Management's Discussion and Analysis

THREE MONTHS ENDED MARCH 31, 2015

This management discussion and analysis ("MD&A") is dated May 5, 2015. It should be read in conjunction with the Condensed Consolidated Interim Financial Statements and Notes of Canyon Services Group Inc. ("Canyon" or the "Company") as at and for the three months ending March 31, 2015 and March 31, 2014 as well as the annual Consolidated Financial Statements and MD&A as at and for the years ending December 31, 2014 and December 31, 2013. Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2014, is available on SEDAR at www.sedar.com.

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

OVERVIEW OF FIRST QUARTER 2014

000's except per share, job amounts and hydraulic pumping capacity (Unaudited)	Three Months Ended March 31		
	2015	2014	2013
Consolidated revenues	$155,585	$138,195	$86,887
(Loss) profit and comprehensive (loss) income	$(1,038)	$11,850	$8,527
Per share-basic	$(0.02)	$0.19	$0.14
Per share-diluted	$(0.02)	$0.19	$0.14
EBITDA before share-based payments(1)	$18,335	$27,432	$20,364
Funds from operations(1)	$15,584	$23,866	$18,648
Adjusted profit and comprehensive income (1)	$1,838	$12,743	$9,415
Adjusted per share-basic (1)	$0.03	$0.20	$0.15
Adjusted per share-diluted (1)	$0.03	$0.19	$0.15
Total jobs completed (2)	620	890	470
Consolidated average revenue per job (2)	$224,162	$155,963	$185,065
Average fracturing revenue per job	$261,973	$197,282	$246,932
Hydraulic Pumping Capacity			
Average HHP	255,500	225,500	225,500
Exit HHP	255,500	245,500	225,500
Capital expenditures	$17,618	$13,282	$3,501

000's except per share amounts (Unaudited)	As at March 31, 2015	As at December 31, 2014	As at December 31, 2013
Cash and cash equivalents	$10,427	$20,613	$21,308
Working capital	$19,929	$21,880	$41,730
Total long-term financial liabilities	$46,938	$36,193	$3,096
Total assets	$601,074	$638,770	$402,707
Cash dividends declared per share	$0.15	$0.60	$0.60

Note (1): See Non-GAAP Measures.

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

The current quarter ending March 31, 2015 includes the results of Canyon's pressure pumping business, as well as the results of Fraction Energy Services Ltd., ("Fraction") which was acquired by Canyon effective July 1, 2014. Fraction is a leading provider of fracturing fluid management, including water sourcing, transfer, wellsite storage, fluid heating, flowback transfer and produced water storage services.

In Q1 2015, Canyon was able to remain relatively active with its core group of customers in both its pressure pumping and fluid management divisions, even though industry activity across the Western Canadian Sedimentary Basin ("WCSB") was considerably lower in the quarter in response to the dramatic decline in commodity prices. In pressure pumping, the lower industry activity led to rapidly deteriorating pricing levels throughout the quarter resulting in average Q1 2015 pricing approximately 20% lower than Q4 2014. In fluid management, prices declined by 15% to 20% in Q1 2015 vs Q4 2014.

In Q1 2015, consolidated revenues increased by 13% to $155.6 million from $138.2 million in Q1 2014, with the increase mostly attributable to the contribution from Fraction. Pressure pumping revenue in Q1 2015 was largely unchanged compared to Q1 2014 as declining prices and a lower job count was offset by larger job sizes. The Company did experience a 17% sequential decline in consolidated revenues in Q1 2015 over Q4 2014 principally due to the pricing degradation persisting throughout the quarter as well as an early spring break-up.

The magnitude of the lower customer pricing more than offset any cost reductions gained by Canyon from suppliers and as a result profitability was impacted in the current quarter with consolidated EBITDA before share-based payments (see Non-GAAP Measures) decreasing by 33% to $18.3 million from $27.4 million in the comparable 2014 quarter.

Pressure Pumping Services

Pressure pumping revenues in Q1 2015 were $138.2 million, unchanged from the $138.2 million earned in Q1 2014 despite the dramatic curtailment in WCSB activity levels resulting from the significant decline in commodity prices since mid-2014. WCSB drilling rig utilization decreased by about 45% in the current quarter compared to Q1 2014, and by about 22% from the activity levels recorded in Q4 2014. The reduced industry-wide activity led to immediate pressure on pricing which began in January and continued through to an early spring break-up. We estimate that Q1 2015 pricing was about 20% lower than levels reached in Q4 2014 and about 10% lower than Q1 2014 pricing levels.

