# Management's Discussion and Analysis

## NINE MONTHS ENDED SEPTEMBER 30, 2015

This management discussion and analysis ("MD&A") is dated November 4, 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 nine months ending September 30, 2015 and September 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 THIRD QUARTER 2015

| 000's except per share, job amounts and hydraulic pumping capacity (Unaudited) | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| Consolidated revenues | $111,314 | $204,309 | $81,081 | $310,058 | $402,757 | $195,395 |
| Income (loss) and comprehensive income (loss) | ($20,863) | $30,601 | $3,908 | ($43,802) | $27,189 | ($4,752) |
| Per share-basic | ($0.30) | $0.45 | $0.06 | ($0.64) | $0.42 | ($0.08) |
| Per share-diluted | ($0.30) | $0.44 | $0.06 | ($0.64) | $0.41 | ($0.08) |
| EBITDA before share-based payments(1) | $15,082 | $57,657 | $14,241 | $23,663 | $75,904 | $21,470 |
| Funds from operations(1) | $14,479 | $45,939 | $14,316 | $25,561 | $65,735 | $21,141 |
| Adjusted income (loss) and comprehensive income (loss)(1) | $1,117 | $33,182 | $4,742 | ($15,970) | $31,682 | ($1,696) |
| Adjusted per share-basic (1) | $0.02 | $0.48 | $0.08 | ($0.23) | $0.49 | ($0.03) |
| Adjusted per share-diluted (1) | $0.02 | $0.47 | $0.07 | ($0.23) | $0.48 | ($0.03) |
| Total pressure pumping jobs completed (2) | 759 | 887 | 553 | 1,662 | 2,124 | 1,174 |
| Consolidated pressure pumping revenue per job | $133,000 | $213,320 | $147,794 | $166,767 | $182,798 | $167,144 |
| Average fracturing revenue per job | $173,638 | $310,403 | $208,524 | $217,006 | $252,184 | $236,358 |
| Hydraulic Pumping Capacity: | | | | | | |
| Average HHP | 255,500 | 245,500 | 225,500 | 255,500 | 240,000 | 225,500 |
| Exit HHP | 255,500 | 245,500 | 225,500 | 255,500 | 245,500 | 225,500 |
| Capital expenditures | $2,999 | $43,976 | $1,586 | $26,670 | $75,847 | $7,398 |

| 000's except per share amounts (Unaudited) | As at September 30, 2015 | As at December 31, 2014 | As at December 31, 2013 |
|---|---|---|---|
| Cash and cash equivalents | $5,437 | $20,613 | $21,308 |
| Working capital | $27,865 | $21,880 | $41,730 |
| Total long-term financial liabilities | $69,861 | $36,193 | $3,096 |
| Total assets | $544,918 | $638,770 | $402,707 |
| Cash dividends declared per share | $0.255 | $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 nine months ending September 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, fluid hauling, flowback transfer and produced water storage services.

2015 has seen lower industry activity across the Western Canadian Sedimentary Basin ("WCSB") in response to continuing low commodity prices. Over the past year, global concerns around oil supply and economic growth have resulted in oil and natural gas prices declining by 52% and 28%, respectively in Q3 2015 over the comparable 2014 quarter (source: Nickles Energy Group). In this environment of suppressed commodity pricing, the reduced exploration and production company cash flows have led to dramatic declines in drilling rig utilization, well licensing and well completions, the key indicators of industry activity across the WCSB. In Q3 2015, WCSB drilling rig utilization averaged 26%, about half the 51% level reached in Q3 2014 (source: Nickles Energy Group). Similarly, well licenses and completions decreased by 46% and 42% respectively in the current quarter (source: Nickles Energy Group) compared to the prior year's comparable quarter. In pressure pumping, the lower industry activity led to rapidly deteriorating customer pricing levels commencing in January 2015 and have resulted in current pricing levels approximately 30% lower than those reached in Q4 2014. In fluid management, prices have declined by 15% to 40% depending on the type of service, compared to Q4 2014.

In Q3 2015, Canyon's equipment fleet was able to remain relatively busy with its core group of customers in both its pressure pumping and fluid management divisions until a slowing of activity in September. In conjunction with the previously announced staffing reductions at the end of Q1 2015, Canyon has also right-sized its fleet to match anticipated activity over the remainder of the year which has resulted in the temporary idling of about 10% of the Company's pressure pumping equipment. In Q3 2015 consolidated revenues totaled $111.3 million, down 46% from $204.3 million in Q3 2014 when industry activity and pricing were considerably higher. For the nine months ended September 30, 2015, consolidated revenues were $310.1 million (including revenue of $34.8 million from fluid management), down 23% from consolidated revenues in the prior year period of $402.8 million (including revenue of $16.3 million from the fluid management business acquired July 1, 2014).

