CANYON

SERVICES GROUP INC.

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2015 and 2014

UNAUDITED

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Balance Sheets
(Unaudited)

000's of dollars	Note	September 30, 2015	December 31, 2014
Assets			
Current assets:			
Cash		$5,437	$20,613
Trade and other receivables	5	69,568	123,669
Inventories		15,539	23,091
Prepayments		3,520	2,485
Current tax assets		7,557	-
Total current assets		101,621	169,858
Non-current assets:			
Property and equipment	9	375,267	377,571
Investment		350	246
Intangible assets	2,10	36,749	41,264
Goodwill	11	30,931	49,831
Total non-current assets		443,297	468,912
Total assets		$544,918	$638,770
Liabilities and Equity			
Current liabilities:			
Bank indebtedness	13	$5,307	$11,588
Trade and other payables	12	61,600	115,452
Finance leases	13	4,774	2,742
Dividend payable	15	2,075	10,294
Current tax liabilities		-	7,902
Total current liabilities		73,756	147,978
Non-current liabilities:			
Bank indebtedness	13	65,000	30,000
Finance leases	13	4,861	6,193
Deferred tax liabilities	14	35,575	34,070
Total non-current liabilities		105,436	70,263
Equity:			
Share capital	15	300,300	297,761
Contributed surplus		17,589	13,565
Retained earnings		47,837	109,203
Total equity		365,726	420,529
Total liabilities and equity		$544,918	$638,770

The notes are an integral part of these Condensed Consolidated Interim Financial Statements.

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
For the three and nine months ended September 30
(Unaudited)

000's of dollars, except per share amounts		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note	2015	2014	2015	2014
Revenue		$111,314	$204,309	$310,058	$402,757
Cost of services	6	(102,967)	(150,753)	(306,831)	(338,644)
Gross profit		8,347	53,556	3,227	64,113
Administrative expenses	7	(8,803)	(9,854)	(25,109)	(23,730)
Amortization expense	2,10	(1,505)	(1,508)	(4,515)	(1,534)
Results from operating activities		(1,961)	42,194	(26,397)	38,849
Finance costs		(623)	(727)	(2,010)	(978)
Foreign exchange loss		(832)	(633)	(2,122)	(901)
Gain on sale of property & equipment		98	172	248	188
Gain on business combination	4	543	-	543	-
Goodwill impairment	11	(18,900)	-	(18,900)	-
Income (loss) before income tax		(21,675)	41,006	(48,638)	37,158
Income tax (expense) recovery:					
Current tax	8	916	(10,329)	6,134	(8,261)
Deferred tax	8	(104)	(76)	(1,298)	(1,708)
		812	(10,405)	4,836	(9,969)
Income (loss) and comprehensive income (loss)		$(20,863)	$30,601	$(43,802)	$27,189
Income (loss) per share					
Basic	15	$(0.30)	$0.45	$(0.64)	$0.42
Diluted	15	$(0.30)	$0.44	$(0.64)	$0.41

The notes are an integral part of these Condensed Consolidated Interim Financial Statements.

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)

000's of dollars	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at December 31, 2013	$189,764	$11,218	$100,404	$301,386
Income and comprehensive income for the period	-	-	27,189	27,189
Transactions with owners, recorded directly in equity:				
Issue of shares related to business combination	106,069	-	-	106,069
Issue on exercise of stock options	4,505	-	-	4,505
Reclassification on exercise of stock options and incentive-based units	1,745	(1,745)	-	-
Share-based payment transactions	-	3,096	-	3,096
Dividends	-	-	(30,001)	(30,001)
Balance at September 30, 2014	$302,083	$12,569	$97,592	$412,244
Balance at December 31, 2014	$297,761	$13,565	$109,203	$420,529
Loss and comprehensive loss for the period	-	-	(43,802)	(43,802)
Transactions with owners, recorded directly in equity:				
Issue of shares related to business combination	1,008	-	-	1,008
Issue on exercise of stock options	595	-	-	595
Reclassification on exercise of stock options and incentive-based units	936	(936)	-	-
Share-based payment transactions	-	4,960	-	4,960
Dividends	-	-	(17,564)	(17,564)
Balance at September 30, 2015	$300,300	$17,589	$47,837	$365,726

The notes are an integral part of these Condensed Consolidated Interim Financial Statements.

