

CANYON SERVICES GROUP INC.

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2014**

MARCH 26, 2015

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FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained in this annual information form constitute forward-looking information and statements (collectively, "**forward-looking statements**"). These statements relate to future events or the Corporation's future performance. Forward-looking statements are often, but not always, identified by the use of words such as, "can", "may", "expect", "believe", "objective", "target", "project", "could", "ongoing", "budget", "strategy", "potential", and "will" and other similar expressions. These forward-looking 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 statements. We believe the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual information form should not be unduly relied upon. These statements speak only as of the date of this annual information form.

In particular, this annual information form contains forward-looking statements pertaining to, but are not limited to, future capital expenditures; future financial resources; future dividend payments by the Corporation; future oil and gas well activity, including fracturing demand and intensity in 2015; expected equipment capacity; outcome of specific events; business objectives; and trends in the oil and gas industry generally.

These forward-looking statements are derived from certain assumptions and analyses made by the Corporation based on its experience and interpretation of historical trends, current conditions and expected future developments, and other factors that it believes are appropriate in the circumstances. These forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Corporation's expectations, such as volatility of industry conditions; continued volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; competition from other suppliers of oil and gas services; seasonality; competition for skilled personnel; competition; capital markets; current global financial conditions; access to equipment, parts and development of new technology; dependence on suppliers; credit risk; environmental liability; operating risk and insurance; governmental regulations and changes thereto; vulnerability to market changes; operating equipment risks; protection of technology risks; dependence on major customers; alternatives to and changing demand for petroleum products; access to additional financing; conflicts of interest; legal proceedings; climate change legislation; interest rate risk; and other factors, including those discussed under "*Narrative Description of the Business of the Corporation – Risk Factors*" herein, many of which are beyond the control of the Corporation.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Canyon's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), and at Canyon's website (www.canyontech.ca). Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results or developments will be consistent with these forward-looking statements, or that they will have the expected consequences or effects on the Corporation or its business or operations. The forward-looking statements contained in this annual information form are expressly qualified by this cautionary statement. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this annual information form and the Corporation assumes no obligation to update or review them to reflect new information, events or circumstances except as required by applicable securities laws.

Forward-looking statements and other information contained herein concerning the oil and gas service industry and the Corporation's general expectations concerning this industry is based on estimates prepared by management using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Corporation is not aware of any misstatements regarding any industry data presented in this annual information form, the industry involves risks and uncertainties and is subject to change based on various factors.

All references herein to "\$" or "dollars" are to Canadian dollars except as otherwise stated.

CANYON SERVICES GROUP INC.

Canyon Services Group Inc. (the "**Corporation**" or "**Canyon**") was incorporated under the *Business Corporations Act* (Alberta) (the "**ABCA**") on April 8, 2004 as "1101701 Alberta Ltd." The Corporation filed articles of amendment to change its name to "Jade Oilfield Service Frac Division Ltd." on July 5, 2004, and to "Jade Energy Services Inc." on September 7, 2004. On October 28, 2004, the Corporation acquired all of the issued and outstanding shares of Canyon Technical Services Ltd. ("**CTSL**"), a private water and vacuum truck services company that had been in operation since 1979. On February 3, 2006, the Corporation filed articles of amendment to remove its private company restrictions. On March 17, 2006, the Corporation filed articles of amendment to change its name to "Canyon Services Group Inc." On April 1, 2009, the Corporation amended its articles to allow its board of directors (the "**Board**") to appoint additional directors between annual meetings. On May 21, 2014, the Corporation amended its articles to increase the maximum number of directors to 10. On July 1, 2014, Canyon acquired all of the issued and outstanding shares of Fraction Energy Services Ltd. ("**Fraction**"), a private water storage and transfer company that began operations in 2012.

The head office of the Corporation is located at 2900 Bow Valley Square III, 255 – 5th Avenue S.W., Calgary, Alberta T2P 3G6. The registered office of the Corporation is located at 2400, 525 – 8th Avenue S.W., Calgary, Alberta T2P 1G1.

Intercorporate Relationships

CTSL, Fraction and Canyon US are the only subsidiaries of the Corporation and are all wholly-owned by the Corporation. CTSL and Fraction were both incorporated under the ABCA.

GENERAL DEVELOPMENT OF THE BUSINESS AND THREE YEAR HISTORY

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

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

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

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

In July of 2014, Canyon acquired all of the issued and outstanding common shares of Fraction in exchange for 5,400,000 common shares ("**Common Shares**") of Canyon and approximately \$5 million in cash (the "**Fraction Acquisition**"). Fraction was originally founded in 2012 and is a leader in water and fracturing fluid logistics, containment, transfer and storage. Fraction services E&P Companies in northeast British Columbia and northwest Alberta, with field offices in Fort St. John, British Columbia and Grande Prairie, Alberta. Fraction employs approximately 150 people.

Additionally in 2014, Canyon also acquired four deep coiled tubing packages and added 30,000 HHP to its existing fleet to exit the year at 255,000 HHP.

Significant Acquisitions

Other than the Fraction Acquisition described under the heading "*General Development of the Business and Three Year History*", Canyon did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*. Canyon has filed a Form 51-102F4 in respect of the Fraction Acquisition.

Industry Conditions

Since mid-2006, the Western Canadian well stimulation services industry activity levels have experienced tremendous volatility. Nevertheless, during these periods of reduced activity across the well stimulation services industry, Canyon has stayed focused on growing its market share. The Corporation deployed new fracturing methods, including the patented Grand Canyon® process, re-vamped its sales team, and built a modern and technologically-advanced equipment fleet and new operating bases in Grande Prairie and Medicine Hat, which opened in January 2008 and July 2008 respectively. In 2009, Canyon expanded into the deeper segments of the WCSB adding to the Corporation's portfolio of large, horizontal, multi-stage fracs in the Montney formation located in northwest Alberta and northeast British Columbia. Also in early 2011, Canyon opened an operating base in Estevan, Saskatchewan to provide exposure to the Canadian Bakken and other Saskatchewan based activity.

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

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

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

In 2014, Canyon had near full utilization of its pressure pumping fleet as drilling activity increased over 2013 and Canyon grew its market share as a result of ongoing sales initiatives. The second half of 2014 saw a dramatic decrease in commodity prices; however, industry activity remained strong since activities were buoyed by strong commodity prices in the first half of the year, E&P Companies' improved access to capital as well as ongoing LNG-related reserve delineation drilling in northeast British Columbia. Also contributing to the higher pressure pumping activity were changing well designs resulting in increased fracturing intensity on a per well basis in the form of more fractures per wellbore and/or larger fracture designs.

2015 activity levels have rapidly declined as a result of the dramatic decrease in oil and natural gas prices since the summer of 2014. If commodity prices remain at current levels, Canyon expects capital expenditures by E&P Companies to be significantly below 2014 levels. Accordingly, Canyon will implement cost saving initiatives for

the remainder of 2015. Canyon's long term goals will; however, remain unchanged. Canyon will use its strong financial position to seek out attractive investment opportunities and to continue to grow over the next five years.