In the current quarter, the impact of the reduced activity and lower customer pricing was partially offset by reductions and efficiencies gained in operating and input costs resulting in Q3 2015 consolidated EBITDA before share-based payments expense (see Non-GAAP Measures) of $15.1 million compared to $57.7 million in Q3 2014. The decrease in consolidated EBITDA before share-based payments expense (see Non-GAAP Measures) from Q3 2014 is also due to the significant operating leverage that is characteristic of the pressure pumping business. For the nine months ended September 30, 2015, consolidated EBITDA before share-based payments (see Non-GAAP Measures) is $23.7 million compared to $75.9 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 and third quarters.

**Pressure Pumping Services**

Even though 2015 year to date drilling and completions activity levels are down approximately 50% (source: Nickles Energy Group) while pricing is down by approximately 30%, Canyon was able to remain relatively busy in July and August with its core group of customers. Activity slowed in September due to decreased customer cash flows caused by the lower oil prices as well as field issues which led to the deferral of certain projects by our customers into the fourth quarter. In Q3 2015, Canyon completed 759 pressure pumping jobs, down 14% from 887 jobs completed in Q3 2014. Revenues were $100.5 million for the pressure pumping division in Q3 2015, down 47% from $188.1 million in Q3 2014 due to the substantially lower pricing and job count in the industry. Average fracturing revenue per job decreased 44% to $173,638 in Q3 2015 from $310,403 in Q3 2014 due mainly to lower pricing and job mix.

For the nine months ended September 30, 2015, Canyon completed 1,662 pressure pumping jobs compared to 2,124 for the nine months ended September 30, 2014, while revenues totaled $275.2 million, down 29% from $386.5 million in the comparable 2014 period. Average fracturing revenue per job decreased by 14% to $217,006 in the current nine month period from $252,184 in the prior year nine month period as larger job sizes partially offset the significant pricing declines.

Fortunately, changing well and completions designs have resulted in increased fracturing intensity on a per well basis in the form of more fractures per wellbore and/or larger individual 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 13% in the total metres per well drilled (source: Nickels Energy Group) in the nine months ended September 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 20% compared to the comparable 2014 period. In the nine months ended September 30, 2015, average Ottawa White sand volumes pumped per fracturing job by Canyon's customers increased by 71% and represented approximately 68% of total sand pumped by Canyon.

Pressure pumping cash flow and profitability remains highly levered to changes in activity and pricing due to the fixed cost nature of the business. Throughout 2015, Canyon has been working with suppliers and has continued to vigorously review our internal operations and systems to reduce both variable and fixed input costs, including proppants, chemicals, third-party hauling, fuel, accommodation and labour with the goal of reducing our unit costs of delivering our services to our customers. These cost reduction efforts have succeeded in partially offsetting the impact of significantly lower customer pricing and reduced activity. As a result, Q3 2015 EBITDA before share-based payments expense (see Non-GAAP Measures) for the pressure pumping segment was $12.7 million, compared to $53.9 million in Q3 2014. For the nine months ended September 30, 2015, EBITDA before share-based payments expense (see Non-GAAP Measures) was $16.1 million compared to $75.0 million for the prior year nine-month period. The decrease in EBITDA before share-based payments expense (see Non-GAAP Measures) in the current three and nine month periods 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 and third quarters.

**Fluid Management Services**

Effective September 11, 2015, Canyon acquired, through its wholly owned subsidiary, Fraction, all of the assets (the "Assets") of a private oilfield fluid hauling business located in Grande Prairie, Alberta (the "Acquisition"). These Assets have been operating in the Grande Prairie area since 2005 and come with a dedicated client list and a committed group of employees. Total consideration paid for the Acquisition was $8.5 million cash, $1.0 million in Canyon common shares, plus an earn-out post-closing. The Acquisition represents a new service line for the Fluid Management division and will enhance Fraction's existing fluid storage, transfer and logistics services.

For the three and nine months ended September 30, 2015, Fraction contributed $10.8 million and $34.8 million, respectively, in revenue and $3.3 million and $10.3 million, respectively, in EBITDA before share-based payments expense (see Non-GAAP Measures). The revenue and EBITDA for the three months ended September 30, 2015 are 33% and 47% lower, respectively, than the $16.3 million and $6.2 million in revenue and EBITDA before share-based payment expense generated by Fraction for the three months ended September 30, 2014.