Although the job count in Q1 2015 was lower at 620 compared to 890 in Q1 2014, Canyon completed larger jobs as changing well designs have resulted in increased fracturing intensity on a per well basis in the form of more fractures per wellbore and/or larger fracture designs. This allowed Canyon's equipment fleet to remain quite active in Q1 2015, until activity levels were cut short in the third week of March by an early spring break-up in contrast to Q1 2014 when Canyon remained busy into early April. One of the main predictors of service intensity for pressure pumping is the average total length in metres per well. The industry experienced an increase of about 14% in the total metres per well drilled in Q1 2015 over Q1 2014. In addition, proppant usage per stage has increased dramatically throughout 2014 with Q1 2015 total proppant volumes pumped by Canyon increasing by 30% compared to Q1 2014. Also contributing to Canyon's increasing revenue per job was the increased use of "Ottawa White" sand which is more expensive than domestic sand. In Q1 2015, Ottawa White sand volumes pumped by Canyon's customers increased by 220% and represented about 70% of total sand pumped. Therefore, Canyon's average fracturing revenue per job increased by 33% to $261,973 in Q1 2015 from $197,282 in Q1 2014 as the impact of larger job sizes more than offset pricing declines. Sequentially, average fracturing revenue per job declined by 20% in the current quarter from Q4 2014 levels mostly due to the impact of sharply reduced customer pricing.

Pressure pumping cash flow and profitability remains highly levered to changes in revenue due to the fixed cost nature of the business. Since Q4 2014, Canyon has been working with suppliers to reduce input costs but these decreases have not been sufficient to offset the impact of the 20% decline in customer prices which were effective early in the quarter. As a result, Q1 2015 EBITDA before share-based payments expense from pressure pumping was $13.8 million, or 10% of revenues, compared to $29.0 million or 21% of revenues in the comparable 2014 quarter.

Fluid Management Services

For the three months ended March 31, 2015 Fraction contributed $17.4 million in revenue and $5.5 million in EBITDA before share-based payments expense (see Non-GAAP Measures), a 35% and 66% increase respectively over the $12.9 million of revenue and $3.3 million of EBITDA recorded in Q4 2014.

As previously reported, water access restrictions were lifted in December 2014 allowing Fraction to gain larger fluid transfer and logistics projects late in Q4 2014 and this resulted in a strong start to Q1 2015. As a result, a number of large fluid transfer projects were successfully completed in the current quarter. There were also a number of lease site fluid management projects that were started and are expected to continue through the second quarter. Activity declined in the latter portion of Q1 as large jobs were completed and operations slowed down for the annual seasonal breakup period.

Tank rental revenues were strong in the first half of the quarter but were lower in the second half as pricing pressure took effect given market conditions and clients started to return tanks in preparation for breakup. In Q1 2015, rental rates for fluid transfer equipment and tanks declined by approximately 15% compared to Q4 2014.

This division has built strong relationships with our customers through demonstrated expertise and efficiency in the area of fluid management. It is expected that our customers will continue to invest in their drilling programs and require our services during the current period of sharply reduced commodity prices. The division continues to aggressively bid on available projects and further integrate fluid management services with pressure pumping services to provide customers with a comprehensive, bundled service solution.

Cost Reduction Measures

Since Q4 2014 Canyon has been working diligently to reduce all operating and input costs in both the pressure pumping and fluid management divisions including chemicals, proppants, fuel, third party hauling and labour. To date, chemical costs have been reduced by about 10 to 15%, and third party hauling rates have decreased by approximately 15% with higher reductions applicable to standby rates. The cost of both Canadian and US sourced proppants has been reduced by approximately 10%. Concessions have been received from fuel suppliers over and above the favourable impact of lower oil prices while accommodation costs have been reduced by about 10%. In the fluid management division, cost of material and hourly rates for subcontractors and temporary employees have been reduced by 10% to 15%. Canyon has reduced its permanent employee count in the pressure pumping and fluid management divisions by 22% and 15% respectively in late March to match the anticipated reduced activity levels over the remainder of the year. In addition, all remaining employees' salaries in both divisions have been rolled back between 5% and 10% with a 10% reduction of executive management salaries and directors' fees. Canyon does not view the reduction of input costs as a one-time exercise and will continue to work with suppliers and customers to gain concessions and economies in the months ahead.

Dividend

The Board of Directors (the "Board") continuously reviews the long-term capital structure of the Company and its corresponding dividend policy each fiscal quarter. At this time, the Board has decided to take a cautious stance in the context of the continuing industry uncertainty and has determined that a 50% reduction to Canyon's dividend is prudent. Effective for the July 2015 payment, Canyon's quarterly dividend will be $0.075 per common share. The reduction in the quarterly dividend payout will enable Canyon to preserve its industry leading balance sheet and provide the Company with additional financial flexibility to pursue organic growth prospects and asset acquisitions, should such attractive opportunities arise. The Board will continue to regularly review the dividend payout in the context of the market for Canyon's services.