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

NARRATIVE DESCRIPTION OF THE BUSINESS OF THE CORPORATION

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

Fracturing Services Overview

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

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

Recent Developments

As discussed under "*General Development of the Business and Three Year History – Industry Conditions*", technological improvements have led to an increasing focus by E&P Companies on the exploration and development of unconventional resource plays that include expansive sands and shales that hold oil, natural gas and NGLs. Many of these shales and tight sand plays holding natural gas, NGLs and oil (Montney, Duvernay, Horn River, etc.) were previously uneconomic due to a lack of technology required for the effective drilling and completion of wells into these reservoirs. Horizontal drilling technology combined with multistage fracturing programs has made the development of some of these plays economic at prices lower than those required for the development of conventional oil and natural gas reservoirs. E&P Companies have also begun applying what they have learned in unconventional reservoirs with respect to horizontal drilling and multistage fracturing programs to conventional reservoirs such as shallow and deep oil plays such as Viking oil in central and eastern Alberta and Cardium oil in western Alberta.

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

Service Divisions and Equipment

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

Hydraulic Fracturing Division

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

Canyon offers the newest hydraulic fracturing equipment fleet in the industry to service customers across the WCSB, and includes carbon dioxide and nitrogen support services for foam fracturing applications. The Corporation currently has a hydraulic pressure pumping capacity of 255,500 HHP with 16 blenders and associated equipment such as loading, handling, storage and transportation facilities and equipment for sand/proppant carbon dioxide, nitrogen and fluids. Canyon's pumping equipment includes a fleet of the latest generation of heavy duty 2,500 HHP triplex and quintaplex pumpers, as well as smaller 2,250 and 1,500 HHP units. Canyon's blenders are fully automated, with capacities of up to 19 cubic meters per minute allowing Canyon to stimulate with high pressures and rates. Canyon's proprietary fracturing fluid systems are specifically tailored to minimize reservoir damage and offer significantly improved cost and performance benefits to its customers.

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

Nitrogen Fracturing Division

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

Coiled Tubing Division

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

Chemical Stimulation and Cementing Division

With eight custom-designed acid/chemical pumping units, this division provides acid treatments utilizing proprietary chemical systems to treat oil and natural gas wells. Canyon has been able to draw on the many years of technical experience of its engineering and laboratory staff to develop unique and exceptional chemical systems.

Compatibility problems commonly associated with chemical stimulation are all but eliminated, producing reliable and effective results in all well conditions.

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

Water Handling

A large portion of the well stimulation industry uses water in combination with other materials to enhance the productivity of oil and natural gas wells. Fraction provides fluid sourcing, transfer and containment for these operations. Fraction assists E&P Companies in identifying, acquiring and permitting source water for hydraulic fracturing operations. In connection with Fraction's sourcing capabilities, the company also inventories a wide range of pumps, pipe, lay-flat hose and manifolds specifically designed to operate in any climate, across varying terrains and in the most environmentally conscious manner. Fraction's extensive experience and specialized equipment allows it to safely transfer water to E&P Companies from sources up to 20 kilometres from location. Long distance transfers effectively eliminate the need to transport water by tractor trailer thereby reducing emissions and saving money. Fraction's containment division provides a wide range of tank sizes which were designed for efficient and safe set up and take down. Fraction has also added two super heaters to its fleet in order to support its tank division in the winter months.

Business Objectives

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

In the short-term, Canyon will look to position itself for significant expansion opportunities, including continued deployment of equipment in western Canada, and in particular in high-demand plays such as the Montney and the Duvernay. Canyon views western Canada as the world's most attractive hydraulic fracturing market. It is the second largest in the world, and has supply-demand fundamentals that are unmatched by any other major pressure pumping market. In Canyon's chosen market, management foresees long-term demand growth outpacing staffed industry supply additions.

Competitive Strengths

At the present time, Canyon only operates in Canada as management believes that Canada at this time will provide the best return on invested capital to holders of Common Shares ("**Shareholders**"). Canyon has the newest pressure pumping fleet in the WCSB and has demonstrated operational excellence in the field on a consistent basis. Presently, Canyon has a very strong balance sheet and a very strong customer base of multinational and national E&P Companies which it serves.

Specialized Skill and Knowledge

The Corporation's operations team has been specifically selected to ensure that experienced and competent technical staff is complemented by equally experienced and competent field personnel. This complementary mix of

experience and expertise from technical and field personnel has facilitated useful input on equipment design and ongoing monitoring during fabrication. Each well's stimulation treatment program is developed by Canyon's engineering and laboratory staff in conjunction with its customers' technical staff, and is individually designed to reflect the particular temperature and pressure characteristics, porosity and permeability, and other potentially unique characteristics of the targeted formation. As at December 31, 2014, the Corporation had approximately 1120 employees. The Corporation has made significant investments to recruit employees, provide employee training and implement recognized standards for health and safety in order to provide quality support for the services provided to customers.

Components

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

Intellectual Property

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

The Corporation has also developed proprietary chemical stimulation materials for chemical stimulation, acidizing and fluid fracturing.

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

Competition

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

Seasonality

The well stimulation services industry is characterized by seasonality in Canada. The first calendar quarter is the most active in the well stimulation services industry, the second quarter is the least active, and the third and fourth quarters typically reflect increasing activity over the preceding quarter. During the second quarter when the frost leaves the ground, many secondary roads are temporarily rendered incapable of supporting the weight of heavy equipment resulting in restrictions in the level of oilfield servicing activity. Generally, the duration of this period, commonly referred to as "spring break-up", has a direct impact on the level of the Corporation's activities in the

WCSB. Generally, the spring break-up period between March and May is the slowest period of activity for the Corporation.

During other periods of the year, rainfall can also render some of the secondary and oilfield service roads impassable for the Corporation's equipment. Additionally, if an unseasonably warm winter prevents sufficient freezing, Canyon may not be able to access well sites. These factors can all reduce activity levels below normal or anticipated levels. See "*Risk Factors – Seasonality*" and "*Risk Factors – Environmental Liability*".

Regulation

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

Environmental Protection

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

Environmental Policies

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

Risk Factors

The Corporation's business is subject to a number of risks and uncertainties, some of which are summarized below. Readers should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings. If any such risks were to materialize, the Corporation's business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In turn, this could have a material adverse effect on the trading price of the Common Shares. The risks set out below are not an exhaustive list, nor should be taken as a complete summary or description of all the risks associated with the Corporation's business and the oil and natural gas service business generally.

Volatility of Industry Conditions

The demand, pricing and terms for oilfield services in the Corporation's existing and anticipated service areas largely depend upon the level of exploration and development activity for oil and natural gas. Industry conditions are influenced by numerous factors over which the Corporation has no control, including: oil and natural gas prices;

expectations about future oil and natural gas prices; pipeline capacity for export out of Western Canada; levels of consumer demand; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reservoirs; available pipeline and other oil and natural gas transportation capacity; weather conditions; political, regulatory and economic conditions; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and natural gas exploration and production activities will continue. Any prolonged substantial reduction in oil and natural gas prices would likely reduce oil and natural gas exploration and production activity and therefore affect the demand for drilling and well services. A material decline in oil or natural gas prices or industry activity could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Any addition to, or elimination or curtailment of, government incentives could have a significant impact on the oilfield services industry. Lower oil and natural gas prices could also cause the Corporation's customers to seek to terminate, renegotiate or fail to honour the Corporation's services contracts; affect the fair market value of the Corporation's equipment fleet which in turn could trigger a write-down for accounting purposes; affect the Corporation's ability to retain skilled oilfield services personnel; and affect the Corporation's access to capital required to finance and grow the Corporation's business.