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Statement of Cash Flows
For the three and nine months ended September 30
(Unaudited)

000's of dollars

	Note	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash flows from operating activities:					
Income (loss) for the period		$(20,863)	$30,601	$(43,802)	$27,189
Adjustments for:					
Depreciation and amortization	2,6,7,10	14,925	14,390	45,100	34,096
Share-based payment transactions	16	2,118	1,073	4,960	2,959
Gain on sale of property and equipment		(98)	(172)	(248)	(188)
Gain on business combination	4	(543)	-	(543)	-
Equity investment income		(64)	(29)	(104)	(29)
Finance costs		623	727	2,010	978
Income tax (recovery) expense	8,14	(812)	10,405	(4,836)	9,969
Goodwill impairment	11	18,900	-	18,900	-
		14,186	56,995	21,437	74,974
Change in inventories		1,117	(2,692)	7,594	(3,938)
Change in trade and other receivables		(32,934)	(62,634)	54,101	(49,601)
Change in prepayments		492	(189)	(1,035)	(542)
Change in trade and other payables		17,965	19,499	(71,044)	1,324
Change in non-cash working capital related to operating activities		(13,360)	(46,016)	(10,384)	(52,757)
Cash generated from operating activities		826	10,979	11,053	22,217
Interest paid		(623)	(727)	(2,010)	(978)
Income taxes recovered (paid)		(517)	4,461	(9,325)	4,461
Net cash from (used in) operating activities		(314)	14,713	(282)	25,700
Cash flows from investing activities:					
Proceeds from sale of property and equipment		690	598	2,785	944
Acquisition of property and equipment	9	(2,999)	(43,976)	(26,670)	(75,847)
Business combination, net of cash acquired	4	(8,504)	7,711	(8,504)	7,711
Change in non-cash working capital related to investing activities		1,969	2,979	17,192	10,093
Net cash used in investing activities		(8,844)	(32,688)	(15,197)	(57,099)
Cash flows from financing activities:					
Advances (repayment) of bank indebtedness		(11,622)	(7,548)	(6,281)	(7,548)
Proceeds from credit facilities		25,000	35,000	35,000	50,000
Proceeds from exercise of share options		-	956	595	4,505
Payment of finance lease liabilities		(1,138)	(927)	(3,230)	(2,159)
Dividends paid	15	(5,159)	(10,279)	(25,781)	(29,108)
Net cash from financing activities		7,081	17,202	303	15,690
Net decrease in cash and cash equivalents		(2,077)	(773)	(15,176)	(15,709)
Cash and cash equivalents as at beginning of period		7,514	6,372	20,613	21,308
Cash and cash equivalents at September 30		$5,437	$5,599	$5,437	$5,599

The notes are an integral part of these Condensed Consolidated Interim Financial Statements.

1. Reporting entity:

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

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

2. Basis of preparation:

All figures stated within these Condensed Consolidated Interim Financial Statements are presented in thousands of Canadian dollars unless otherwise indicated.

Statement of compliance:

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, and do not include all the information required for full annual financial statements. As such, they should be read in conjunction with the 2014 annual financial statements.

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on November 4, 2015.

Significant accounting policies:

The accounting policies applied in these interim financial statements are the same as those applied in the Company’s consolidated financial statements as at and for the year ended December 31, 2014, with the exception of depreciation which is discussed in Note 9, Property and equipment.

2. Basis of preparation (continued):

Use of judgments and estimates:

In preparing these interim financial statements, management has made judgments, estimates, and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2014.