Non-GAAP Measures

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

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

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

EBITDA before share-based payments

000's (Unaudited)	Three Months Ended March 31	
	2015	2014
(Loss) profit and comprehensive (loss) income	$(1,038)	$11,850
Add (Deduct):		
Depreciation and amortization	15,836	9,814
Finance costs	533	181
Foreign exchange loss	1,564	368
Share-based payment transactions	1,371	880
Loss on sale of property and equipment	49	10
Income tax expense	20	4,329
EBITDA before share-based payments	$18,335	$27,432

Funds from Operations

000's (Unaudited)	Three Months Ended March 31	
	2015	2014
Net cash (used in) from operating activities	$(8,853)	$2,055
Income tax paid	8,827	-
Change in non-cash working capital	16,188	24,828
Less: current tax expense	(578)	(3,017)
Funds from operations	$15,584	$23,866

Adjusted Profit (Loss) and Comprehensive Income (Loss)

000's (Unaudited)	Three Months Ended March 31	
	2015	2014
(Loss) profit and comprehensive (loss) income	$(1,038)	$11,850
Amortization expense on intangibles	1,505	13
Share-based payment transactions	1,371	880
Adjusted profit and comprehensive income	$1,838	$12,743
Adjusted per share-basic	$0.03	$0.20
Adjusted per share-diluted	$0.03	$0.19

Operating and Financial Highlights

The operating and financial highlights for the three months ended March 31, 2015 are summarized as follows:

- In Q1 2015, Canyon's pressure pumping equipment fleet was almost fully utilized serving its core group of customers, even though industry activity across the WCSB was considerably lower in the quarter in response to the dramatic decline in commodity prices. Activity was also very strong in the fluid management division as previously imposed water restrictions were lifted in December, allowing Fraction to service larger fluid transfer and logistics projects.

- As at March 31, 2015, Canyon had available bank credit facilities of $57 million as well as non-cash working capital of $23 million. Our strong balance sheet allows us to actively pursue growth opportunities.

- In Q1 2015, consolidated revenues increased by 13% to $155.6 million from $138.2 million in Q1 2014 with the increase attributable to the contribution from Fraction. Pressure pumping revenue totaled $138.2 million in Q1 2015, unchanged from the $138.2 million earned in Q1 2014 with the reduced pricing and lower job count offset by larger job sizes. In Q1 2015, Fraction contributed $17.4 million in revenue, a 35% increase over the $12.9 million of revenue recorded in Q4 2014.

- Canyon continues to work with suppliers to reduce operating and input costs in both the pressure pumping and fluid management divisions and, to date, reductions of about 10% to 15% have been realized in chemical costs, third party hauling costs, domestic proppants, fuel, accommodation and fluid management input costs. Hourly rates for subcontractors and temporary employees have also been reduced by approximately 10%. Canyon reduced its permanent employee count in the pressure pumping and fluid management divisions by 22% and 15% respectively in late March to match the anticipated reduced activity levels over the remainder of the year. In addition, all remaining employees' salaries in both divisions have been rolled back between 5% and 10% with a 10% reduction of executive management salaries and directors' fees.

- On March 19, 2015, Canyon declared a quarterly dividend of $0.15 per common share, or $10.3 million, which was paid to shareholders on April 24, 2015.

INDUSTRY COMMENTARY & 2015 OUTLOOK

To date in 2015, our customers are adjusting to the sharply lower commodity prices by reducing or deferring drilling and completions' activities as was evident in Q1 2015's industry activity levels. The dramatic deterioration of oil and natural gas prices since mid-2014 has significantly altered industry and Canyon's expectations of activity levels and job pricing for 2015. As expected, the declining activity levels have led to pricing pressure that commenced in January and averaged about 20% lower in Q1 2015 compared to Q4 2014 pricing levels. Inevitably, the immediate impact of significantly lower customer pricing has more than offset benefits gained from our cost reduction measures and further eroded margins. To soften the impact on 2015 operating margins from the lower job pricing, Canyon is continuing to implement measures to reduce our operating costs. Our suppliers have also been cooperative and have been lowering some of our cost of services, including chemicals, proppants, diesel, accommodation, nitrogen, third party trucking costs and fluid management cost of materials. In addition, Canyon and Fraction reduced their labour force by approximately 22% and 15%, respectively, and reduced compensation for all remaining employees, executive management and board members. Although the Company has very low debt levels and an industry-leading cost structure, we are not immune to what will likely be the worst year-over-year drilling and completions activity reduction this industry has experienced in decades. We believe that Canyon has never been better positioned to not only navigate through this downturn, but to also grow our market share. The key to a successful emergence from this downturn will be keeping the impact of cost saving initiatives on staff to the minimum so that our valued employees are able to stay focused on adding value for our customers and shareholders.