Reliance on Key Personnel

The success of the Corporation is dependent upon its management, technical and field personnel. Any loss of the services of such individuals could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The ability of the Corporation to expand its services is dependent upon its ability to attract additional qualified employees. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. Currently, the Corporation does not maintain key person insurance.

Dependence on Major Customers

The Corporation has a customer base of more than 60 E&P Companies, ranging from large multinational public entities to small private companies. Notwithstanding the Corporation's significant customer base, five customers accounted for approximately 43% of the Corporation's revenue in 2014. The Corporation has historically had a stable relationship with these customers and has no reason to believe there will be any change to this relationship in the future. Notwithstanding the foregoing, there can be no assurance that the Corporation's relationship with these customers will continue. A significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, may have a material adverse effect on the Corporation's business, results of operations, financial condition and cash flows.

Excess Equipment Levels in the Industry (Canada)

Due to the long-life nature of oilfield service equipment and the long delivery time for equipment being manufactured, the quantity of equipment available does not always correspond with the demand for its use. Periods of high demand often lead to increases in capital expenditures, which in turn lead to increased supply and decreased demand. Such increases in supply often lead to downward pricing pressures across the industry which could materially impact the Corporation's profitability. Additionally, Canyon could fail to secure enough work in which to employ its equipment, which could have a material adverse effect on the Corporation's operating results and cash flows.

Government Regulation

The Corporation's operations and those of its customers are subject to a variety of Canadian federal, provincial and local laws, regulations and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment and the manufacture, management, transportation, storage and disposal of certain materials used in the Corporation's operations. Management believes that the Corporation is in material compliance with such laws, regulations and guidelines. The Corporation has invested financial and managerial resources to ensure compliance with applicable laws, regulations and guidelines and will continue to do so in the future. Although such expenditures have not, historically, been material to the Corporation, such laws, regulations and guidelines are subject to change. Accordingly, it is impossible for the Corporation to predict the cost or impact of such laws, regulations or guidelines on its future operations. It is not expected that any changes to these laws, regulations or guidelines would affect the operations of the Corporation in a materially different manner than they would affect other oil and natural gas service companies of a similar size.

The implementation of new laws, regulations and guidelines or the modification of existing laws, regulations and guidelines may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In order to conduct business, the Corporation requires regulatory permits, licenses, registrations, approvals and authorizations from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake. In addition to regulatory requirements mentioned above, the Corporation's business and financial condition could be influenced by federal legislation affecting, in particular, foreign investment, through legislation such as the *Competition Act* (Canada) and the *Investment Canada Act* (Canada).

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

Climate Change Legislation

Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the *United Nations Framework Convention on Climate Change* (the "UNFCCC") and a participant to the Copenhagen Agreement (a non-binding agreement created by the UNFCCC), the Government of Canada announced on January 29, 2010 that it will seek a 17% reduction in green house gas ("GHG") emissions from 2005 levels by 2020. These GHG emission reduction targets are not binding on oil and gas producers, however. Reductions in GHGs from oil and gas producers may be required which could result in, among other things, increased operating and capital expenditures for those producers which may make certain production of crude oil or natural gas by those producers uneconomic, resulting in reductions in such production and a resulting decrease in the demand for the Corporation's services. Given the evolving nature of the debate related to climate change and the

control of GHGs and resulting requirements, it is not possible to predict the impact on the Corporation and its operations and financial condition.

Seasonality

The level of activity in the oilfield services industry is influenced by seasonal weather. During the "spring break-up" months from March to June, the spring thaw makes the ground unstable and less capable of supporting heavy weights. Consequently, many municipalities and transportation departments in certain parts of the WCSB enforce road bans that restrict the movement of heavy equipment, thereby reducing drilling and well servicing activity levels. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting equipment utilization rates and revenues.

There is greater demand for oilfield services provided by the Corporation in the winter season when the occurrence of freezing permits the movement and operation of heavy equipment. Consequently, oilfield service activities tend to increase in the fall and peak in the winter months of November through March. However, if an unseasonably warm winter prevents sufficient freezing, the Corporation may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The volatility in the weather can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Competition

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

Global Financial Markets

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels, have caused significant volatility in commodity prices. These events and conditions have caused a decrease in confidence in the broader United States and global credit and financial markets and have created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and are likely to continue to impact the performance of the global economy going forward. Worldwide crude oil commodity prices are expected to remain volatile in the near future as a result of global excess supply, recent actions taken by the Organization of the Petroleum Exporting Countries and ongoing global credit and liquidity concerns. This volatility may affect the Corporation's ability to obtain equity or debt financing on acceptable terms.

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

As at December 31, 2014, the Corporation had drawn (net of cash) approximately \$21 million of the \$100 million in credit available under its bank credit facilities which includes a \$10 million accordion feature which is available

upon request by Canyon and subject to review and approval by its lender. Based on current funds available and expected funds from operations, management believes that the Corporation has sufficient funds available to fund its projected capital expenditures.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

As part of the Corporation's business strategy, it has and will continue to consider and evaluate acquisitions of, or significant investments in, complementary businesses and assets, as well as dispositions of businesses and assets in the ordinary course of business. Any acquisition that the Corporation has completed or completes in the future could have unforeseen and potentially material adverse effects on the Corporation's financial position and operating results.

Acquisitions involve numerous risks, including:

- unanticipated costs and liabilities;
- difficulty integrating the operations and assets of the acquired business;
- inability to properly access and maintain an effective internal control environment over an acquired company;
- potential loss of key employees and customers of the acquired company; and
- increased expenses and working capital requirements.

The Corporation may incur additional indebtedness to finance acquisitions and also may issue equity securities in connection with any such acquisitions. The Corporation will be required to meet certain financial covenants in order to borrow money under its credit agreements to fund acquisitions. Debt service requirements could represent a significant burden on the Corporation's results of operations and financial condition and the issuance of additional equity could be dilutive to Shareholders. Acquisitions could also divert the attention of management and other employees from the Corporation's day-to-day operations and the development of new business opportunities. In addition, the Corporation may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Access to Equipment, Parts, Development of New Technology

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

Dependence on Suppliers

The Corporation's ability to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials which the Corporation purchases from various suppliers, most of whom are located in Canada. Alternate suppliers exist for all raw materials. The source and supply of materials has been consistent in the past, however in periods of high industry activity, as has been experienced in recent years, periodic shortages of certain materials have been experienced and costs have been affected. Management maintains relationships with a

number of suppliers in an attempt to mitigate this risk. However, if the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the Corporation's customers could have a material adverse effect on the Corporation's business, financial condition, results of operations and funds from operations.

Additionally, Canyon may have prepaid deposits with suppliers relating to inventory or property and equipment. The recoverability of these prepayments are subject to the financial health of the relevant suppliers.