Industry conditions including a prolonged period of depressed commodity prices, lower drilling and completion activity and competitive pricing impacted Q3 2015 revenues and profitability in this division in comparison to Q3 2014. While fluid containment and fluid transfer services are still required for completions, the volume of work has decreased and continued pressure on pricing remains. Depending on the type of service, customer pricing was 15% - 40% lower than peak levels experienced in 2014.

During the quarter, Fraction worked on 114 fluid transfer and fluid containment projects of which, 85 were completed and eight are continuing into Q4 2015. The job mix, in terms of number of jobs, was skewed towards fluid containment projects as there were a few large fluid transfer projects that were awarded in prior quarters and required most of our fluid transfer equipment and manpower for Q3 2015.

Tank rental revenues in Q3 2015 were also lower than Q3 2014 with utilization averaging 54% in the current quarter compared to 76% in the prior year's quarter when industry activity levels were considerably higher. The utilization rates are lower year over year due to lower industry activity but are higher quarter over quarter which is consistent with historical trends as customers begin to rent storage tanks again just before the end of break-up as they plan their winter water needs. In addition, there has been continued pricing pressure on tank rentals as supply is significantly greater than the current demand.

**Cost Reduction Measures**

To address 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 particularly relating to: chemicals; proppants; fuel; third party hauling; accommodations and labour. To date, chemical costs have been reduced by approximately 20%, and third party hauling rates have decreased by approximately 30%. The cost of both Canadian and U.S. sourced proppants has been reduced by approximately 15% net of exchange rate fluctuations. Minor concessions have been received from fuel suppliers in addition to the benefits of 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, to match the anticipated reduced activity levels over the remainder of the year. This resulted in the temporary idling of approximately 10% of the pressure pumping fleet to match the current environment. 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. Various employee benefits have also been adjusted or suspended.

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 have made and will continue to make changes to permanently reorganize and transform certain business processes with the goal of permanently reducing our cost of delivering our services. Canyon is also moving away from the fixed labour cost model for certain groups within our Company to a variable pay model so that labour 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 fixed operating costs are salaried field positions. This lack of flexibility in our previous cost structure caused cash flow losses during low activity periods. Any successful changes Canyon can make to move towards a variable cost structure will aid in reducing cash flow volatility during periods of low activity levels. For example, effective August 1, 2015, Canyon introduced an hourly rate for the transportation group to more closely match the compensation structure of the trucking industry. In Q4 2015, Canyon will introduce a day rate for the majority of the field staff in its pressure pumping business which will place about 65% of the Company's consolidated workforce on a variable pay structure.

**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. Effective for the July 2015 payment, Canyon's quarterly dividend was reduced to $0.075 per common share. In September, the Board determined that a further reduction of the quarterly dividend to $0.03 per common share was prudent given the continuing degradation of industry conditions. Effective for the October 2015 payment, Canyon's quarterly dividend was reduced to $0.03 per common share. These two reductions in the quarterly dividend will result in annualized cash savings of $33.1 million and will enable Canyon to preserve its strong balance sheet and provide the Company with additional financial flexibility to pursue organic growth prospects and potential asset acquisitions. The Board will continue to regularly review the dividend payout in the context of the market.

**Operating and Financial Highlights**

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

- Q3 2015 consolidated revenues totaled $111.3 million. In the current quarter, the impact of the reduced activity and lower customer pricing was partially offset by reductions and efficiencies gained in operating and input costs, and resulted in Q3 2015 consolidated EBITDA before share-based payments expense (see Non-GAAP Measures) of $15.1 million.

- Canyon continues to reduce all operating and input costs to reduce the impact of significant decreases in activity levels and customer pricing. We continue to work with suppliers and customers to gain concessions and economies. Importantly, we are making changes to permanently reorganize and transform certain business processes with the goal of moving away from the fixed labour cost model for certain groups within our Company to a variable pay model so that expenses are more closely linked to activity. Effective August 1, 2015, Canyon introduced an hourly rate for the transportation group to more closely match the compensation structure of the trucking industry. In Q4 2015, Canyon will introduce a day rate for the majority of the field staff in its pressure pumping business which will place about 65% of the Company's consolidated workforce on a variable pay structure.

- Effective September 11, 2015, Canyon acquired, through its wholly owned subsidiary Fraction, all of the assets of a private oilfield fluid hauling business located in Grande Prairie, Alberta (the "Acquisition") for total consideration paid of $8.5 million cash, $1.0 million in Canyon common shares, plus an earn-out over two years. The Acquisition represents a new service line for the Fluid Management division and will enhance Fraction's existing fluid storage, transfer and logistics services.