On July 1, 2014, the Company acquired all of the issued and outstanding shares of Fraction, a privately held water fracturing fluid management company. Total consideration paid was $106,069 which consisted of 5,400 Canyon common shares issued at $18.81 per share and cash consideration of $4,495. When the purchase price of the acquisition was finalized, the Company revised its comparative information for intangible asset amortization in the prior period of these interim financial statements. Consequently, amortization expense has been retroactively adjusted for Q3 2014. For the three and nine months ended September 30, 2015, the increase in amortization expense recorded was $1,500.

3. Seasonality of operations:

The Company's business is seasonal in nature with the periods of greatest activity being in the first, third and fourth quarters, and the least activity tending to be in the second quarter because of spring break-up. Spring break-up typically occurs for periods of up to eight weeks between March and June. The Company's operating activities can also be affected by extended periods of adverse weather which can result in restrictions to the movement of heavy equipment. As a result, March through June is traditionally the Company's least active time and as such the operating results of the Company will vary on a quarterly basis.

4. Business combination:

On September 11, 2015, the Company acquired the assets of a privately held fluid transportation company. The total consideration paid was $9,512 which consisted of 200 common shares issued at $5.04 per share and cash consideration of $8,504. The purchase has been accounted for as a business combination using the acquisition method of accounting. Transaction costs of $79 were expensed within administrative expenses on the Condensed Consolidated Interim Statements of Comprehensive Income (Loss). The acquisition represents a new service line for the Fluid Management division and is part of a long term strategy of developing comprehensive service solutions for water and fracturing fluid management.

4. Business combination (continued):

The following summarizes the consideration paid:

000's of dollars	
Common shares of Canyon issued	$1,008
Cash consideration	8,504
Total consideration paid	$9,512

The following summarizes the allocation of the consideration paid:

000's of dollars	
Tank trucks & other equipment	$10,218
Inventory	42
Deferred tax liability	(205)
Net identifiable assets	10,055
Gain on business combination	(543)
Total consideration paid	$9,512

The allocations and determinations of the consideration described above are preliminary and subject to changes upon final adjustments.

The gain on business combination arose due to depressed commodity prices which allowed the Company to acquire the assets for less than fair value.

From the date of acquisition to the end of the period, revenue of $318 and net income of $nil has been recognized in the Condensed Consolidated Statements of Comprehensive Income (Loss). If the business combination had occurred on January 1, 2015, revenue and net loss for the Company for the nine months ended September 30, 2015 would increase by $5,978 and $642, respectively.

5. Trade and other receivables:

The Company's accounts receivable are due from customers that operate in the oil and gas exploration and production industry. They are subject to typical industry credit risks that include oil and natural gas price fluctuations and the customers' ability to secure appropriate financing.

During the three and nine month period ended September 30, 2015, no single customer accounted for more than 16% and 15%, respectively, of the Company's revenue (year ended December 31, 2014: 17%). As at September 30, 2015, five customers accounted for 76% of the Company's accounts receivable (December 31, 2014 – five customers accounted for 43%) while five customers account for 63% and 53% of the revenue for the three and nine months ended September 30, 2015 (December 31, 2014 – five customers account for 43%).

5. Trade and other receivables (continued):

The Company's accounts receivable is aged as follows:

000's of dollars	September 30, 2015	December 31, 2014
Current (0-30 days from invoice date)	$34,487	$65,195
31-60 days past due	19,286	45,511
Over 60 days past due	15,891	13,004
Sub-total	69,664	123,710
Less: Allowance for doubtful accounts	(96)	(41)
Total	$69,568	$123,669

6. Cost of services:

Cost of services for the three and nine months ended September 30, 2015 is detailed as follows:

000's of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Employee benefits expense	$20,892	$34,705	$71,961	$80,659
Depreciation of equipment	12,830	12,401	38,890	31,202
Materials & inventory	51,111	54,353	113,557	112,294
Operating expense	18,134	49,294	82,423	114,489
	$102,967	$150,753	$306,831	$338,644

7. Administrative expenses:

Administrative expenses for the three and nine months ended September 30, 2015 are detailed as follows:

000's of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Employee benefits expense	$3,841	$6,181	$11,548	$13,315
Depreciation of equipment	590	481	1,695	1,360
Share-based payment transactions	2,118	1,073	4,960	2,959
Other administrative expenses	2,254	2,119	6,906	6,096
	$8,803	$9,854	$25,109	$23,730

8. Income tax expense (recovery):

The Company's consolidated effective tax rate for the nine months ended September 30, 2015 was 16.3% (2014: 26.8%). The change in effective tax rate was caused mainly by the impact of a change in the Alberta provincial corporate tax rate increase and non-deductible expenses.

000's of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Current tax expense (recovery):				
Current period	$(916)	$10,329	$(6,134)	$8,261
Deferred tax expense:				
Origination and reversal of temporary differences	104	76	1,298	1,708
Total income tax expense (recovery)	$(812)	$10,405	$(4,836)	$9,969

Reconciliation of Effective Tax Rate

000's of dollars	Nine Months Ended September 30,			
		2015		2014
Income (loss) and comprehensive income (loss) for the period		$(43,802)		$27,189
Total income tax expense (recovery)		(4,836)		9,969
Income (loss) excluding income tax		(48,638)		37,158
Goodwill impairment not subject to tax		18,900		-
Income (loss) subject to tax		(29,738)		37,158
Income tax expense (recovery) using the Company's domestic tax rate	26.0%	(7,732)	25.0%	9,290
Non-deductible expenses	(3.6)%	1,065	1.9%	717
Income tax rate changes	(6.2)%	1,869	-	-
Other	0.1%	(38)	(0.1)%	(38)
	16.3%	$(4,836)	26.8%	$9,969

The remainder of this page is intentionally left blank.

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

9. Property and equipment:

000's of dollars	Land	Office, Shop & Yard	Field Equipment	Automotive	Office Equipment & Leaseholds	Total
Cost:						
Balance at January 1, 2014	$9,446	$24,664	$286,877	$81,975	$6,327	$409,289
Additions:						
Business combination	-	19	19,763	3,572	168	23,522
Owned	3,754	540	95,263	11,710	1,410	112,677
Finance leases	-	-	-	5,358	909	6,267
Disposals	-	-	(12,265)	(3,648)	(278)	(16,191)
Balance at December 31, 2014	**$13,200**	**$25,223**	**$389,638**	**$98,967**	**$8,536**	**$535,564**
Additions:						
Acquisitions through business combination	-	-	53	10,089	76	10,218
Owned	-	152	25,165	703	650	26,670
Finance leases	-	-	-	3,151	779	3,930
Disposals	-	-	(11,124)	(3,474)	(128)	(14,726)
Balance at September 30, 2015	**$13,200**	**$25,375**	**$403,732**	**$109,436**	**$9,913**	**$561,656**
Accumulated depreciation:						
Balance at January 1, 2014	$ -	$3,940	$84,184	$33,788	$3,901	$125,813
Depreciation for the year	-	1,157	29,608	8,441	885	40,091
Disposals	-	-	(5,247)	(2,469)	(195)	(7,911)
Balance at December 31, 2014	**$ -**	**$5,097**	**$108,545**	**$39,760**	**$4,591**	**$157,993**
Depreciation for the period	-	835	31,084	7,640	1,026	40,585
Disposals	-	-	(10,041)	(2,058)	(90)	(12,189)
Balance at September 30, 2015	**$ -**	**$5,932**	**$129,588**	**$45,342**	**$5,527**	**$186,389**
Carrying amounts:						
At December 31, 2014	$13,200	$20,126	$281,093	$59,207	$3,945	$377,571
At September 30, 2015	**$13,200**	**$19,443**	**$274,144**	**$64,094**	**$4,386**	**$375,267**

Property and Equipment Under Construction

As at September 30, 2015, costs incurred on field and automotive equipment and facilities under construction totaled $8,621 (December 31, 2014: $55,794).

