Management's Discussion and Analysis

SIX MONTHS ENDED JUNE 30, 2015

This management discussion and analysis ("MD&A") is dated July 30, 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 and six months ending June 30, 2015 and June 30, 2014 as well as the annual financial statements and MD&A of the Company as at and for the years ending December 31, 2014 and 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 SECOND QUARTER 2015

000's except per share, job amounts and hydraulic pumping capacity (Unaudited)	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	2013	2015	2014	2013
Consolidated revenues	$43,159	$60,253	$27,431	$198,744	$198,448	$114,318
Loss and comprehensive loss	$(21,857)	$(15,263)	$(17,186)	$(22,939)	$(3,413)	$(8,659)
Per share-basic	$(0.32)	$(0.24)	$(0.28)	$(0.33)	$(0.05)	$(0.14)
Per share-diluted	$(0.32)	$(0.24)	$(0.28)	$(0.33)	$(0.05)	$(0.14)
EBITDA before share-based payments[1]	$(9,754)	$(9,186)	$(13,134)	$8,581	$18,246	$7,230
Funds from (used in) operations[1]	$(4,504)	$(4,071)	$(11,822)	$11,082	$19,795	$6,826
Adjusted loss and comprehensive loss [1]	$(18,881)	$(14,244)	$(15,555)	$(17,087)	$(1,501)	$(6,488)
Adjusted per share-basic [1]	$(0.27)	$(0.23)	$(0.25)	$(0.25)	$(0.02)	$(0.10)
Adjusted per share-diluted [1]	$(0.27)	$(0.23)	$(0.25)	$(0.25)	$(0.02)	$(0.10)
Total pressure pumping jobs completed [2]	283	347	151	903	1,237	621
Consolidated pressure pumping revenue per job	$131,585	$178,028	$181,979	$195,149	$161,333	$184,389
Average fracturing revenue per job	$232,569	$275,423	$320,769	$255,162	$214,580	$261,204
Hydraulic Pumping Capacity:						
Average HHP	255,500	245,500	225,500	255,500	238,000	225,500
Exit HHP	255,500	245,500	225,500	255,500	245,500	225,500
Capital expenditures	$6,053	$18,589	$2,310	$23,671	$31,871	$5,811

000's except per share amounts (Unaudited)	As at June 30, 2015	As at December 31, 2014	As at December 31, 2013
Cash and cash equivalents	$7,514	$20,613	$21,308
Working capital	$3,560	$21,880	$41,730
Total long-term financial liabilities	$46,231	$36,193	$3,096
Total assets	$534,369	$638,770	$402,707
Cash dividends declared per share	$0.225	$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 three and six months ending June 30, 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 Q2 2015, industry activity across the Western Canadian Sedimentary Basin ("WCSB") was significantly lower due to continuing low commodity prices. Current oil and natural gas prices have declined dramatically by about 50% and 40% respectively from year-ago levels, causing reduced capital expenditures by our customers, resulting in lower completions activity. In pressure pumping, the lower industry activity led to rapidly deteriorating customer pricing levels commencing in January 2015 and resulted in current pricing levels 25% to 30% lower than those reached in Q4 2014. In fluid management, prices have declined for this range of services by 15% to 30% compared to Q4 2014.

Once activity resumed in June following the extended spring break-up, Canyon was able to remain relatively busy with its core group of customers in both its pressure pumping and fluid management divisions. In Q2 2015, consolidated revenues decreased by 28% to $43.2 million from $60.3 million in Q2 2014, with the current quarter including a revenue contribution of $6.6 million from fluid management. For the six months ended June 30, 2015, consolidated revenues were $198.7 million, including revenue of $24.0 million from fluid management, virtually unchanged from consolidated revenues of $198.4 million in the prior year.

In the current quarter, the impact of the reduced activity and lower customer pricing was mostly offset by reductions and efficiencies gained in operating and input costs and by a positive contribution from the fluid management division. As a result, Q2 2015 consolidated EBITDA before share-based payments (see Non-GAAP Measures) decreased by 6% to negative $9.8 million from negative $9.2 million in the comparable 2014 quarter. For the six months ended June 30, 2015, consolidated EBITDA before share-based payments (see Non-GAAP Measures) decreased to $8.6 million from $18.2 million in the comparable 2014 period as severe pricing degradation set in early in the year due to lower industry-wide activity while cost efficiencies and savings did not take effect until the second quarter.

Pressure Pumping Services

In the first six months of 2015, drilling and completions activity levels are down approximately 50% (source: Nickles Energy Group) due to the sharp reduction of oil and natural gas prices. Canyon has been able to grow its market share in the face of difficult industry activity and pricing levels and thereby maintain fairly flat revenue year over year even though prices have declined by 25% – 30% since late 2014.

In 2015, the lower overall WCSB activity and a late post break-up start by Canyon's core customers resulted in an 18% decrease in Q2 2015 pressure pumping jobs to 283 from 347 jobs completed in Q2 2014. Revenues decreased by 39% to $36.6 million from $60.3 million in Q2 2014. Average fracturing revenue per job decreased 16% to $232,569 in Q2 2015 from $275,423 in Q2 2014 due primarily to lower pricing.

For the six months ended June 30, 2015, Canyon completed 903 jobs, a 27% decrease from 1,237 jobs completed in the comparable 2014 period, while revenues decreased 12% to $174.7 million for the current six month period from $198.4 million in the same period last year. Although pricing was lower, average fracturing revenue per job increased 19% to $255,162 in the current period from $214,580 in the six months ended June 30, 2014 due to larger job sizes.