Credit Risk

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

Environmental Liability

The Corporation is subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Corporation's operations. The Corporation has established procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Corporation's procedures will prevent environmental damage occurring from spills of materials handled by the Corporation or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Corporation may have the benefit of insurance maintained by it or its customers; however, the Corporation may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

The Corporation's customers are subject to similar environmental laws and regulations, as well as limits on emissions to the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Corporation cannot predict the nature of the restrictions that may be imposed. The Corporation may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Operating Risk and Insurance

The Corporation has an insurance and risk management program in place to protect its assets, operations and employees. The Corporation also has programs in place to address compliance with current safety and regulatory standards. However, the Corporation's operations are subject to risks inherent in the oilfield services industry, such as equipment defects, malfunction, failures and natural disasters. In addition, hazards such as unusual or unexpected geological formations, pressures, blow-outs, fires or other conditions may be encountered in drilling and servicing wells. These risks and hazards could expose the Corporation to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages.

Although the Corporation has obtained insurance against certain of the risks to which it is exposed which it considers adequate and customary in the oilfield services industry, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Corporation is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Corporation's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Corporation were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Corporation were to incur such liability at a time when it is not able to obtain liability insurance, or the insolvency of the insurer in such an event, this could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Operating Equipment Risks

The ability of the Corporation to meet customer demands in respect of performance and cost will depend upon continuous improvements to its operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation's business, financial condition, results of operations and funds from operations. No assurances can be given that its competitors will not achieve technological advantages over the Corporation.

Protection of Technology Risks

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

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

Due to the rapid development of oil and gas technology, in the normal course of the Corporation's operations, the Corporation may become involved in, named as a party to, or be the subject of, various legal proceedings in which it is alleged that the Corporation has infringed the intellectual property rights of others or commence lawsuits against others who the Corporation believes are infringing upon its intellectual property rights. The Corporation's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its assets or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Corporation's favour. In the event of an adverse outcome as a defendant in any such litigation, the Corporation may, among other things, be required to: (a) pay substantial damages; cease the development, use, sale or importation of processes that infringe upon other patented intellectual property; (b) expend significant resources to develop or acquire non-infringing intellectual property; (c) discontinue processes incorporating infringing technology; or (d) obtain licences to the infringing intellectual property. However, the Corporation may not be successful in such development or acquisition or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Corporation's business and financial results.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and

natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Access to Additional Financing

The Corporation may find it necessary in the future to obtain additional debt or equity to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. Neither the Corporation's articles nor its by laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise. Additionally, there is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, the Corporation's access to additional financing may be affected.

Because of global economic volatility, the Corporation may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Corporation to miss certain acquisition opportunities and reduce or terminate its operations. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future growth of the Corporation may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. The Corporation's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Corporation's growth and may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. See "*Global Financial Markets*" above.

Legal Proceedings

In the normal course of the Corporation's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations.

Failure to Maintain Adequate Safety Standards

Standards for the prevention of incidents in the oil and gas industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. In order to ensure compliance, the Corporation has developed and implemented safety and training programs, which it believes meet or exceed the applicable standards. A key factor considered by customers in retaining oilfield service providers is safety. Deterioration of the Corporation's safety performance could result in a decline in the demand for the Corporation's services and could have a material adverse effect on its revenues, cash flows and profitability.

Ability to Pay Dividends

The amount of future cash dividends paid by the Corporation, if any, will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, capital expenditure requirements, debt service requirements, operating costs, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. Depending on these and various other factors, many of which will be beyond the control of the Corporation, the dividend policy of the Corporation from time to time and, as a result, future cash dividends could be reduced or suspended entirely.

The market value of the Common Shares may deteriorate if cash dividends are reduced or suspended. Furthermore, the future treatment of dividends for tax purposes will be subject to the nature and composition of dividends paid by the Corporation and potential legislative and regulatory changes. Dividends may be reduced during periods of lower funds from operations, which result from lower commodity prices and any decision by the Corporation to finance capital expenditures using funds from operations.

To the extent that external sources of capital, including the issuance of additional Common Shares, become limited or unavailable, the ability of the Corporation to make the necessary capital investments to invest in assets will be impaired. To the extent that the Corporation is required to use funds from operations to finance capital expenditures or acquisitions, the cash available for dividends may be reduced.

Interest Rate Risk

The Corporation is exposed to interest rate risk on certain debt instruments. Exposure to interest rate risk is minimal at this time as the Corporation had only drawn (net of cash) approximately \$21 million on its credit facilities as at December 31, 2014. Should the Corporation be required to increase the amount drawn on its credit facility to finance a portion of its operational expenses or fund its capital requirements, or should there be any other reason which would result in the Corporation taking on indebtedness, all or a portion of this indebtedness may be tied to floating interest rates which cannot be controlled by the Corporation. Any increase in interest rates will result in an increase in the amount the Corporation pays to borrow funds on its credit line and service debt, which could negatively impact the Corporation's financial position and the market price of the Common Shares. The Corporation also incurs interest rate risk through its short term investments and, to a lesser extent, its cash position. The Corporation currently manages its interest rate risk through a combination of fixed and floating rate borrowings. The Corporation does not currently have any interest rate swap or financial contracts in place to mitigate this risk.

Foreign Currency Risk

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

Credit Facility Arrangements

The Corporation currently has a credit facility and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. The Corporation is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which from time to time either affect the availability, or price, of additional funding and in the event that the Corporation does not comply with these covenants, the Corporation's access to capital could be restricted or repayment could be required. Events beyond the Corporation's control may contribute to the failure of the Corporation to comply with such covenants. A failure to comply with covenants could result in default under the Corporation's credit facility, which could result in the Corporation being required to repay amounts owing thereunder. Even if the Corporation is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under credit facilities, the lenders under the credit facility could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness. The acceleration of the Corporation's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the Corporation's credit facility may impose operating and financial restrictions on the Corporation that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Corporation's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

Merger and Acquisition Activity

Merger and acquisition activity amongst E&P Companies may constrain demand for the Corporation's services as customers focus on reorganizing their businesses prior to committing funds to exploration and development projects.

Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than Canyon.

Management of Growth

The Corporation may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Market Price of Common Shares

The trading price of securities of oil and natural gas service issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Corporation's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Corporation's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

Conflicts of Interest

Certain directors or officers of the Corporation may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA see "*Directors and Officers – Conflicts of Interest*".

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Additionally, the Corporation makes every effort to protect the confidential information of its customers, which may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, or other factors. If any of these events occur, this information could be accessed or disclosed improperly. Any incidents involving unauthorized access to confidential information could damage Canyon's reputation and diminish its competitive position. In addition, the affected customers could initiate legal or regulatory action against Canyon in connection with such incidents, which could cause Canyon to incur significant expense. Any of these events could have a material and adverse effect on the Corporation's business, reputation, or financial results.

Income Taxes

The Corporation files all required income tax returns and believes that it is in full compliance with the provisions of the *Income Tax Act* (Canada) and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates its income for tax purposes or could change administrative practices to the Corporation's detriment.