As at September 30, 2015, field and automotive equipment and facilities that are available for use, but not yet in service, therefore not being depreciated, totaled, $30,130 (December 31, 2014: $6,940).

9. Property and equipment (continued):

Leased equipment

The leased equipment secures lease obligations. As at September 30, 2015, the net carrying amount of the leased equipment was $8,890 (December 31, 2014: $8,351).

Change in depreciation estimate

During the nine month period ended September 30, 2015, 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.

As a result of the review, the expected useful lives of the equipment increased and its estimated residual value decreased on a prospective basis. The effect of these changes on actual and expected depreciation expense is as follows:

000's of dollars	2015	2016	2017	2018	2019	Later
(Decrease) increase in expense	$(957)	$(2,950)	$(1,750)	$(1,118)	$(1,038)	$19,721

The impact of the change in estimate for the three months ended and nine months ended September 30, 2015 was ($975) and ($1,950), respectively.

The remainder of this page is intentionally left blank.

10. Intangible assets:

000's of dollars	Intellectual properties	Licenses	Non-competition agreements	Customer relationships	Total
Cost:					
Balance at January 1, 2014	$286	$303	$-	$-	$589
Additions:					
Acquisitions through business combination	-	-	6,820	37,308	44,128
Balance at December 31, 2014	$286	$303	$6,820	$37,308	$44,717
Additions:	-	-	-	-	-
Balance at September 30, 2015	**$286**	**$303**	**$6,820**	**$37,308**	**$44,717**
Amortization:					
Balance at January 1, 2014	$128	$284	$-	$-	$412
Amortization for the year	19	19	1,137	1,866	3,041
Balance at December 31, 2014	$147	$303	$1,137	$1,866	$3,453
Amortization for the period	$15	$-	$1,705	$2,795	$4,515
Balance at September 30, 2015	**$162**	**$303**	**$2,842**	**$4,661**	**$7,968**
Carrying amounts:					
At December 31, 2014	$139	$-	$5,683	$35,442	$41,264
At September 30, 2015	**$124**	**$-**	**$3,978**	**$32,647**	**$36,749**

11. Goodwill impairment:

At the end of each reporting period, the Company conducts a review of its carrying value for each of its cash generating units ("CGU") for indicators of impairment. As a result of the volatility in commodity prices, as well as the slower than anticipated recovery in oilfield services activity, the Company tested its Fluid Management Services CGU for impairment. As a result of the impairment test performed, the Company recorded a goodwill write-down of $18,900 in the Fluid Management Services segment.

The impairment test performed involves considerable judgment and estimates which are described in Note 2 of the Company's consolidated financial statements as at and for the year ended December 31, 2014. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. The recoverable amount of the CGU was based on its estimated value in use using a pre-tax discount rate of 18.5% and a terminal growth rate of 2.0%. The estimated cash flows were based on 2015 and 2016 budgets with future revenues increasing in correlation with forecasted oil and gas industry activity over the following four years. A terminal value thereafter was applied.

11. Goodwill impairment (continued):

The estimated value in use for the CGU was particularly sensitive to the following estimates:

- An increase of 1% in the pre-tax discount rate would have increased the impairment by $7,578.
- A decrease of 1% in the terminal growth rate of would have increased the impairment by $4,591.

The impairment of $18,900 is recorded in the goodwill impairment line on the Condensed Consolidated Interim Statements of Comprehensive Income (Loss). As a result of the impairment, the aggregate carrying amount of goodwill allocated to the Fluid Management Services CGU has been reduced to $30,931 and the carrying amount of the CGU has been reduced to the recoverable amount of $103,411.