Despite sharply declining oilfield activity levels and pricing pressure, Canyon has actually remained relatively active in both our pressure pumping and fluid management divisions in Q1 2015. We are working closely with our customers to increase efficiencies in all of our work and particularly in our pad-based, 24 hour projects to improve value for our customers. With the recent acquisition of the fluid management business, Canyon is able to bundle fracturing and water services for the customer thereby avoiding well completion delays.

LNG driven activity levels and timing remain a big question in this industry. Although Canada is still several years away from the first LNG exports, visibility has sharpened, overall risks have been marginalized and upstream momentum has been building. The Federal Government's recent announcement to accelerate the capital cost allowance for certain LNG based expenditures combined with British Columbia's announcement detailing the proposed LNG tax structure have been viewed favourably by the energy industry. Numerous projects have been proposed, representing approximately 15 – 20 billion cubic feet per day in combined export capacity. Project approvals were granted in 2013, while site preparation and front-end engineering were initiated for some projects. We continue to anticipate a positive final investment decision announcement for a west coast of British Columba project in 2015. The timing of a meaningful ramp-up in activity remains uncertain.

As a result of our strong balance sheet and our lean cost structure, Canyon's strategy remains essentially unchanged. Our goal is to build a Canadian service provider that can succeed and grow over the long term and provide superior return on invested capital to our investors by reducing finding and development costs for our customers. In the short-term, with our strong balance sheet and prudent fiscal management, we can endure the approaching period of reduced oilfield services activity levels brought on by the recent commodity price degradation without having to make significant adjustments to how we implement our strategy.

Our strong financial position also allows us to seek out attractive investment opportunities. Canyon will actively screen, evaluate and pursue attractive oilfield acquisition opportunities that will add both long-term value on a per share basis and enhance our relative competitive position with customers. Our plan is to continue to grow Canyon's operating assets over the next five years, primarily to service Western Canada. We are actively working to cement relationships with top-tier multinational customers and build our reputation in the region's premier unconventional plays. Canyon will continue our pursuit to build a high-quality, growing service provider with a robust organization that can accommodate much higher revenue. This creates the foundation for rapidly growing revenue, operating margins and EBITDA on a per share basis.

QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS

000's except per share amounts (Unaudited)	Three Months Ended March 31	
	2015	2014
Revenues	$155,585	$138,195
Cost of services	(144,035)	(114,579)
Gross profit	11,550	23,616
Administrative expenses	(10,422)	(6,878)
Results from operating activities	1,128	16,738
Finance costs	(533)	(181)
Foreign exchange loss	(1,564)	(368)
Loss on sale of property and equipment	(49)	(10)
(Loss) profit before income tax	(1,018)	16,179
Income tax expense	(20)	(4,329)
(Loss) profit and comprehensive (loss) income	$(1,038)	$11,850
EBITDA before share-based payments(1)	$18,335	$27,432
Earnings per share:		
Basic	$(0.02)	$0.19
Diluted	$(0.02)	$0.19

Note (1): See Non-GAAP Measures.

Pressure Pumping Services

000's except per share amounts (Unaudited)	Three Months Ended March 31			
	2015		2014	
Revenues	$138,182	100.0%	$138,195	100.0%
Cost of services	(132,050)	(95.6%)	(114,579)	(82.9%)
Gross profit	6,132	4.4%	23,616	17.1%
Administrative expenses	(5,775)	(4.2%)	(4,912)	(3.6%)
Results from operating activities	357	0.3%	18,704	13.5%
Add non-cash items:				
Depreciation and amortization	12,616	9.1%	9,814	7.1%
Share-based payments expense	838	0.6%	438	0.3%
EBITDA before share-based payments(1)	$13,811	10.0%	$28,956	21.0%

Note (1): See Non-GAAP Measures.