Forward-Looking Statements May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking statements. By their nature, forward-looking statements involves numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumption and uncertainties are found under the heading "*Forward-Looking Statements and Information*" of this annual information form.

CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares ("**Preferred Shares**"), issuable in series. As at December 31, 2014, 68,611,326 Common Shares and nil Preferred Shares were issued and outstanding as fully-paid and non-assessable. The holders of Common Shares are entitled to receive notice of, and to one vote per share at, every meeting of Shareholders, to receive such dividends as the Board declares and to share equally in the assets of the Corporation remaining upon the liquidation of the Corporation after the creditors of the Corporation have been satisfied. The Preferred Shares are issuable in series, with the Board to determine the number of Preferred Shares to comprise a series and the designation, rights, privileges, restrictions and conditions attaching to each series, including voting rights (if any), dividend terms and entitlement, and terms and conditions of redemption, purchase and conversion.

DIVIDENDS

In 2010, the Board established a dividend policy of paying dividends to the holders of Common Shares. In 2011, the Board determined that dividends would become payable quarterly commencing January 2012. From 2010 to 2012, the Corporation increased its dividend from \$0.10 per annum to the current quarterly dividend of \$0.15, resulting in an annualized dividend of \$0.60 per Common Share.

The following dividends were paid by the Corporation to Shareholders for the periods indicated:

For the Year Ended	Aggregate Annual Dividend per Common Share
2012	\$0.5125
2013	\$0.60
2014	\$0.60

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

There can be no assurance that the Corporation will maintain its dividend at the current rate or at all. See "Narrative Description of the Business of the Corporation – Risk Factors – Sustainability of Dividends".

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol "FRC". The following table sets forth the monthly price ranges and volumes of trading of the Common Shares on the TSX from January 1, 2014 to December 31, 2014, as reported by the TSX:

Period	High \$	Low \$	Volume
January	12.50	10.56	5,782,988
February	12.13	10.43	5,815,854
March	14.05	11.94	6,470,843
April	15.32	13.23	7,444,907
May	17.00	14.73	8,176,035
June	19.10	16.07	11,943,708
July	20.05	14.89	11,148,719
August	16.90	15.23	6,735,814
September	16.44	12.83	9,795,596
October	13.03	9.98	12,871,992
November	12.15	9.40	12,631,914
December	9.75	7.16	11,821,129

Prior Sales

The following tables provides details regarding each class of securities of the Corporation that are outstanding but not listed or quoted on a market place that have been issued by the Corporation during the most recently completed financial year.

As at December 31, 2014, there were 3,670,619 stock options ("**Options**") issued pursuant to the Corporation's stock option plan ("**Option Plan**"), each of which entitles the holder thereof to purchase one Common Share in accordance with the terms of the Option Plan. All Options have a term of five years and vest as to 1/3 per year for three years. As at December 31, 2014, there were 497,038 incentive based units ("**Units**") issued pursuant to the Corporation's stock based compensation plan, each of which entitles the holder thereof to acquire one Common Share for no additional consideration in accordance with the terms of the Corporation's stock based compensation plan.

Options Granted During 2014

Date of Issuance	Number of Options	Issue Price of Options ⁽¹⁾
January 1	12,500	\$11.74
January 15	22,500	\$11.63
February 1	12,500	\$10.93
February 7	749,000	\$10.74
March 15	20,000	\$12.28
April 1	15,000	\$13.84
May 15	32,500	\$16.27
May 20	15,000	\$15.82
June 23	20,028	\$17.92
July 1	25,000	\$18.42

Date of Issuance	Number of Options	Issue Price of Options⁽¹⁾
July 14	2,500	\$18.39
August 15	25,000	\$16.16
September 15	40,000	\$14.97
October 14	49,250	\$11.71
November 14	21,250	\$11.47
December 15	15,000	\$7.81

Notes:

(1) Issue price is the "exercise price" as described pursuant to the Option Plan.

Incentive Based Units Issued During 2014

Date of Issuance	Number of Incentive Based Units
February 7	163,700
March 12	37,500
March 17	7,500
June 23	6,800
September 15	2,500
October 14	10,850
November 14	4,250
December 15	3,000

DIRECTORS AND OFFICERS

The following table sets forth information with respect to the directors and executive officers of the Corporation for the year ended December 31, 2014:

Name, Province and Country of Residence	Office(s) Held and Date Appointed⁽⁴⁾	Principal Occupation During the Past Five Years
Bradley P.D. Fedora Alberta, Canada	Chief Executive Officer (November 13, 2009) President (September 1, 2007) Director (March 2008)	President of the Corporation since September 2007 and Chief Executive Officer since November 2009. Principal in the Corporate Finance group of Peters & Co. Limited, a full service investment banking firm from 2000 to 2007.
Stan G.P. Grad ⁽³⁾ Alberta, Canada	Director (April 8, 2004)	President of Soderglen Ranches Ltd., a private ranching company, since 1996.
Raymond P. Antony ⁽¹⁾⁽²⁾ Alberta, Canada	Chairman (May 27, 2011) Director (September 7, 2004)	Self-employed businessman since August 2006.
Neil M. Mackenzie ⁽³⁾ Alberta, Canada	Director (February 4, 2009)	Director and Partner of Blackstone Drilling Fluids Limited, a private oil and gas services company, since 2010.

Miles Lich ⁽²⁾⁽³⁾ Alberta, Canada	Director (May 22, 2013)	Co-founder and Managing Director of Northern Plains Capital Ltd., a private company, since September 2005.
Ken Mullen ⁽¹⁾⁽²⁾ Alberta, Canada	Director (May 25, 2010)	Independent businessman since January 2015. Prior thereto, President and Chief Executive Officer of Savanna Energy Services Corp. from 2003 to January 2015.
M. Scott Ratushny ⁽¹⁾ Alberta, Canada	Director (May 26, 2011)	Chairman and Chief Executive Officer of Cardinal Energy Ltd., a public E&P Company, since May 2011. Chairman and Director of Enseco Energy Services Corp., a public oil and gas services company, since 2006. Chairman, Chief Executive Officer and Director of Midway Energy Ltd., an E&P Company, from July 2009 to April 2012.
Barry O'Brien Alberta, Canada	Vice-President, Finance and Chief Financial Officer (January 2, 2007)	Vice-President, Finance and Chief Financial Officer of the Corporation since January 2007.
A.J. (Joe P.) Peskunowicz Alberta, Canada	Chief Operating Officer (November 2004 to March 2008) Executive Vice-President, Corporate (March 2008)	Officer of the Corporation since November 2004.
Todd G. Thue Alberta, Canada	Senior Vice-President (January 2006) Chief Operating Officer (March 2008)	Chief Operating Officer of the Corporation since March 2008.
Chuck Vozniak Alberta, Canada	Vice President, Technical Services (April 2012)	Officer of the Corporation since April 2012. Prior thereto Manager, Technical Services at Trican Well Service Ltd. from May 2008 to April 2012.
Quentin Walker	Vice President, Operations (March 2014)	Officer of the Corporation since March 2014 and employed with the Corporation since September 2004.
Todd den Engelsen	Vice President, Organizational Development (March 2014)	Officer of the Corporation since March 2014 and employed with the Corporation since October 2010. Prior thereto Director Human Resources of LONKAR Services Ltd. from March 2006 to August 2010.