Importantly, in the first half of 2015, the completion of larger jobs partially offset the impact of reduced activity and lower pricing. Specifically, 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. 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 15% in the total metres per well drilled (source: Nickels Energy Group) in the six months ended June 30, 2015 over the comparable 2014 period. In addition, proppant usage per stage increased dramatically throughout 2014 and has led to 2015 year to date total proppant volumes pumped per fracturing job by Canyon increasing by 60% compared to the comparable 2014 period. Also contributing to Canyon's increasing fracturing revenue per job was the increased use of "Ottawa White" sand which is typically sold at higher prices than domestic sand. In the six months ended June 30, 2015, average Ottawa White sand volumes pumped per fracturing job by Canyon's customers increased by 168% and represented approximately 70% of total sand pumped.

Pressure pumping cash flow and profitability remains highly levered to changes in activity and pricing due to the fixed cost nature of the business. Since Q4 2014, Canyon has been working with suppliers to reduce both variable and fixed input costs, including proppants, chemicals, third-party hauling, fuel, accommodation and labour. These cost reduction efforts have succeeded in partially offsetting the impact of significantly lower customer pricing and reduced activity. As a result, Q2 2015 EBITDA before share-based payments expense for the pressure pumping segment was negative $10.4 million, compared to negative $7.9 million in Q2 2014 although revenues have declined by 39% to $36.6 million. For the six months ended June 30, 2015, EBITDA before share-based payments expense was $3.4 million compared to $21.1 million for the prior year six-month period. The decrease in EBITDA before share-based payments expense in the current six month period is due to sharply lower customer activity and pricing levels taking effect as early as January, while cost reductions, especially pertaining to labour, could not be implemented until the second quarter.

Fluid Management Services

For the three and six months ended June 30, 2015 Fraction contributed $6.6 million and $24.0 million, respectively, in revenue and $1.5 million and $7.0 million, respectively, in EBITDA before share-based payments expense (see Non-GAAP Measures).

Industry conditions including lower completion activity, decreased pricing and the seasonal spring break-up impacted Q2 2015 revenues and profitability in this division. This year's break-up was longer than expected with the prolonged road bans preventing the Company from accessing customer sites in order to provide services. As a result, a number of fluid management projects were pushed into Q3 2015. In addition, depending on the type of service, customer pricing was 15% - 30% lower than peak levels experienced in 2014 which further reduced revenue and EBITDA before share-based payments.

During the quarter, Fraction worked on 67 fluid transfer and fluid containment projects, of which 62 were completed and five are continuing into Q3 2015. The job mix was largely skewed toward lease site fluid management and fluid containment projects as road bans prevented the Company from mobilizing equipment to site for large scale fluid transfer projects that the Company was awarded. These fluid transfer projects were pushed into Q3 2015.

Tank rental revenues in Q2 2015 were also lower than Q1 2015. For the quarter, utilization averaged 38% compared to 58% for Q1 2015. The utilization rates for Q2 2015 are consistent with historical trends and not unexpected as customers return storage tanks just before the start of spring break-up and begin to rent them again just before the end of break-up. As a result, utilization rates tend to decrease in March and pick back up towards the end of June.

Cost Reduction Measures

To mitigate the significant decreases in industry pricing, 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, accommodations and labour. To date, chemical costs have been reduced by about 15%, and third party hauling rates have decreased by approximately 30%. The cost of both Canadian and US sourced proppants has been reduced by approximately 10% net of exchange rate fluctuations. Minor concessions have been received from fuel suppliers due to lower oil prices and accommodation costs have been reduced by about 15%. As previously reported, 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 were 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 is continuing to work with suppliers and customers to gain concessions and economies. More importantly, we are making changes to permanently reorganize and transform certain business processes with the goal of moving away from the fixed cost model for certain groups within our Company to a variable pay model in which expenses are more closely linked to revenue. The pressure pumping industry has historically experienced significant volatility of cash flows due to the fact that approximately 75% of Canyon's fixed operating costs are salaried field positions. This lack of flexibility in our cost structure causes cash flow losses during low activity periods. Any changes we can make to move towards a variable cost structure will aid in reducing cash flow volatility during periods of low activity levels. For example, in the third quarter, Canyon will introduce an hourly rate for the transportation group to more closely match the compensation structure of the trucking industry.

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. In May 2015, the Board determined that a 50% reduction to Canyon's dividend was prudent in the context of the continuing industry uncertainty. Therefore, effective for the July 2015 payment, Canyon's quarterly dividend was reduced to $0.075 per common share providing estimated annualized cash savings of $20.6 million. The reduction in the quarterly dividend payout will enable Canyon to preserve its strong 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 Condensed Consolidated Interim 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, and 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), the following measures are useful to help assess the results of the Company.

Adjusted EBITDA before share-based payments

Canyon calculates EBITDA before share-based payments as profit (loss) and comprehensive income (loss) for the period adjusted for depreciation and amortization, equity settled share-based payment transactions, gain or loss on sale of property and equipment, finance costs, foreign exchange (gain) loss and income tax expense (recovery).

EBITDA before share-based payments is a useful supplemental measure as it provides an indication of the cash results generated by the Company's principal business activities prior to consideration of how those activities are financed and how the results are taxed.

Funds from operations

Funds from operations refers to cash flow from operations before changes in non-cash working capital and taxes.

