to market conditions. Under the plan, the President will receive a cash amount equal to the market value of the Company's shares in excess of the base value of the deferred share units. The term of the plan is 5 years, which expired on February 14, 2014. The deferred share units vested as to one-third on each of the anniversary dates, February 11, 2010, 2011 and 2012. The deferred share units obligation of $NIL as at December 31, 2014 (2013: $4,156) is recorded as a liability in trade and other payables and revalued at each reporting period. In the year ended December 31, 2014, the Company recorded a reduction of compensation costs of $137 (2013: an expense of $275) related to the outstanding deferred share units.

(d) Inputs for measurement of grant date fair values

The grant date fair value of the share-based payment plans was measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans during the years ended December 31, 2014 and 2013 are the following:

Share Purchase Option Plan	Key management personnel 2014	Key management personnel 2013	Senior/other employees 2014	Senior/other employees 2013
Fair value of share options and assumptions:				
Fair value at grant date (weighted average)	$ 1.56	$ 2.61	$ 1.78	$ 2.62
Share price at grant date (weighted average)	$10.74	$10.97	$12.03	$11.08
Exercise price	$10.74	$10.97	$12.03	$11.08
Expected volatility (weighted average)	32.0%	50.4%	32.0%	50.4%
Option life (expected weighted average life)	2.5 years	2.5 years	2.5 years	2.5 years
Expected dividends (weighted average)	5.0%	5.4%	4.8%	5.4%
Risk-free interest rate (weighted average)	1.1%	1.2%	1.1%	1.2%
Forfeiture rate	11.2%	9.3%	11.2%	9.3%

17. Leases

Non-cancellable operating lease rentals are payable as follows:

000's of dollars	December 31 2014	December 31 2013
Less than one year	$2,107	$1,439
Between one and five years	4,712	4,448
More than five years	-	-
	$6,819	$5,887

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

Finance lease liabilities are payable as follows:

000's of dollars	December 31, 2014			December 31, 2013		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
One year	$2,742	$541	$3,283	$2,688	$351	$3,039
Two to five years	6,193	525	6,718	3,096	247	3,343
	$8,935	$1,066	$10,001	$5,784	$598	$6,382

18. Capital commitments

As at December 31, 2014 the Company has commitments to purchase property and equipment for $7.4 million (2013: $9.2 million).

19. Operating segments

The Company's segments are determined by services provided which are its core business of pressure pumping services, including hydraulic fracturing and chemical stimulation services and its fluid management services which provides water and fracturing fluid management including storage and pumping. The Corporate segment does not represent an operating segment and is included for informational purposes only. Corporate segment administrative expenses consist of salary expenses, share-based payment expenses and other general costs related to corporate employees, as well as public company costs.

Year ended December 31, 2014	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	$561,899	$29,123	$-	$591,022
Cost of services	(467,006)	(19,255)	-	(486,261)
Gross profit	94,893	9,868	-	104,761
Administrative expenses	(21,417)	(6,305)	(8,866)	(36,588)
Results from operating activities	$73,476	$3,563	$(8,866)	$68,173
Income tax expense	$(16,399)	$(737)	$-	$(17,136)
Segment assets as at December 31, 2014	$501,070	$133,499	$4,201	$638,770
Segment liabilities as at December 31, 2014	$186,012	$21,447	$10,782	$218,241

Year ended December 31, 2013	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	$299,614	$-	$-	$299,614
Cost of services	(279,805)	-	-	(279,805)
Gross profit	19,809	-	-	19,809
Administrative expenses	(16,826)	-	(7,711)	(24,537)
Results from operating activities	$2,983	$-	$(7,711)	$(4,728)
Income tax recovery (expense)	$835	$-	$-	$835
Segment assets as at December 31, 2013	$396,534	$-	$6,173	$402,707
Segment liabilities as at December 31, 2013	$91,562	$-	$9,759	$101,321