Revenues

Pressure pumping revenues in Q1 2015 were $138.2 million, unchanged from the $138.2 million earned in Q1 2014 despite the dramatic curtailment in WCSB activity levels resulting from the significant decline in commodity prices since mid-2014. Jobs completed totaled 620 in Q1 2015, down by 30% from the 890 jobs completed in Q1 2014, while average fracturing revenue per job increased by 33% to $261,973 in Q1 2015 from $197,282 in Q1 2014 as the impact of larger job sizes offset pricing declines. The reduced industry-wide activity led to immediate pressure on pricing commencing in January which continued through to an early spring break-up. We estimate that Q1 2015 pricing was about 20% lower than levels reached in Q4 2014 and about 10% lower than Q1 2014 pricing levels. The lower pricing and lower job count in the current quarter was offset by larger job sizes to result in the pressure pumping revenue remaining flat. In the current quarter, Canyon completed larger jobs as changing well designs have resulted in increased fracturing intensity on a per well basis in the form of more fractures per wellbore and/or larger fracture designs. Also contributing to the larger average revenue per job is the growing trend by customers to use more expensive "Ottawa White" sand rather than domestic sand. In Q1 2015, Ottawa White sand volumes pumped by Canyon's customers increased by 220% and represented about 70% of total sand pumped compared to about 30% in Q1 2014.

Cost of services

Cost of services for the three months ended March 31, 2015 totaled $132,050 (2014: $114,579) and included materials, products, transportation and repair costs of $89,940 (2014: $77,724), employee benefits expense of $30,027 (2014: $27,481), and depreciation of property and equipment of $12,083 (2014: $9,374).

Materials, products, transportation and repair costs increased by 16% to $89,940 in Q1 2015 from $77,724 in Q1 2014 mainly due to the increased proppant usage and in particular due to the increase in the quantity of more expensive "Ottawa White" sands purchased by customers, as previously discussed. Employee benefits expense has increased by 9% to $30,027 in Q1 2015 from $27,481 in Q1 2014 mainly due to field staff additions throughout 2014 related to the increase in 24-hour operations. The increase in depreciation of property and equipment to $12,083 in Q1 2015 from $9,374 in Q1 2014 was mainly due to the addition of equipment to Canyon's fleet throughout 2014 and accelerated depreciation relating to the replacement of a number of pump components. In 2014, Canyon added 30,000 Hydraulic Horsepower of pumping capacity, coiled tubing equipment, transportation and logistics equipment, nitrogen and cement and acid equipment, as well as storage tanks and water transfer equipment related to the fluid management division.

Administrative expenses

Administrative expenses for the three months ended March 31, 2015 totaled $5,775 compared to $4,912 in Q1 2014 and included employee benefits expense of $3,242 (2014: $2,376) and share-based payments expense of $838 (2014: $438). The increase in employee benefits expense was mainly attributable to staff additions to the sales and technical services group in 2014. Administrative expenses also include depreciation of buildings and office equipment and amortization of intangibles of $532 (2014: $441). In addition, other administrative expenses totaled $1,163 in Q1 2015 compared to $1,657 in Q1 2014.

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

In Q1 2015, EBITDA before share-based payments (see Non-GAAP Measures) decreased by 52% to $13,811 from $28,956 in the comparable 2014 quarter. As previously discussed, lower customer pricing due to decreased industry-wide activity levels more than offset input cost reductions in the period.

Fluid Management Services

000's except per share amounts (Unaudited)	Three Months Ended March 31			
	2015		2014	
Revenues	$17,403	100.0%	$-	100.0%
Cost of services	(11,985)	(68.9%)	-	-%
Gross profit	5,418	31.1%	-	-%
Administrative expenses	(3,140)	(18.0%)	-	-%
Results from operating activities	2,278	13.1%	-	-%
Add non-cash items:				
Depreciation and amortization	3,220	18.5%	-	-%
Share-based payments expense	16	0.1%	-	-%
EBITDA before share-based payments[1]	$5,514	31.7%	$-	-%

Note (1): See Non-GAAP Measures.

Revenues

The water management services business, acquired effective July 1, 2014, contributed $17,403 of revenues to Canyon in Q1 2015. This compares to revenues of $12,876 recorded in the prior quarter. As discussed above, water access restrictions in the northern regions of the WCSB were enacted in the latter half of the third quarter and continued to impact water transfer and fluid logistics revenues during the fourth quarter until December when the restrictions were lifted. As a result, Fraction experienced increased activity levels in Q1 2015.

Cost of services

Cost of services for the three months ended March 31, 2015 totaled $11,985 and includes materials, products, transportation and repair costs of $5,765, employee benefits expense of $4,501, and depreciation of property and equipment of $1,719.

Administrative expenses

Administrative expenses for the three months ended March 31, 2015 totaled $3,140 and includes employee benefits expense, depreciation of buildings and office equipment and amortization of intangibles and other administrative expenses. Administrative expenses include $1,500 relating to the amortization of customer relationships and non-competition agreements pursuant to the acquisition of Fraction.