Funds from operations is a measure of liquidity based on cash generated by the Company's activities without consideration of the timing of the monetization of non-cash working capital items or payment of taxes. Management believes that funds from operations provides investors with an indication of cash available for capital commitments, debt repayments, payment of taxes, and other expenditures.

Adjusted profit (loss) and comprehensive income (loss)

Adjusted profit (loss) and comprehensive income (loss) is calculated as profit (loss) and comprehensive income (loss) plus amortization expense on intangibles and share-based payment transactions. This provides investors with results generated by the Company's business activities in the normal course of business, not taking into account share-based payments expense, one-time items or amortization of intangibles which are not reflective of operational activity. Amounts per share are calculated using weighted average shares outstanding, consistent with the calculation of earnings (loss) per share.

Readers should be cautioned, however, that that the above metrics should not be construed as an alternative to profit (loss) and comprehensive income (loss) determined in accordance with IFRS as an indicator of the Company's performance. Canyon's method of calculating these metrics may differ from other companies and accordingly, they may not be comparable to measures used by other companies.

Reconciliations of these Non-GAAP Measures to the most directly comparable IFRS measures are outlined below.

Adjusted EBITDA before share-based payments

000's (Unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Loss and comprehensive loss	$(21,857)	$(15,263)	$(22,939)	$(3,413)
Add (Deduct):				
Depreciation and amortization	14,339	9,892	30,175	19,706
Finance costs	854	70	1,387	251
Foreign exchange (gain) loss	(274)	(100)	1,290	268
Share-based payment transactions	1,471	1,006	2,842	1,886
Gain on sale of property and equipment	(199)	(26)	(150)	(16)
Income tax recovery	(4,088)	(4,765)	(4,024)	(436)
EBITDA before share-based payments	$(9,754)	$(9,186)	$8,581	$18,246

Funds from Operations

000's (Unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Net cash from operating activities	$8,878	$8,934	$32	$10,989
Add (Deduct):				
Income tax paid (received)	(17)	-	8,808	-
Change in non-cash working capital related to operating activities	(19,160)	(18,090)	(2,976)	6,738
Current tax recovery	5,795	5,085	5,218	2,068
Funds from operations	$(4,504)	$(4,071)	$11,082	$19,795

Adjusted Loss and Comprehensive Loss

000's (Unaudited)	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Loss and comprehensive loss	$(21,857)	$(15,263)	$(22,939)	$(3,413)
Amortization expense on intangibles	1,505	13	3,010	26
Share-based payment transactions	1,471	1,006	2,842	1,886
Adjusted loss and comprehensive loss	$(18,881)	$(14,244)	$(17,087)	$(1,501)
Adjusted per share-basic	$(0.27)	$(0.23)	$(0.25)	$(0.02)
Adjusted per share-diluted	$(0.27)	$(0.23)	$(0.25)	$(0.02)

Operating and Financial Highlights

The operating and financial highlights for the three and six months ended June 30, 2015 are summarized as follows:

- On July 21, 2015, Canyon entered into a new credit facility, replacing its previous credit facility, by entering into a new extendible revolving operating credit facility (the "Facility") with a syndicate of financial institutions (the "Lenders"). Under the Facility, the total committed facilities have been increased from $90 million to $100 million and the accordion feature has been increased from $10 million to $50 million. The accordion feature is available upon request by Canyon, subject to review and approval by the Lenders. The Facility has a term of three years, extendible annually and includes the removal of the debt to EBITDA covenant for a period of one year.

- Under the Facility, Canyon now has available bank credit facilities of about $101 million, including the accordion feature (total of $150 million less $49 million drawn net of cash and cash equivalents as at June 30, 2015), allowing the Company to actively pursue growth opportunities. Canyon maintains a strong balance sheet with a very low funded debt to EBITDA before share-based payments expense ratio of 0.53:1.00 as at June 30, 2015, significantly below the maximum of 3.00:1.00 permitted under Canyon's previous credit facility.

- For the six months ended June 30, 2015, consolidated revenue was $198.7 million, largely unchanged from the $198.4 million earned in the comparable 2014 period. The current period includes $24.0 million contributed by Fraction, acquired by Canyon July 1, 2014. Consolidated EBITDA before share-based expense decreased to $8.6 million for the six months ended June 30, 2015 from $18.2 million in the 2014 period due to industry-wide reduced activity and decreased pricing.

- Q2 2015 consolidated revenues totaled $43.2 million, down from $60.3 million in Q2 2014 due to industry-wide reduced activity resulting from the significant decline in commodity prices since mid-2014, as well as an extended seasonal spring break-up. To mitigate the impact of reduced activity and decreased pricing, operating and input cost concessions have been realized resulting in consolidated EBITDA before share-based payments expense of negative $9.8 million in Q2 2015 compared to negative $9.2 million in Q2 2014.

- Canyon has been working diligently since late 2014 to reduce all operating and input costs in both the pressure pumping and fluid management divisions. In addition, Canyon is making changes to permanently reorganize and transform certain business processes with the goal of moving away from the fixed cost model for certain groups within the Company to a variable pay model in which expenses are more closely linked to revenue. In the third quarter, Canyon will introduce an hourly rate of pay for the transportation group, replacing the existing fixed salary structure for this group.

- On June 24, 2015, Canyon declared a quarterly dividend of $0.075 per common share, or $5.2 million, which was paid to shareholders on July 24, 2015. This reflects the 50% reduction in the dividend announced on May 5, 2015. The Board will continue to regularly review the dividend payout in the context of the market for Canyon's services.