Ken Wagner	Vice President, Fluid Management (July 1, 2014)	Officer of the Corporation since July 2014. Prior thereto the President and Chief Executive Officer of Fraction Energy Services Ltd. from May 2012 to July 2014. Prior thereto the President of Cascade Energy Services LP from June 2008 to February 2012.
David Westlund	Director, Sales (February 2014)	Officer of the Corporation since February 2014. Prior thereto Assistant Sales Manager at Trican Well Service Ltd. from September 2013 to February 2014. Prior thereto Director of Sales at Baker Hughes Canada from January 1994 to September 2013.
Jeremy Matthies	General Counsel (February 2013)	Officer of the Corporation since February 2013. Prior thereto General Counsel at a private healthcare company with its head office in Calgary, Alberta from March 2009 to January 2013.

Notes:

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

As of the close of business on March 26, 2015, the directors and executive officers of the Corporation beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 4,295,364 Common Shares, representing 6.26% of the Common Shares issued and outstanding as at that date.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or officer of Canyon, or a shareholder holding a sufficient number of securities of Canyon to affect materially the control of Canyon is, as at the date hereof, or has been within the 10 years before the date hereof, a director, or executive officer of any company that: (i) while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) while such person was acting in that capacity or within a year of such person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or officer of Canyon, or a shareholder holding a sufficient number of securities of Canyon to affect materially the control of Canyon (or any personal holding company of such person), has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

No director or officer of Canyon, or a shareholder holding sufficient securities of Canyon to affect materially the control of Canyon, or a personal holding company of any such persons, has, within the 10 years preceding the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Canyon will be subject in connection with the operations of Canyon. In particular, certain of the directors and officers of Canyon are involved in managerial or director positions with other oil and natural gas companies whose operations may, from time to time, be in direct competition with those of Canyon or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Canyon. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided in the ABCA. As at the date hereof, Canyon is not aware of any existing material conflicts of interest between Canyon and any director or officer of Canyon. See "*Narrative Description of the Business of the Corporation – Risk Factors – Conflicts of Interest*".

TRANSFER AGENT AND REGISTRAR

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

INTERESTS OF EXPERTS

The Corporation's auditors are KPMG LLP. KPMG LLP has prepared the auditor's report on the consolidated financial statements of the Corporation for the year ended December 31, 2014. KPMG LLP has confirmed that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. In addition, no director, officer or employee of any of KPMG LLP, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

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

Composition of Audit Committee

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

Relevant Education and Experience

Raymond P. Antony

Mr. Antony has been a Chartered Accountant and member of the Canadian Institute of Chartered Accountants for the past 35 years. Mr. Antony serves as an officer and director of a number of public and private oil and gas companies. Mr. Antony has a Bachelor of Commerce from the University of Alberta.

Ken Mullen

Mr. Mullen was the President, Chief Executive Officer and a director of Savanna Energy Services Corp. from 2003 until January 2015. Mr. Mullen has been a chartered accountant since 1985 and holds a Law degree as well as a Bachelor of Commerce degree from the University of Calgary.

M. Scott Ratushny

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

Reliance on Certain Exemptions

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

Audit Committee Oversight

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

Pre-Approval Policies and Procedures

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

External Auditor Service Fees

KPMG LLP has served as the Corporation's external auditor since its formation in 1999. The following table lists the fees paid to KPMG LLP, by category, for the years ended December 31, 2014 and 2013.

	Year Ended December 31, 2013	Year Ended December 31, 2014
Audit fees	\$234,500	\$220,000
Audit-related fees	-	\$60,000
Tax fees	\$128,200	\$43,695
All other fees	-	<u>\$48,827</u>
Total fees	\$362,700	\$372,522

Audit Fees

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

Audit-related Fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual and interim financial statements and are not reported under the audit fees item above. These services included the quarterly reviews of interim financial statements, audit services related to issuances by the Corporation of debt and equity, the review of incentive bonus calculations as well as accounting consultations and advice relating to various technical accounting issues.

Tax-related Fees

Tax-related fees were paid for professional services relating to tax compliance, tax advice and tax planning. These services consisted of tax compliance including the review of original and amended tax returns, tax planning and advisory services relating to common forms of taxation including income tax, large corporations tax, goods and services tax, sales tax and tax consulting related to employee benefit programs, as well as tax advice and tax planning related to issuances by the Corporation of debt and equity and its recent international initiatives.

All Other Fees

All other fees relate to fees payable for products or services other than the audit fees, audit-related fees and tax fees described above. No fees of this description were paid by the corporation on 2013 or 2014.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Canyon is not a party to any legal proceeding nor was it a party to, nor is or was any of its property the subject of any legal proceeding, during the financial year ended December 31, 2014, nor is Canyon aware of any such contemplated legal proceedings, which involve a claim for damages, exclusive of interest and costs, that may exceed 10% of the current assets of Canyon.

During the year ended December 31, 2014, there were no (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors or executive officers of Canyon, any holder of Common Shares who beneficially owns or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transactions within the three most recently completed financial years or during the current financial year which has materially affected or is reasonably expected to materially affect Canyon.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business (unless otherwise required by applicable securities requirements to be disclosed) and the pre-acquisition agreement dated June 18, 2014 between the Corporation and Fraction in respect of the Fraction Acquisition discussed under the heading "*General Development of the Business and Three Year History*", neither the Corporation nor its subsidiaries have entered into any material contracts within the last financial year, or before the last financial year that are still in effect.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issue under equity compensation plans, will be contained in the Corporation's management information circular for the annual and special meeting of Shareholders to be held on May 20, 2015. Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2014.

The above referenced documents and further additional information relating to the Corporation may be found on the Corporation's website at www.canyontech.ca or at www.sedar.com.

APPENDIX "A"

Canyon Services Group Inc. Audit Committee Charter

1. Responsibility

The Audit Committee is responsible for assisting the Board of Directors (the "**Board**") of the Corporation in fulfilling its oversight responsibilities in relation to:

- (a) the integrity of the Corporation's financial statements;
- (b) the Corporation's compliance with legal and regulatory requirements related to financial reporting;
- (c) the qualifications, independence and performance of the Corporation's auditor;
- (d) the design, implementation and maintenance of internal controls and disclosure controls; and
- (e) any additional matters delegated to the Audit Committee by the Board.

2. Members

The Board must appoint a minimum of three directors to be members of the Audit Committee. The members of the Audit Committee will be selected by the Board on the recommendation of the Corporate Governance Committee.

All of the members of the Audit Committee will be "independent directors" ("**Independent Directors**") as defined in National Instrument 52-110 — Audit Committees, as amended from time to time ("**NI 52-110**"). In addition, every member of the Audit Committee will be "financially literate" as defined in NI 52-110.

3. Duties

The Audit Committee is responsible for performing the duties set out below as well as any other duties that are otherwise required by law or delegated to the Audit Committee by the Board.

4. Appointment and Review of the Auditor

The auditor is ultimately accountable to the Audit Committee and reports directly to the Audit Committee.