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

Q1 2015 EBITDA before share-based payments totaled $5,514 in the fluid management services division, or 32% of revenues. This is a 66% improvement over the $3,321 of EBITDA before share-based payments expense recorded in the prior quarter. As previously discussed, the lifting of water restrictions in December 2014 led to increased activity in the current quarter.

Corporate

000's except per share amounts (Unaudited)	Three Months Ended March 31	
	2015	2014
Revenues	$ -	$ -
Administrative expenses	(1,507)	(1,966)
Results from operating activities	(1,507)	(1,966)
Add non-cash item:		
Share-based payments expense	517	442
EBITDA before share-based payments[1]	$(990)	$(1,524)

Note (1): See Non-GAAP Measures.

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

Administrative expenses

Administrative expenses for the three months ended March 31, 2015 totaled $1,507 compared to $1,966 in Q1 2014 and include employee benefits expense, share-based payments, and other head office administrative expenses. The decrease in administrative expenses is mainly due to lower remuneration expenses.

Other Items – Quarterly Consolidated Statement of Operations

Finance costs and foreign exchange loss

Finance costs include interest on finance lease obligations and automobile loans and totaled $533 in Q1 2015 (2014: $181), with the increase attributable to the increase in loans and borrowings used to partially fund the Company's 2014 capital program. In Q1 2015 the Company recorded a foreign exchange loss of $1,564 compared to $368 in Q1 2014. The increase is due to the declining Canadian dollar versus the U.S. dollar exchange rate during the current quarter mostly in relation to the purchase of U.S. sourced proppants.

Income Tax Expense

At the expected combined income tax rate of 25%, the loss before income tax for Q1 2015 of $1,018 would have resulted in an income tax recovery $255, compared to the actual income tax expense of $20. The increase in the actual income tax expense was due to the impact of non-deductible expenses.

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

In Q1 2015, Canyon recorded consolidated EBITDA before share-based payments (see Non-GAAP Measures) of $18,335, down 33% from the comparable 2014 quarter. As previously discussed, the decreased EBITDA before share-based payments expense is due to significantly reduced customer pricing resulting from lower industry-wide activity levels more than offsetting larger job sizes and input cost reductions realized in the current quarter.

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

The aforementioned lower pricing resulted in a loss and comprehensive loss totaling $1,038 in Q1 2015 compared to profit and comprehensive income of $11,850 in Q1 2014.

Basic and diluted loss per share was $0.02 for the three months ended March 31, 2015 compared to basic and diluted earnings per share of $0.19 for the comparable 2014 quarter.

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Summary of Quarterly Results

000's except per share amounts (Unaudited) (1)		Revenues	EBITDA Before Share-Based Payments Expense(2)	Profit (Loss) and Comprehensive Income (Loss)	Basic Earnings (Loss) per Share	Diluted Earnings (Loss) per Share
2015	Q1	$155,585	$18,335	$(1,038)	$(0.02)	$(0.02)
2014	Q4	$188,265	$45,576	$22,280	$0.32	$0.32
	Q3	$204,309	$57,656	$30,227	$0.46	$0.45
	Q2	$60,253	$(9,186)	$(15,263)	$(0.23)	$(0.23)
	Q1	$138,195	$27,432	$11,850	$0.19	$0.19
2013	Q4	$104,227	$11,026	$377	$0.01	$0.01
	Q3	$81,103	$14,231	$3,908	$0.06	$0.06
	Q2	$27,429	$(13,134)	$(17,186)	$(0.28)	$(0.28)

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

Note (2): See Non-GAAP Measures.

In Q2 2013 and Q2 2014, the lower revenues, negative EBITDA before share-based payment expense and loss and comprehensive loss were negatively impacted by the seasonal weather related drilling delays caused by the annual spring break-up. In Q3 2013, EBITDA and income and comprehensive income were impacted by industry-wide pricing pressure that commenced in the second half of 2012 and which continued throughout 2013. Q4 2013 was a very active quarter supported by strong commodity prices but still at very low pricing. In Q1 2014, activity improved considerably but customer pricing continued to be challenging. In the third and fourth quarters of 2014, revenue, EBITDA and income and comprehensive income increased significantly as Canyon's equipment fleet was essentially fully utilized for most of the period, as well as the inclusion of Fraction's financial results. In Q1 2015, the dramatic decline in oil and natural gas prices since mid-2014 led to a significant decrease in industry wide activity levels and lower pricing.

LIQUIDITY AND CAPITAL RESOURCES

Funds from operations

Funds from operations (See Non-GAAP Measures) totaled $15.6 million in Q1 2015, down from $23.9 million for the comparable 2014 quarter. The decrease in funds from operations is due to significantly lower customer pricing in the quarter as industry-wide activity was dramatically reduced in response to sharply declining commodity prices, as previously discussed. The funds from operations were primarily used to finance the capital program and to fund the Company's quarterly dividend. Please refer to "Capital Expenditures" below.