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 during the first six months of 2015. The dramatic deterioration of oil and natural gas prices since mid-2014 has significantly altered industry expectations of activity levels and job pricing at least for the remainder of 2015. As expected, the declining activity levels have led to pricing pressure that commenced in January and has reached the current level that is about 25% to 30% lower than Q4 2014 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 its operating costs. Our suppliers have also been cooperative and have been lowering some of our costs of services, including chemicals, proppants, diesel, accommodations, nitrogen, third party trucking costs and fluid management costs. 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. We are also reorganizing and transforming the fixed cost model for certain groups of the labour force towards a variable cost model to better match expenses to revenue. In the third quarter, Canyon will introduce an hourly rate of pay for a specific number of field employees replacing the existing fixed salary model for this group. Although the Company has very low debt levels and a reduced cost structure, we are not immune to what has been the worst year-over-year drilling and completions activity reduction this industry has experienced in decades. We believe that Canyon is better positioned than our competitors 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 been relatively active in both our pressure pumping and fluid management divisions since mid-June when our customers resumed activity after a lengthy seasonal spring break-up. 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 acquisition of the fluid management business, Canyon is able to bundle fracturing and fluid services for the customer thereby avoiding well completion delays, providing more efficient operations for the customer.

LNG driven activity levels and timing remain a big question in the 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 (source: Canadian Association of Petroleum Producers). 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 reduced 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 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 to build a high-quality, growing service provider and a robust organization that can accommodate much higher activity levels. This creates the foundation for rapidly growing revenue, operating margins and EBITDA before share-based payments expense on a per share basis.

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QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS

000's except per share amounts (Unaudited)	Three Months Ended June 30	
	2015	2014
Revenue	$43,159	$60,253
Cost of services	(59,829)	(73,313)
Gross loss	(16,670)	(13,060)
Administrative expenses	(7,389)	(7,011)
Amortization expense	(1,505)	(13)
Results from operating activities	(25,564)	(20,084)
Finance costs	(854)	(70)
Foreign exchange gain	274	100
Gain on sale of property and equipment	199	26
Loss before income tax	(25,945)	(20,028)
Income tax recovery	4,088	4,765
Loss and comprehensive loss	$(21,857)	$(15,263)
EBITDA before share-based payments(1)	$(9,754)	$(9,186)
Loss per share:		
Basic	$(0.32)	$(0.24)
Diluted	$(0.32)	$(0.24)

Note (1): See Non-GAAP Measures

Pressure Pumping Services:

000's except per share amounts (Unaudited)	Three Months Ended June 30			
	2015		2014	
Revenue	$36,560	100%	$60,253	100%
Cost of services	(54,178)	(148%)	(73,313)	(122%)
Gross loss	(17,618)	(48%)	(13,060)	(22%)
Administrative expenses	(4,617)	(13%)	(5,348)	(9%)
Amortization expense	(5)	(0%)	(13)	(0%)
Results from operating activities	(22,240)	(60%)	(18,421)	(31%)
Add non-cash items:				
Depreciation and amortization	10,974	30%	9,892	16%
Share-based payments expense	851	2%	664	1%
EBITDA before share-based payments(1)	$(10,415)	(28%)	$(7,865)	(13%)

Note (1): See Non-GAAP Measures.

Revenue

The lower WCSB activity together with a longer than expected spring break-up resulted in an 18% decrease in Q2 2015 pressure pumping jobs to 283 from 347 jobs completed in Q2 2014. In addition, the reduced industry activity has led to sharply lower customer pricing which we estimate at about 25% to 30% lower than Q4 2014 levels. As a result, pressure pumping revenues decreased by 39% to $36.6 million from $60.3 million in Q2 2014. With fracturing revenues accounting for over 90% of total pressure pumping revenues, average fracturing revenue per job decreased 16% to $232,569 in Q2 2015 from $275,423 in Q2 2014 due to job mix and lower pricing.

Cost of services

Cost of services for the three months ended June 30, 2015 totaled $54.2 million (2014: $73.3 million) and included materials, products, transportation and repair costs of $29.0 million (2014: $45.4 million), employee benefits expense of $14.2 million (2014: $18.5 million), and depreciation of property and equipment of $11.0 million (2014: $9.4 million).

- Materials, products, transportation and repair costs decreased by 36% in Q2 2015 when compared to Q2 2014 mainly due to lower activity and input cost reductions, as previously discussed.
- Employee benefits expense has decreased by 21% Q2 2015 due to a reduction in the permanent employee count and a company-wide wage rollback as a result of decreased activity.
- The increase in depreciation of property and equipment to $11.0 million in Q2 2015 from $9.4 million in Q2 2014 was mainly due to the addition of equipment to Canyon's fleet throughout 2014 particularly in the second half of the year. In 2014, Canyon added 30,000 Hydraulic Horsepower of pumping capacity, coiled tubing equipment, transportation and logistics equipment, nitrogen and cement and acid equipment.

Administrative expenses

Administrative expenses for the three months ended June 30, 2015 totaled $4.6 million (2014: $5.3 million) and included employee benefits expense of $1.8 million (2014: $2.6 million), share-based payments expense of $0.9 million (2014: $0.7 million) and other administrative expenses of $1.3 million (2014: $1.6 million).

The decrease in employee benefits expense was mainly attributable to the wage and benefits rollbacks and reduced headcount, as previously discussed. The decrease in other administrative expenses is mainly the result of lower professional, consulting and travel costs. Administrative expenses also include depreciation of buildings and office equipment and amortization of intangibles of $0.6 million (2014: $0.5 million).