Accordingly, the Audit Committee will evaluate and be responsible for the Corporation's relationship with the auditor. Specifically, the Audit Committee will:

- (a) select, evaluate and nominate the auditor to be proposed for appointment or reappointment, as the case may be, by the shareholders;
- (b) review and approve the auditor's engagement letter;
- (c) review the independence, experience, qualifications and performance of the auditor, including the engagement and lead partners, in recommending its appointment or reappointment, including considering whether the auditor's provision of any permitted non-audit services is compatible with maintaining its independence;
- (d) resolve any disagreements between senior management and the auditor regarding financial reporting;

- (e) at least annually, obtain and review a report by the auditor describing:
 - (i) the auditor's internal quality-control procedures, including with regard to safeguarding confidential information; and
 - (ii) any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body, such as the Canadian Public Accountability Board, or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review; and
- (f) where appropriate, terminate the auditor.

5. **Confirmation of the Auditor's Independence**

At least annually, and before the auditor issues its report on the annual financial statements, the Audit Committee will:

- (a) review a formal written statement from the auditor describing all of its relationships with the Corporation;
- (b) discuss with the auditor any relationships or services that may affect its objectivity and independence;
- (c) obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs and is an independent public accountant within the meaning of the Independence Standards of the Canadian Institute of Chartered Accountants; and
- (d) confirm that the auditor has complied with applicable rules, if any, with respect to the rotation of certain members of the audit engagement team.

6. **Pre-Approval of Non-Audit Services**

The Audit Committee will pre-approve the appointment of the auditor for any non-audit service to be provided to the Corporation. Before the appointment of the auditor for any non-audit service, the Audit Committee will consider the compatibility of the service with the auditor's independence. The Audit Committee may pre-approve the appointment of the auditor for any non-audit services by adopting specific policies and procedures, from time to time, for the engagement of the auditor for non-audit services. Such policies and procedures will be detailed as to the particular service, and the Audit Committee must be informed of each service, and the procedures may not include delegation of the Audit Committee's responsibilities to management. In addition, the Audit Committee may delegate to one or more members the authority to pre-approve the appointment of the auditor for any non-audit service to the extent permitted by applicable law provided that any pre-approvals granted pursuant to such delegation shall be reported to the full Audit Committee at its next scheduled meeting.

7. **Communications with the Auditor**

The Audit Committee has the authority to communicate directly with the auditor and will meet privately with the auditor periodically to discuss any items of concern to the Audit Committee or the auditor, such as:

- (a) the scope, planning and staffing of the audit;
- (b) the auditor's materiality threshold for the audit;
- (c) the assessment by the auditor of significant audit risk;

- (d) any material written communications between the auditor and senior management, such as any management letter or schedule of unadjusted differences;
- (e) whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;
- (f) the extent to which the auditor is satisfied with the nature and scope of its examination;
- (g) whether or not the auditor has received the full co-operation of senior management and other employees of the Corporation;
- (h) the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel;
- (i) the items required to be communicated to the Audit Committee under the Canadian authoritative guidance;
- (j) critical accounting policies and practices to be used by the Corporation;
- (k) alternative treatments of financial information within generally accepted accounting principles that have been discussed with senior management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;
- (l) any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with senior management and their response; and
- (m) any illegal act that may have occurred and the discovery of which is required to be disclosed to the Audit Committee.

8. Review of the Audit Plan

The Audit Committee will discuss with the auditor the nature of an audit and the responsibility assumed by the auditor when conducting an audit under generally accepted auditing standards. The Audit Committee will review a summary of the auditor's audit plan for each audit.

9. Review of Audit Fees

The Audit Committee will determine the auditor's fee and the terms of the auditor's engagement. In determining the auditor's fee, the Audit Committee should consider, among other things, the number and nature of reports to be issued by the auditor, the quality of the internal controls of the Corporation, the size, complexity and financial condition of the Corporation and the extent of support to be provided to the auditor by the Corporation.

10. Review of Financial Statements

The Audit Committee will review and discuss with senior management and the auditor the annual audited financial statements, together with the auditor's report thereon, and the interim financial statements, before recommending them for approval by the Board. The Audit Committee will also review and discuss with senior management and the auditor management's discussion and analysis relating to the annual audited financial statements and interim financial statements. The Audit Committee will also engage the auditor to review the interim financial statements prior to the Audit Committee's review of such financial statements. Before recommending any financial statements to the Board for approval, the Audit Committee will satisfy itself that such financial statements, together with the other financial information included in the Corporation's annual and interim filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as of the relevant date and for the relevant periods.

In conducting its review of the financial statements and related management's discussion and analysis, the Audit Committee will:

- (a) consider the quality of, and not just the acceptability of, the accounting principles, the reasonableness of senior management's judgments and estimates that have a significant effect upon the financial statements, and the clarity of the disclosures in the financial statements;
- (b) discuss any analyses prepared by senior management or the auditor that set out significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP;
- (c) discuss the effect of off-balance sheet transactions, arrangements, obligations (including contingent liabilities) and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Corporation's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;
- (d) consider any changes in accounting practices or policies and their impact on financial statements of the Corporation;
- (e) discuss with senior management, the auditor and, if necessary, legal counsel, a report from senior management describing any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters have been disclosed in the financial statements;
- (f) discuss with senior management and the auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies;
- (g) discuss with the auditor any special audit steps taken in light of material weaknesses in internal control;
- (h) review the results of the audit, including any reservations or qualifications in the auditor's opinion;
- (i) discuss with the auditor any difficulties encountered in the course of the audit work, including any restrictions on the scope of their procedures and access to requested information, accounting adjustments proposed by the auditor but were "passed" (as immaterial or otherwise), and significant disagreements with senior management;
- (j) discuss with the auditor any issues on which the Corporation's audit team consulted the auditor's national office; and
- (k) consider any other matter which in its judgment should be taken into account in reaching its recommendation to the Board concerning the approval of the financial statements.

11. **Review of Other Financial Information**

The Audit Committee will review:

- (a) all earnings press releases and other press releases containing financial information, as well as financial information and earnings guidance provided to analysts and rating agencies. The Audit Committee will also review the use of "pro forma" or "adjusted" non-GAAP information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;

- (b) all other financial statements of the Corporation that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in Core Documents (as defined in the Corporation's Disclosure Policy) and financial statements required by regulatory authorities;
- (c) the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements; and
- (d) disclosures made to the Audit Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Corporation's internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information, and any fraud involving senior management or other employees who have a significant role in the Corporation's internal control over financial reporting.

12. Relations with Senior Management and other Board Committees

The members will periodically meet privately with senior management to discuss any areas of concern to the Audit Committee or senior management. The Audit Committee will provide input to the Compensation Committee on the competence and performance of the Chief Financial Officer and will provide input to the Chief Financial Officer on the competence and performance of other key financial personnel. The Audit Committee will meet with the Disclosure Committee as reasonably required to allow both committees to fulfill their respective mandates, and to ensure that all public disclosure of financial information (including annual and interim financial statements and management's discussion and analysis related thereto, and all news releases containing financial information) are approved by the Audit Committee prior to public disclosure. Members of the Audit Committee will also consult with the Disclosure Committee when requested in connection with making materiality determinations relating to Canyon's disclosure obligations.