The following table summarizes the carrying amount of goodwill for the nine months ended September 30, 2015:

000's of dollars	Goodwill	
	September 30, 2015	December 31, 2014
Opening balance, January 1	$49,891	$-
Goodwill acquired through business combination	-	49,831
Goodwill impairment	(18,900)	-
Carrying amount at end of period	$30,931	$49,831

12. Trade and other payables:

000's of dollars	September 30, 2015	December 31, 2014
Trade payables	$38,994	$53,844
Accrued expenses	22,606	61,608
	$61,600	$115,452

13. Bank indebtedness and finance leases:

000's of dollars	Nominal Interest Rate	Year of Maturity	September 30, 2015	December 31, 2014
Current liabilities:				
Drawing on credit facility	3.25-4.25%	2015-2016	$5,307	$11,588
Finance lease liabilities	0.0-8.4%	2015-2016	4,774	2,742
			$10,081	$14,330
Non-current liabilities:				
Drawing on credit facility	3.25-4.25%	2018	$65,000	$30,000
Finance lease liabilities	0.0-8.4%	2016-2018	4,861	6,193
			$69,861	$36,193

13. Bank indebtedness and finance leases (continued):

Effective July 21, 2015, the Company replaced the previous facility, by entering into a new extendible revolving operating credit facility (the "Facility") with a syndicate of financial institutions. The amount of the Facility totals $100,000 with an accordion feature that allows for the expansion of the Facility by up to $50,000. The accordion feature is available upon request by the Company, subject to approval by the lenders. The Facility has a term of three years, extendible annually, and bears interest, payable monthly, at the bank's prime lending rate plus 50 basis points to 200 basis points, dependent on certain financial ratios of the Company. Security for the Facility is provided by a general security over all of the Company's assets.

The financial covenants in place, under this new 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 is replaced by a debt to earnings before interest, taxes, depreciation, amortization, and share-based payments ("EBITDAS") ratio beginning with the fiscal quarter ending September 30, 2016. The debt to EBITDAS 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.

The Company is bound by certain financial and non-financial covenants as disclosed above and in note 4 to the December 31, 2014 consolidated financial statements. The Company was in compliance with the terms of the lending agreements as at September 30, 2015 and December 31, 2014.

14. Deferred tax assets and liabilities:

Recognized Deferred Tax Assets and Liabilities

000's of dollars	Assets		Liabilities		Net	
	Sept. 30, 2015	Dec. 31, 2014	Sept. 30, 2015	Dec. 31, 2014	Sept. 30, 2015	Dec. 31, 2014
Property and equipment	$-	$ -	$28,680	$25,985	$28,680	$25,985
Intangible assets	(48)	(45)	9,443	10,324	9,395	10,279
Finance leases	(2,500)	(2,194)	-	-	(2,500)	(2,194)
	$(2,548)	$(2,239)	$38,123	$36,309	$35,575	$34,070

As at September 30, 2015, deferred tax assets are based on a rate of 27% and total $2,548 (December 31, 2014: $2,239). Deferred tax assets mainly comprise amounts deductible for tax purposes in future periods in respect of amounts resulting from the recording of finance lease obligations. The deferred tax liabilities of $38,123 as at September 30, 2015 (December 31, 2014: $36,309) are based on a rate of 27% and comprise the difference between the carrying amount of property and equipment and intangible assets and the underlying value for tax purposes.