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

In Q2 2015, EBITDA before share-based payments expense (see Non-GAAP Measures) decreased by 32% to negative $10.4 million from negative $7.9 million in the comparable 2014 quarter. As previously discussed lower customer pricing due to decreased industry-wide activity levels and a longer than expected spring break-up led to the decrease.

Fluid Management Services:

000's except per share amounts (Unaudited)	Three Months Ended June 30			
	2015		2014	
Revenue	$6,599	100%	$-	-%
Cost of services	(5,651)	(86%)	-	-%
Gross profit	948	14%	-	-%
Administrative expenses	(1,373)	(21%)	-	-%
Amortization expense	(1,500)	(23%)	-	-%
Results from operating activities	(1,925)	(29%)	-	-%
Add non-cash items:				
Depreciation and amortization	3,365	51%	-	-%
Share-based payments expense	84	1%	-	-%
EBITDA before share-based payments(1)	$1,524	23%	$-	-%

Note (1): See Non-GAAP Measures.

Revenue

The fluid management services business, acquired July 1, 2014, contributed $6.6 million of revenue to Canyon in Q2 2015. This is lower than the prior quarter revenues of $17.4 million due to annual spring break-up conditions and lower industry-wide activity.

Cost of services

Cost of services for the three months ended June 30, 2015 totaled $5.7 million and includes materials, products, transportation and repair costs of $2.1 million, employee benefits expense of $1.7 million, and depreciation of property and equipment of $1.9 million.

Administrative expenses

Administrative expenses for the three months ended June 30, 2015 totaled $1.4 million and includes employee benefits expense, depreciation of buildings and office equipment and amortization of intangibles and other administrative expenses. The amortization expense of $1.5 million relates 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)

Q2 2015 EBITDA before share-based payments (see Non-GAAP Measures) totaled $1.5 million, or 23% of revenue.

Corporate:

000's except per share amounts (Unaudited)	Three Months Ended June 30	
	2015	2014
Revenue	$ -	$ -
Administrative expenses	(1,399)	(1,663)
Results from operating activities	(1,399)	(1,663)
Add non-cash item:		
Share-based payments expense	536	342
EBITDA before share-based payments(1)	$(863)	$(1,321)

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 June 30, 2015 totaled $1.4 million compared to $1.7 million in Q2 2014 and include employee benefits expense, share-based payments, and other head office administrative expenses. The decrease in administrative expenses is mainly due to wage rollbacks implemented effective April 1, 2015, as previously discussed.

Other Items – Quarterly Consolidated Statement of Operations:

Finance costs and foreign exchange gain

Finance costs include interest on loans, finance lease obligations and automobile loans and totaled $0.9 million in Q2 2015 (2014: $0.1 million), with the increase mainly attributable to the increase in loans and borrowings used to partially fund the Company's capital program in the second half of 2014 and in 2015.

In Q2 2015 the Company recorded a foreign exchange gain of $0.3 million compared to $0.1 million in Q2 2014. The increase is due to fluctuations in the Canadian dollar versus the U.S. dollar exchange rate in relation to the purchase of U.S. sourced proppants.

Income tax recovery

At the expected combined income tax rate of 26%, the loss before income tax for Q2 2015 of $25.9 million would have resulted in an income tax recovery of $6.7 million, compared to the actual income tax recovery of $4.1 million. The decrease in the actual income tax recovery was due to the impact of non-deductible expenses as well as an increase in the corporate income tax rate in Alberta.

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

In Q2 2015, Canyon recorded consolidated EBITDA before share-based payments (see Non-GAAP Measures) of negative $9.8 million, down 6% from $9.2 million recorded in the comparable 2014 quarter. As previously discussed, the reductions and savings achieved in input and operating costs combined with a contribution of $1.5 million in EBITDA before share-based payments expense from the fluid management division largely offset the impact of lower activity and pricing on revenues in the quarter.

Loss and comprehensive loss and loss per share

Loss and comprehensive loss increased to $21.9 million in Q2 2015 from a loss and comprehensive loss of $15.3 million in Q2 2014 mainly due to the aforementioned lower pricing, reduced industry-wide activity, higher depreciation charges related to capital additions in the second half of 2014 and amortization expense related to intangible assets arising pursuant to the acquisition of Fraction.

Basic and diluted loss per share was $0.32 for the three months ended June 30, 2015 compared to basic and diluted loss per share of $0.24 for the comparable 2014 quarter.

SIX MONTHS ENDED JUNE 30, 2015 CONSOLIDATED STATEMENTS OF OPERATIONS

000's except per share amounts (Unaudited)	Six Months Ended June 30	
	2015	2014
Revenue	$198,744	$198,448
Cost of services	(203,864)	(187,892)
Gross (loss) profit	(5,120)	10,556
Administrative expenses	(16,306)	(13,876)
Amortization expense	(3,010)	(26)
Results from operating activities	(24,436)	(3,346)
Finance costs	(1,387)	(251)
Foreign exchange loss	(1,290)	(268)
Gain on sale of property and equipment	150	16
Loss before income tax	(26,963)	(3,849)
Income tax recovery	4,024	436
Loss and comprehensive loss	$(22,939)	$(3,413)
EBITDA before share-based payments(1)	$8,581	$18,246
Loss per share:		
Basic	$(0.33)	$(0.05)
Diluted	$(0.33)	$(0.05)

Note (1): See Non-GAAP Measures

Pressure Pumping Services:

000's except per share amounts (Unaudited)	Six Months Ended June 30			
	2015		2014	
Revenue	$174,742	100%	$198,448	100%
Cost of services	(186,228)	(107%)	(187,892)	(95%)
Gross (loss) profit	(11,486)	(7%)	10,556	5%
Administrative expenses	(10,384)	(6%)	(10,247)	(5%)
Amortization expense	(10)	(0%)	(26)	(0%)
Results from operating activities	(21,880)	(13%)	283	0%
Add non-cash items:				
Depreciation and amortization	23,589	14%	19,706	10%
Share-based payments expense	1,689	1%	1,102	1%
EBITDA before share-based payments[1]	$3,398	2%	$21,091	11%

Note (1): See Non-GAAP Measures.