Financing

(Share amounts in thousands)

Equity:
For the three months ended March 31, 2015, there were 219 common shares issued by the Company to employees and officers upon exercise of options pursuant to the Stock Option Plan and 28 incentive based units respectively pursuant to the Stock-Based Compensation Plan for aggregate proceeds of $0.6 million.

Debt:
Bank indebtedness net of cash and cash equivalents as at March 31, 2015 totals $43.3 million (December 31, 2014: $21.0 million) and comprises $40.0 million drawn on the Revolving Facility (December 31, 2014: $30.0 million), $13.7 million drawn on the Operating Facility (December 31, 2014: $11.6 million), less cash and cash equivalents of $10.4 million (December 31, 2014: $20.6 million). In addition, finance leases as at March 31, 2015 total $10.0 million (December 31, 2014: $8.9 million).

Canyon's bank credit facilities total $100 million and comprise a $20 million Operating Facility and an $80 million Revolving Facility. The Revolving Facility of $80 million now includes a $10 million accordion feature which is available upon request by the Company and subject to review and approval by the lenders.

Working Capital and Cash Requirements

As at March 31, 2015, Canyon had a working capital balance of $19.9 million compared to $21.9 million as at December 31, 2014. As at March 31, 2015, trade and other receivables decreased by $26.0 million due to Q1 2015 revenues being less than Q4 2014 revenues resulting from the lower customer pricing and activity levels, as previously discussed. Inventories decreased by $4.9 million mainly due to lower chemical and proppant levels as the Company enters the seasonal spring break-up period. The Company's working capital position and available operating credit facilities exceed the level required to manage timing differences between cash collections and cash payments.

The Company continually monitors individual customer trade receivables, taking into account numerous factors including industry conditions, payment history and financial condition in assessing credit risk. The Company establishes an allowance for doubtful accounts for specifically identifiable customer balances which are assessed to have credit risk exposure. As at March 31, 2015, accounts receivable included an allowance of $54 thousand for doubtful receivables (December 31, 2014: $41 thousand).

The Company will use its March 31, 2015 cash available of $10.4 million, funds from operations and, if required, available credit facilities to fund the completion of the 2014 capital program and to fund the balance of the 2015 capital program. Please refer to "Capital Expenditures" below.

Investments

For the three months ended March 31, 2015, capital expenditures, net of finance leases, totaled $17.6 million, including maintenance capital, storage, transportation and water transfer equipment. Please refer to "Capital Expenditures" below.

Capital Management

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

The Company also manages its capital structure to ensure compliance with the financial covenants on its credit facilities, which include a ratio of funded debt to EBITDA before share-based payments and a ratio of EBITDA before share-based payments to total debt service obligations. As of March 31, 2015, the Company is in compliance with each of the above financial covenants. The Company has $53.7 million drawn on its bank debt facilities as at March 31, 2015 (see "Financing" above), which combined with cash and cash equivalents of $10.4 million results in net bank debt of $43.3 million at period end. The Company may be required to adjust its capital structure from time to time as a result of expansion activities.

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

Contractual Obligations

As at March 31, 2015, Canyon's contractual obligations are summarized as follows:

000's (Unaudited)	Total	Next 12 months	1 - 3 years	4 - 5 years	After 5 years
Trade and other payables	$82,327	$82,327	$-	$-	$-
Loans and borrowings	63,778	16,840	46,938	-	-
Dividend payable	10,328	10,328	-	-	-
Operating leases and office space	6,292	2,083	3,673	536	-
Capital expenditure commitments	3,313	3,313	-	-	-
Total contractual obligations	$166,038	$114,891	$50,611	$536	$-

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

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

Capital Expenditures

In the three months ended March 31, 2015, Canyon incurred capital expenditures of $17.6 million including $10.7 million for maintenance capital and $6.9 million for nitrogen storage, transportation and water transfer equipment, and other miscellaneous support equipment. Canyon's total capital expenditures for 2015 have been revised to an estimated $25.6 million, and have been increased from the previously announced $20 million estimate due to growth opportunities in the fluid management division and an increased inventory of fluid ends. Canyon's capital expenditures for the remainder of 2015 are estimated at $8.6 million and will be funded from existing cash, funds from operations (see Non-GAAP Measures), and, if required, available bank credit facilities.