15. Share capital:

000's of shares	Common Shares September 30, 2015	Common Shares December 31, 2014
Common shares issued as at January 1	68,604	62,528
Issuance of shares related to business combination	200	5,400
Exercise of share options	219	624
Conversion of incentive based units	66	52
Common shares issued as at end of period	69,089	68,604

Income (loss) per share

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

	Three months ended September 30,		Nine months ended September 30,	
000's of shares	2015	2014	2015	2014
Income (loss) for the period	$(20,863)	$30,601	$(43,802)	$27,189
Weighted average shares				
Basic	68,859	68,520	68,794	64,722
Dilution effect of stock options and incentive based units	-	1,353	-	1,083
Diluted	68,859	69,873	68,794	65,805
Basic income (loss) per share	$(0.30)	$0.45	$(0.64)	$0.42
Diluted income (loss) per share	$(0.30)	$0.44	$(0.64)	$0.41

Dividends

On March 19, 2015, the Company declared a quarterly dividend of $10,327 or $0.15 per common share, which was paid on April 24, 2015.

On June 24, 2015, the Company declared a quarterly dividend of $5,162 or $0.075 per common share, which was paid on July 24, 2015.

On September 10, 2015, the Company declared a quarterly dividend of $2,075 or $0.03 per common share, which was paid on October 23, 2015.

During the nine months ended September 30, 2015, the Company declared quarterly dividends of $17,564 or $0.255 per common share.

16. Share-based payments:

(a) Share Purchase Option Plan:

The Company's share purchase option plan (the "Plan") is available to directors, officers, key employees and consultants as determined by the Company's Board of Directors.

During the quarter, the Company offered its employees the opportunity to exchange every option granted prior to January 1, 2015 for 0.5 of a new option for every 1.0 option currently held. As a result, 1,774,460 options were cancelled in exchange for 887,227 new options granted on September 15, 2015 at an exercise price of $5.31. The replacement options vest one-third immediately and one-third on each of the first and second anniversaries of the grant. The fair value of the replacement options is $635.

The stock option exchange was accounted for as a modification of the options. Approximately $412 of incremental cost and $661 of unamortized expense related to the cancelled options will be recognized over the next two years. The value of the options cancelled was calculated immediately before modification using the Black-Scholes valuation model with the following assumptions:

Risk-free interest rate: 0.52% - 0.54%

Expected dividend yield: 8.8%

Expected volatility: 38.13-40.21%

Expected option remaining life: 1.5 – 3.5 years

The per share weighted average fair value of stock options granted during the nine months ended September 30, 2015 was $0.85 (2014: $1.75) based on the date of grant valuation using the Black-Scholes option pricing model. Stock-based compensation of $1,931 has been recorded for the nine months ended September 30, 2015 (nine months ended September 30, 2014: $1,770).

16. Share-based payments (continued):

A summary of the status of the Company's stock option plan as at September 30, 2015 and December 31, 2014 and changes during the periods then ended is presented below:

000's of options	Options Outstanding	Range of Exercise Price	Weighted Average Exercise Price
Outstanding as at January 1, 2014	3,436	$ 0.96 – $ 15.54	$10.12
Granted	1,078	$10.74 – $ 18.42	$11.71
Exercised	(624)	$ 0.96 – $ 15.54	$ 7.33
Forfeited	(219)	$ 4.31 – $ 16.27	$11.13
Outstanding as at December 31, 2014	3,671	$ 2.43 – $ 18.42	$11.00
Granted	1,925	$ 4.79 – $ 7.75	$ 6.30
Exercised	(219)	$ 2.43 – $ 5.16	$ 2.95
Forfeited	(170)	$ 5.16 – $ 18.42	$11.66
Exchanged	(1,775)	$ 5.16 – $ 18.42	$11.64
Expired	(57)	$ 4.20 – $ 4.97	$ 4.93
Outstanding as at September 30, 2015	3,375	$ 4.79 – $ 16.27	$ 8.55
Exercisable as at September 30, 2015	1,261	$ 4.79 – $ 16.27	$10.21

(b) Stock-Based Compensation Plan:

The Company has a Stock-Based Compensation Plan (the "Plan") to provide certain directors, officers, key employees and consultants of the Company with an opportunity to acquire common shares in lieu of cash bonuses. Each incentive based unit will give the participant the right to receive, on or after the vesting date for such incentive based unit upon exercise, one common share for no further consideration or payment by such participant.