Revenue

Pressure pumping revenues for the six months ended June 30, 2015 decreased by 12% to $174.7 million compared to $198.4 million earned in the six months ended June 30, 2014. Jobs completed decreased by 27% to 903 for the six months ended June 30, 2015 from 1,237 jobs completed in the prior year comparable period. The percentage decrease in revenues did not match the percentage decrease in the job count due to Canyon completing larger jobs as previously discussed. This is evident in the average fracturing revenue per job which increased by 19% to $255,162 in the six months ended June 30, 2015 from $214,580 in the six months ended June 30, 2014, as job sizes more than offset the impact of lower pricing.

Cost of services

Cost of services for the three months ended June 30, 2015 totaled $186.2 million (2014: $187.9 million) and included materials, products, transportation and repair costs of $120.0 million (2014: $124.0 million), employee benefits expense of $43.7 million (2014: $45.1 million), and depreciation of property and equipment of $22.5 million (2014: $18.8 million).

Materials, products, transportation and repair costs decreased by 3% for the six months ended June 30, 2015 compared to the six months ended June 30, 2014. These costs did not decrease in line with revenues mainly due to larger job sizes and the increase in the usage of more expensive "Ottawa White" sands by customers as previously discussed.

Employee benefits expense has decreased by 3% for the six months ended June 30, 2015 in comparison to the six months ended June 30, 2014. In 2014 staff levels increased over the second half of the year to handle the increase in 24 hour operations and higher activity. These higher staff levels were maintained through to the end of Q1 2015 as Canyon was busy to mid-March. Q2 2015 employee benefits expense decreased by 21% compared to Q2 2014 as the aforementioned staff reductions were implemented at the end of March.

The increase in depreciation of property and equipment for the six months ended June 30, 2015 in comparison to the six months ended June 30, 2014 is due to the addition of equipment to Canyon's fleet particularly in the second half of 2014 and accelerated depreciation relating to the replacement of a number of pump components. This was partially offset by a change in the expected useful life of coiled tubing, nitrogen and cementing equipment which reduced the depreciation expense of these assets.

Administrative expenses

Administrative expenses for the six months ended June 30, 2015 totaled $10.4 million compared to $10.2 million for the six months ended June 30, 2014 and included employee benefits expense of $4.8 million (2014: $5.0 million) and share-based payments expense of $1.7 million (2014: $1.1 million). The decrease in employee benefits expense was mainly attributable to wage and benefits rollbacks implemented at the beginning of Q2 2015.

Administrative expenses also include depreciation of buildings and office equipment and amortization of intangibles of $1.1 million (2014: $0.9 million). In addition, other administrative expenses totaled $2.8 million for the six months ended June 30, 2015 compared to $3.2 million for the six months ended June 30, 2014.

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

For the six months ended June 30, 2015, EBITDA before share-based payments (see Non-GAAP Measures) decreased by 84% to $3.4 million from $21.1 million in the comparable 2014 period. 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)	Six Months Ended June 30			
	2015		2014	
Revenue	$24,002	100%	$-	-%
Cost of services	(17,636)	(73%)	-	-%
Gross profit	6,366	27%	-	-%
Administrative expenses	(3,015)	(13%)	-	-%
Amortization expense	(3,000)	(12%)	-	-%
Results from operating activities	351	2%	-	-%
Add non-cash items:				
Depreciation and amortization	6,586	27%	-	-%
Share-based payments expense	101	0%	-	-%
EBITDA before share-based payments[1]	$7,038	29%	$-	-%

Note (1): See Non-GAAP Measures.

Revenue

The fluid management services business contributed $24.0 million of revenues to Canyon for the six months ended June 30, 2015. Water access restrictions in the northern regions of the WCSB were lifted in December 2014 which resulted in increased activity levels for the segment in the first half of 2015.

Cost of services

Cost of services for the six months ended June 30, 2015 totaled $17.6 million and includes materials, products, transportation and repair costs of $7.8 million, employee benefits expense of $6.2 million, and depreciation of property and equipment of $3.6 million.

Administrative expenses

Administrative expenses for the six months ended June 30, 2015 totaled $3.0 million and includes employee benefits expense, depreciation of buildings and office equipment and other administrative expenses. The amortization expense of $3.0 million relates 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)

For the six months ended June 30, 2015 EBITDA before share-based payments totaled $7.0 million in the fluid management services segment, or 29% of revenue.

Corporate:

000's except per share amounts (Unaudited)	Six Months Ended June 30	
	2015	2014
Revenue	$ -	$ -
Administrative expenses	2,907	3,629
Results from operating activities	(2,907)	(3,629)
Add non-cash item:		
Share-based payments expense	1,052	784
EBITDA before share-based payments[(1)]	$(1,855)	$(2,845)

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 six months ended June 30, 2015 totaled $2.9 million compared to $3.6 million in Q2 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 employee benefits expense as a result of wage rollbacks and staff reductions in 2015.