Outstanding Share, Option and Incentive Based Unit Data

The following table summarizes Canyon's capitalization as follows:

000's (Unaudited)	April 30, 2015	March 31, 2015	December 31, 2014
Common Shares	68,855	68,851	68,604
Options	4,409	4,439	3,671
Incentive Based Units	1,341	1,350	497

In the three months ended March 31, 2015, 1,033 stock options were granted to directors, officers and employees at an average exercise price of $7.15 per option, 219 stock options were exercised by directors, officers and employees and 46 stock options were forfeited. In the three months ended March 31, 2015, 886 incentive based units were granted to directors, officers and employees, 28 were exercised and 5 were forfeited.

FINANCIAL INSTRUMENTS

Fair Values

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

Interest Rate Risk

The Company manages its interest rate risk on borrowings by utilizing a combination of short-term fixed rates through the use of 30 to 90 day Banker's Acceptance rates and floating rates on debt. For the period ended March 31, 2015, the loans and borrowings, comprising equipment leases and automobile loans, were at fixed rates.

Foreign Currency Risk

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at March 31, 2015, other than the operating leases described above under "Contractual Obligations".

ACCOUNTING POLICIES AND ESTIMATES

The Company's IFRS accounting policies are provided in Note 3 to the Consolidated Financial Statements as at and for the years ended December 31, 2014 and 2013.

Critical Accounting Estimates and Judgments

In the preparation of the Company's consolidated financial statements, management has made estimates that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Actual results could differ from these estimates. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the consolidated financial statements are prepared. Please refer to the Note 3 to the consolidated financial statements for the year ended December 31, 2014 for a description of the accounting policies of the Company. The Company considers the following to be the significant accounting policies and practices involving the use of estimates and judgments that are critical to determining Canyon's financial results.

Key Sources of Estimation Uncertainty

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

Revenue Recognition

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

Estimates of Collectability of Accounts Receivable

The Company's management regularly reviews outstanding accounts receivable and follows up with customers when settlement has not occurred on a timely basis. A provision for doubtful accounts of $54 thousand has been established as at March 31, 2015 (December 31, 2014 - $41 thousand) based on management's assessment of the Company's accounts receivable collection history. This assessment of collectability involves significant judgment and frequently involves material dollar amounts. As such, the Company's operating results could be affected if bad debts in excess of the allowance are actually experienced.

Depreciation of Property and Equipment

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

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

Management believes that its assessment and choice of estimates used in calculating depreciation are reasonable; however there is no certainty that the depreciation expense provided will correctly measure the actual reduction in value of asset components used in operations over time. Please refer to Note 10 to the consolidated financial statements for the years ended December 31, 2014 and 2013.

Non-Financial Assets

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

Every reporting period, management assesses the carrying value of non-financial assets for indications of impairment. When an indication of impairment is present, an impairment test is performed and if required, the asset is written down to its estimated recoverable amount. No indications of impairment existed in the quarter ended March 31, 2015. As at December 31, 2014, an impairment test was performed and no impairment was recognized.

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

Provisions and Contingencies

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

Share-Based Payments

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

Critical Judgments in Applying Accounting Policies

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

Non-Financial Assets

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

Provisions and Contingencies

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

RISK FACTORS AND RISK MANAGEMENT

Readers of the Company's interim report should carefully consider the risks described under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2014. In addition, readers should also consider the following principal risks.

Industry Conditions

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

Seasonality

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

Intangible Property

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

Competition

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

Reliance on Personnel

The success of the Company is dependent on attracting and retaining skilled personnel. Any loss of key personnel could adversely affect the Company's business.

Access to Equipment, Parts, Development of New Technology

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

Credit Risk

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

Interest Rate Risk

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

Dependence on Suppliers

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

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

Dependence on Major Customers

The Company has a customer base of more than 60 exploration and production entities, ranging from large multinational public entities to small private companies. Notwithstanding the Company's significant customer base, five customers accounted for 56% of the Company's accounts receivable as at March 31, 2015, and 54% of the Company's revenue for the three months ended March 31, 2015. The Company has historically had a stable relationship with these customers and has no reason to believe there will be any change to these relationships in the future. The Company continuously makes efforts to expand its customer base.

Vulnerability to Market Changes

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

Government Regulation

The Company's operations are subject to a variety of Canadian federal, provincial and local laws, regulations and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment and the manufacture, management, transportation, storage and disposal of certain materials used in the Company's operations. Management believes that the Company is in compliance with such laws, regulations and guidelines.

Environmental Liability

The Company is subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Company's operations. The Company has established procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Internal Controls over Financial Reporting

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

No material changes in the Company's internal controls over financial reporting were identified during the period beginning on January 1, 2015 and ended on March 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in Canyon's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

FORWARD-LOOKING STATEMENTS

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

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

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

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