The following table summarizes the Plan for the nine months ended September 30, 2015:

000's of shares	Stock Based Compensation Units ("SBCU") September 30, 2015	December 31, 2014
SBCUs issued as at January 1	497	329
Granted	889	236
Exercised	(66)	(52)
Forfeited	(20)	(16)
SBCUs outstanding at end of period	1,300	497

The compensation cost to the Company for the three and nine months ended September 30, 2015 was $1,078 and $3,029, respectively (three and nine months ended September 30, 2014: $463 and $1,326, respectively).

17. Capital commitments:

As at September 30, 2015, the Company has commitments to purchase property and equipment for $835 (as at December 31, 2014: $7,426).

18. Operating segments:

The Company's segments are determined by services provided which are its core business of pressure pumping services and fluid management services. Pressure pumping services include hydraulic fracturing, nitrogen fracturing, coiled tubing, chemical stimulation and cementing, which combined, are part of the Pressure Pumping Services Segment. The Fluid Management Services Segment includes fluid management services, water sourcing, water transfer, wellsite storage, fluid heating, flowback transfer, water storage services and fluid transportation services. The Corporate Segment does not represent an operating segment and is included for informational purposes only. Corporate segment administrative expenses consist of salary expenses, share-based payment expenses, and other general costs related to corporate employees, as well as public company costs.

Three months ended September 30, 2015	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	$100,479	$10,835	$-	$111,314
Cost of services	(94,754)	(8,213)	-	(102,967)
Gross profit	5,725	2,622	-	8,347
Administrative expenses	(5,896)	(1,430)	(1,477)	(8,803)
Amortization expense	(5)	(1,500)	-	(1,505)
Results from operating activities	$(176)	$(308)	$(1,477)	$(1,961)
Goodwill impairment	-	$(18,900)	-	$(18,900)
Income tax (recovery) expense	$(823)	$11	$-	$(812)

18. Operating segments (continued):

Nine months ended September 30, 2015	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	$275,221	$34,837	$-	$310,058
Cost of services	(280,982)	(25,849)	-	(306,831)
Gross (loss) profit	(5,761)	8,988	-	3,227
Administrative expenses	(16,280)	(4,445)	(4,384)	(25,109)
Amortization expense	(15)	(4,500)	-	(4,515)
Results from operating activities	$(22,056)	$43	$(4,384)	$(26,397)
Goodwill impairment	-	$(18,900)	-	$(18,900)
Income tax (recovery) expense	$(4,942)	$106	$-	$(4,836)
Segment assets as at September 30, 2015	$429,504	$115,244	$170	$544,918
Segment liabilities as at September 30, 2015	$162,051	$14,698	$2,443	$179,192

Three months ended September 30, 2014	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	$188,053	$16,256	$-	$204,309
Cost of services	(141,118)	(9,635)	-	(150,753)
Gross profit	46,935	6,621	-	53,556
Administrative expenses	(5,247)	(1,769)	(2,838)	(9,854)
Amortization expense	(8)	(1,500)	-	(1,508)
Results from operating activities	$41,680	$3,352	$(2,838)	$42,194
Income tax expense	$9,531	$874	$-	$10,405

Nine months ended September 30, 2014	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	$386,501	$16,256	$-	$402,757
Cost of services	(329,009)	(9,635)	-	(338,644)
Gross profit	57,492	6,621	-	64,113
Administrative expenses	(15,494)	(1,769)	(6,467)	(23,730)
Amortization expense	(34)	(1,500)	-	(1,534)
Results from operating activities	$41,964	$3,352	$(6,467)	$38,849
Income tax expense	$9,095	$874	$-	$9,969
Segment assets as at December 31, 2014	$501,070	$133,499	$4,201	$638,770
Segment liabilities as at December 31, 2014	$186,012	$21,447	$10,782	$218,241