Other Items – Six months ended June 30, 2015 Statement of Operations:

Finance costs and foreign exchange loss

Finance costs include interest on loans, finance lease obligations and automobile loans and totaled $1.4 million for the six months ended June 30, 2015 (2014: $0.3 million), with the increase mainly attributable to the increase in loans and borrowings used to partially fund the Company's capital program in the second half of 2014 and in 2015.

For the six months ended June 30, 2015 the Company recorded a foreign exchange loss of $1.3 million compared to $0.3 million for the six months ended June 30, 2014. The increase is due to the declining Canadian dollar versus the U.S. dollar exchange rate during the year to date mostly in relation to the purchase of U.S. sourced proppants.

Income tax recovery

At the expected combined income tax rate of 26%, the loss before income tax for the six months ended June 30, 2015 of $27.0 million would have resulted in an income tax recovery of $7.0 million, compared to the actual income tax recovery of $4.0 million. The decrease in the actual income tax recovery was due to the impact of non-deductible expenses as well as an increase in the corporate income tax rate in Alberta.

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

For the six months ended June 30, 2015 Canyon recorded consolidated EBITDA before share-based payments (see Non-GAAP Measures) of $8.6 million, down 53% from $18.2 million for the six months ended June 30, 2014. As previously discussed, the decreased EBITDA before share-based payments expense is due to significantly reduced industry-wide-activity and resulting pricing pressure partially offset by the addition of Fraction which contributed $7.0 million in EBITDA before share-based payments for the six months ended June 30, 2015.

Loss and comprehensive loss and loss per share

The aforementioned reduced industry-wide activity and resulting lower pricing resulted in a loss and comprehensive loss totaling $22.9 million for the six months ended June 30, 2015 compared to loss and comprehensive loss of $3.4 million for the six months ended June 30, 2014.

Basic and diluted loss per share was $0.33 for the six months ended June 30, 2015 compared to basic and diluted loss per share of $0.05 for the comparable 2014 period.

Summary of Quarterly Results

000's except per share amounts (Unaudited) (1)		Revenues	EBITDA[2]	Profit (Loss) and Comprehensive Income (Loss)	Basic Earnings (Loss) per Share	Diluted Earnings (Loss) per Share
2015	Q2	$43,159	$(9,754)	$(21,857)	$(0.32)	$(0.32)
	Q1	$155,585	$18,335	$(1,079)	$(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)	$(0.24)	$(0.24)
	Q1	$138,195	$27,432	$11,850	$0.19	$0.19
2013	Q4	$104,198	$11,004	$377	$0.01	$0.01
	Q3	$81,224	$14,384	$3,908	$0.06	$0.06

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 2015 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 Q1 2015 and Q2 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. In Q3 2013, EBITDA before share-based payment expense and income and comprehensive income were impacted by industry-wide pricing pressure that commenced in the second half of 2012 and continued throughout 2013. Q4 2013 was a very active quarter supported by strong commodity prices but still at very low pricing. In the third and fourth quarters of 2014, revenue, EBITDA before share-based payment expense 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.

LIQUIDITY AND CAPITAL RESOURCES

Funds from operations

Funds from operations (see Non-GAAP Measures) totaled $11.1 million for the six months ended June 30, 2015, down from $19.8 million for six months ended June 30, 2014. The decrease in funds from operations is due to significantly lower customer pricing for the six months ended June 30, 2015 as industry-wide activity was dramatically reduced in response to sharply declining commodity prices, as previously discussed. The funds generated from operations were primarily used to partially finance the capital program and the Company's quarterly dividend. Please refer to "Capital Expenditures" below.

Financing

(Share amounts in thousands)

Equity:

For the three and six months ended June 30, 2015, there were nil and 219 common shares, respectively, issued by the Company to employees and officers upon exercise of options pursuant to the Stock Option Plan and 4 and 32 incentive based units respectively pursuant to the Stock-Based Compensation Plan for aggregate proceeds of nil and $0.6 million, respectively.

Debt:

Bank indebtedness net of cash and cash equivalents as at June 30, 2015 totals $49.4 million (December 31, 2014: $21.0 million) and comprises $40.0 million drawn on the Revolving Facility (December 31, 2014: $30.0 million), $16.9 million drawn on the Operating Facility (December 31, 2014: $11.6 million), less cash and cash equivalents of $7.5 million (December 31, 2014: $20.6 million). In addition, finance leases as at June 30, 2015 total $9.8 million (December 31, 2014: $8.9 million).

Effective July 21, 2015, Canyon entered into a new credit facility, replacing its previous facility, by entering into a new extendible revolving operating credit facility (the "Facility") with a syndicate of financial institutions (collectively, the "Lenders"). The principal amount of the Facility totals $100 million with an accordion feature that allows for the expansion of the Facility by up to an aggregate maximum principal amount of $50 million. The accordion feature is available upon request by Canyon, subject to review and approval by the Lenders. The Facility has a term of three years, extendible annually, and bears interest at variable rates depending on certain financial ratios and metrics.