13. Oversight of Internal Controls and Disclosure Controls

The Audit Committee will review with senior management the adequacy of the internal controls and procedures that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records. The Audit Committee will review any special audit steps adopted in light of material control deficiencies. The Audit Committee will review with senior management the controls and procedures that have been adopted by the Corporation to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed.

14. Legal Compliance

The Audit Committee will review with legal counsel any legal matters that could have a significant effect on the Corporation's financial statements. It will also review with legal counsel material inquiries received from regulators and governmental agencies and advise the Board accordingly.

15. Risk Management

The Audit Committee will oversee the Corporation's risk assessment and management function and, on a quarterly basis, will review a report from senior management describing the major financial (including taxation matters), legal, operational and reputational risk exposures of the Corporation and the steps senior management has taken to monitor and control such exposures, including the Corporation's policies with respect to monitoring risk assessment and managing and controlling risks. At least annually, the Audit Committee will meet separately with members of senior management and, if desired by the Audit Committee and/or the Corporation's auditors, to assess the Corporation's risk assessment and management policies and practices, including an assessment of the Corporation's most significant areas of risk and the Corporation's plans to monitor and manage those areas of risk (including the Corporation's insurance relating thereto).

16. **Taxation Matters**

The Audit Committee will review with senior management the status of taxation matters of the Corporation. The Audit Committee will also review a report from senior management confirming that the Corporation has withheld or collected and remitted all amounts required to be withheld or collected and remitted by it in respect of any taxes, levies, assessments, reassessments and other charges payable to any governmental authority.

17. **Employees of the Auditor**

The Audit Committee will pre-approve the hiring by the Corporation of any partners or employees or former partners or employees of the auditor.

18. **Conduct and Ethics**

On a quarterly basis, the Audit Committee will review all expenses incurred by the Chair, the Chief Executive Officer and the President and will confirm that the Chair, the Chief Executive Officer and the President review all expenses incurred by the directors and senior management of the Corporation, respectively.

19. **Complaints Procedure**

The Audit Committee will review the procedures established in the Corporation's Integrity Policy for the receipt, retention and follow-up of complaints received by the Corporation regarding accounting, internal controls, disclosure controls or auditing matters and for the confidential, anonymous submission of concerns by employees of the Corporation regarding such matters.

20. **Reporting**

The Audit Committee will regularly report to the Board on:

- (a) the auditor's independence;
- (b) the performance of the auditor and the Audit Committee's recommendations regarding its reappointment or termination;
- (c) the adequacy of the Corporation's internal controls and disclosure controls;
- (d) its recommendations regarding the annual and interim financial statements of the Corporation, including any issues with respect to the quality or integrity of the financial statements;
- (e) its review of the annual and interim management's discussion and analysis;
- (f) the Corporation's compliance with legal and regulatory requirements related to financial reporting, the Corporation's risk assessment and management policies and practices; and
- (g) all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

21. **Meetings**

Subject to the Corporation's by-laws and articles and the requirements under the Business Corporations Act (Alberta):

(a) Scheduling

The Audit Committee will meet at least four (4) times annually or more frequently as it determines is necessary to fulfill its responsibilities, which will be not less than four times a year. A meeting of the Audit Committee may be called by the Chair of the Audit Committee, the Chair of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Audit Committee member or the Corporation's auditor. Meetings will be held at a location determined by the Chair of the Audit Committee.

(b) Notice

Notice of the time and place of each meeting will be given to each member either by telephone or other electronic means not less than 48 hours before the time of the meeting. Meetings may be held at any time without notice if all of the members have waived or are deemed to have waived notice of the meeting. A member participating in a meeting will be deemed to have waived notice of the meeting.

(c) Agenda

The Chair of the Audit Committee will preside as Chair of each meeting and will establish the agenda for each meeting and lead discussion on meeting agenda items. The Chair shall instruct management to circulate properly prepared agenda materials to Committee members with sufficient time to review prior to scheduled meetings.

Any member may propose the inclusion of items on the agenda, request the presence of or a report by any member of senior management, or at any meeting raise subjects that are not on the agenda for the meeting.

(d) Distribution of Information

The Chair of the Audit Committee will distribute, or cause the Secretary to distribute, an agenda and meeting materials in advance of each meeting to allow members sufficient time to review and consider the matters to be discussed.

(e) Attendance and Participation

Each member is expected to attend all meetings. A member who is unable to attend a meeting in person may participate by telephone or teleconference.

(f) Quorum

A majority of members will constitute a quorum for any meeting of the Audit Committee.

(g) Voting and Approval

At meetings of the Audit Committee, each member will be entitled to one vote and questions will be decided by a majority of votes. In case of an equality of votes, the Chair of the Audit Committee will not have a second or casting vote in addition to his or her original vote.

(h) Procedures

Procedures for Audit Committee meetings will be determined by the Chair of the Audit Committee unless otherwise determined by the by-laws of the Corporation or a resolution of the Audit Committee or the Board.

(i) Transaction of Business

The powers of the Audit Committee may be exercised at a meeting where a quorum is present in person or by telephone or other electronic means, or by resolution in writing signed by all members entitled to vote on that resolution at a meeting of the Audit Committee.

(j) Absence of Chair

In the absence of the Chair of the Audit Committee at a meeting of the Audit Committee, the members in attendance must select one of them to act as chair of that meeting.

(k) Secretary

The Audit Committee may appoint one of its members or any other person to act as secretary.

(l) Minutes of Meetings

A person designated by the Chair of the Audit Committee at each meeting will keep minutes of the proceedings of the Audit Committee and the Chair will cause the Secretary to circulate copies of the minutes to each member on a timely basis.

22. **Chair**

Each year, the Board will appoint one member to be Chair of the Audit Committee. If, in any year, the Board does not appoint a Chair of the Audit Committee, the incumbent Chair of the Audit Committee will continue in office until a successor is appointed.

23. **Removal and Vacancies**

Any member may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to meet the qualifications set out above. The Board will fill vacancies on the Audit Committee by appointment from among qualified members of the Board. If a vacancy exists on the Audit Committee, the remaining members will exercise all of its powers so long as a quorum remains in office.

24. **Assessment**

At least annually, the Corporate Governance Committee will review the effectiveness of the Audit Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the mandate adopted by the Board.

25. **Review and Disclosure**

The Audit Committee will review this Charter at least annually and submit it to the Corporate Governance Committee together with any proposed amendments. The Corporate Governance Committee will review the Charter and submit it to the Board for approval with such further amendments as it deems necessary and appropriate.

This Charter will be posted on the Corporation's website and the annual report of the Corporation will state that this Charter is available on the website or is available in print to any shareholder who requests a copy.

26. **Access to Outside Advisors and Records**

The Audit Committee may retain any outside advisor at the expense of the Corporation at any time and has the authority to determine any such advisor's fees and other retention terms. The Audit Committee, and any outside advisors retained by it, will have access to all records and information relating to the Corporation which it deems relevant to the performance of its duties.

Approved and updated by the Audit Committee on May 6, 2014 and approved by the Board on May 6, 2014.