Under the Facility Canyon will not be subject to a debt to EBITDA before share-based payment expense covenant from July 21, 2015 through June 30, 2016. The financial covenants in place, under the Facility, are comprised of a debt to capitalization ratio which shall not exceed 0.25 to 1.00 and a debt service coverage ratio which shall not be less than 1.25 to 1.00, each measured at the end of each fiscal quarter. The debt to capitalization ratio will be replaced by a debt to EBITDA before share-based payment expense ratio beginning with the fiscal quarter ending September 30, 2016. Once enacted, the debt to EBITDA before share-based payment expense ratio shall not exceed 3.50 to 1.00 at any time during the fiscal quarter ended September 30, 2016 and 3.00 to 1.00 thereafter. As at June 30, 2015, Canyon's funded debt to capitalization is 0.15:1.00 while the debt service ratio is 16.90. With this Credit Facility, Canyon has available bank credit facilities of $100.6 million including the accordion feature of $50.0 million (total credit lines of $150 million less drawn bank debt, net of cash of $49.4 million as at June 30, 2015), allowing the Company to actively pursue growth opportunities. Canyon maintains a strong balance sheet with a very low funded debt to EBITDA before share-based payments expense ratio of 0.53 as at June 30, 2015.

Working Capital and Cash Requirements

As at June 30, 2015, Canyon had a working capital balance of $3.6 million compared to $21.9 million as at December 31, 2014. As at June 30, 2015, trade and other receivables decreased by $87.0 million due to Q2 2015 revenues being less than Q4 2014 revenues resulting from the annual seasonal spring break-up, together with the lower customer pricing and activity levels, as previously discussed. Inventories decreased by $6.5 million mainly due to lower chemical and proppant levels. 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 June 30, 2015, accounts receivable included an allowance of $45 thousand for doubtful receivables (December 31, 2014: $41 thousand).

The Company will use its June 30, 2015 cash available of $7.5 million, funds from operations (see Non-GAAP Measures) and, if required, available credit facilities to fund the balance of the 2015 capital program and any acquisition opportunities that may be presented. Please refer to “Capital Expenditures” below.

Investments

For the three and six months ended June 30, 2015, capital expenditures, net of finance leases, totaled $6.1 million and $23.7 million, respectively, 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 comprising bank credit facilities and finance lease liabilities, 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 expanded Credit Facility. As previously discussed (see “Debt” under “Financing” above), the new Facility includes a requirement that funded debt to capitalization not exceed 0.25:1.00 and a debt service ratio that cannot be less than 1.25:1.00. As at June 30, 2015, Canyon’s funded debt to capitalization is 15% while the debt service ratio is 16.90.

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

Contractual Obligations

As at June 30, 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	$41,666	$41,666	$-	$-	$-
Bank indebtedness and finance leases	66,740	20,509	46,231	-	-
Dividend payable	5,164	5,164	-	-	-
Operating leases and office space	5,740	2,054	3,358	328	-
Capital expenditure commitments	156	156	-	-	-
Total contractual obligations	$119,466	$69,549	$49,589	$328	$-

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 and six months ended June 30, 2015, Canyon incurred capital expenditures of $6.1 million and $23.7 million, respectively. For the six months ended June 30, 2015, the capital expenditures of $23.7 million included $8.1 million of growth capital carried over from 2014, $11.8 million for maintenance capital and $3.8 million for fluid transfer equipment, sand logistical equipment, transportation and other miscellaneous support equipment.

Canyon's total capital expenditures for 2015 are anticipated to total $28.6 million leaving approximately $4.9 million to be spent in the second half of 2015. Canyon will continue to monitor its capital expenditure requirements through these uncertain economic times.

Outstanding Share, Option and Incentive Based Unit Data

The following table summarizes Canyon's capitalization as follows:

000's (Unaudited)	July 29, 2015	June 30, 2015	December 31, 2014
Common Shares	68,858	68,855	68,604
Stock Options	4,337	4,345	3,671
Incentive Based Units	1,331	1,334	497

Stock options and incentive based units granted, exercised and forfeited for the three and six months ended June 30, 2015 are summarized as follows:

000's (Unaudited)	3 months ended June 30,		6 months ended June 30,	
	2015	2014	2015	2014
Stock Options Granted	2	83	1,035	899
Stock Options Exercised	-	221	219	518
Stock Options Forfeited	96	76	142	123
Incentive Based Units Granted	-	7	886	216
Incentive Based Units Exercised	4	30	32	52
Incentive Based Units Forfeited	12	9	17	11

The average exercise price of the options granted for the three and six months ended June 30, 2015 was $6.88 and $7.13, respectively (December 31, 2014 - $14.45)

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

Loans and borrowings comprise amounts drawn on the Company's bank credit facilities and finance leases for equipment and automobiles. The Company manages its interest rate risk on bank credit facilities by utilizing a combination of short-term fixed rates through the use of 30 to 90 day Banker's Acceptance rates and floating rates. The finance leases for equipment and automobiles are at fixed interest 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 June 30, 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. For Pressure Pumping, revenue is recognized as work is completed and agreed upon by the customer. For Fluid Management, revenue is recognized based on equipment and manpower usage 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 $45 thousand has been established as at June 30, 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.

During the quarter, the Company reviewed the useful lives of certain equipment which resulted in changes in the expected useful lives of coil tubing, nitrogen and cementing equipment. Based on the Company's physical examination of these assets, it was found that due to the Company's preventative maintenance program it was determined that the equipment would last longer than initially estimated. The equipment is now expected to remain in use twice as long as initially estimated.

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 June 30, 2015. As at December 31, 2014, a mandatory impairment test was performed per IAS 36, Impairment of Assets, 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 judgments 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 74% of the Company's accounts receivable as at June 30, 2015, and 66% of the Company's revenue for the three months ended June 30, 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 June 30, 2015, 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.