- On September 24, 2015, Canyon declared a quarterly dividend of $0.03 per common share, or $2.1 million, which was paid to shareholders on October 23, 2015. In 2015, there have been two reductions in the quarterly dividend which will result in annualized cash savings of $33.1 million and will enable Canyon to preserve its strong balance sheet and provide the Company with additional financial flexibility to pursue organic growth prospects and potential asset acquisitions. The Board will continue to regularly review the dividend payout in the context of the market.

- 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 and is extendible annually.

- Under the Facility, Canyon now has available bank credit facilities of approximately $85 million, including the accordion feature (total of $150 million less $65 million drawn net of cash and cash equivalents as at September 30, 2015), allowing the Company to actively pursue growth opportunities. Under the Facility, Canyon is not subject to a debt to EBITDA before share-based payments expense covenant until after June 30, 2016. Canyon maintains a strong balance sheet with a low debt to EBITDA before share-based payments expense ratio of 1.18:1.00 as at September 30, 2015.

**INDUSTRY COMMENTARY & 2015 OUTLOOK**

To date in 2015, our customers are continually adjusting to the sharply lower commodity prices by reducing or deferring drilling and completions activities as was evident during the first nine 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 for at least the remainder of 2015 and the first half of 2016.

As expected, the declining activity levels have led to pricing pressure that commenced in January and has reached the current level that is about approximately 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 and third party trucking costs. In addition, Canyon and Fraction reduced the 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 activity levels. Therefore, effective August 1, 2015, Canyon introduced an hourly rate for the transportation group to more closely match the compensation structure of the trucking industry. In Q4 2015 Canyon will also introduce a day rate for the majority of the field staff in its pressure pumping business which will place about 65% of the Company's consolidated workforce on a variable pay structure.

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. However, 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 performance in the field, ongoing fiscal prudence and a never ending pursuit of lower cost operations while at the same time, maintaining our essential field and support personnel capabilities.

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 and, recently, the addition of the oilfield fluid hauling 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. Although the potential impact of the recent change in Federal Government adds to the uncertainty around timing, the current environment of low oil prices may delay development activities. The previous Federal Government's 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 2016. 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 long-term return on invested capital to our shareholders 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 our overall strategy.

Our strong financial position also allows us to seek out attractive investment opportunities. Canyon is actively evaluating 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 customers and build our reputation in the region's premier unconventional plays.

## 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 income (loss) and comprehensive income (loss) and adjusted per share amounts are not recognized measures under IFRS. Management believes that in addition to income (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 income and comprehensive income (loss) for the year adjusted for depreciation and amortization, equity settled share-based payment transactions, gain or loss on sale of property and equipment, finance costs, foreign exchange (gain) loss, income tax (recovery) expense, gain on business combination and goodwill impairment.

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 income (loss) and comprehensive income (loss)*

Adjusted income (loss) and comprehensive income (loss) is calculated as income (loss) and comprehensive income (loss) plus amortization expense on intangibles, gain on business combination, goodwill impairment and share-based payment transactions.

Adjusted per share basic and diluted income (loss) per share are calculated as adjusted income (loss) and comprehensive income (loss) divided by weighted average basic and diluted shares outstanding.

These measures 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.

Readers should be cautioned, however, that the above metrics should not be construed as an alternative to income (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 September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Income (loss) and comprehensive income (loss) | ($20,863) | $30,601 | ($43,802) | $27,189 |
| Add (deduct): | | | | |
| Depreciation and amortization | 14,925 | 14,390 | 45,100 | 34,096 |
| Finance costs | 623 | 727 | 2,010 | 978 |
| Foreign exchange loss | 832 | 633 | 2,122 | 901 |
| Share-based payment transactions | 2,118 | 1,073 | 4,960 | 2,959 |
| Gain on sale of property and equipment | (98) | (172) | (248) | (188) |
| Gain on business combination | (543) | - | (543) | - |
| Goodwill impairment | 18,900 | - | 18,900 | - |
| Income tax (recovery) expense | (812) | 10,405 | (4,836) | 9,969 |
| EBITDA before share-based payments | $15,082 | $57,657 | $23,663 | $75,904 |

## Funds from Operations

| 000's (Unaudited) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net cash (used in) from operating activities | ($314) | $14,713 | ($282) | $25,700 |
| Add (deduct): | | | | |
| Income tax paid (received) | 517 | (4,461) | 9,325 | (4,461) |
| Change in non-cash working capital related to operating activities | 13,360 | 46,016 | 10,384 | 52,757 |
| Current tax recovery (expense) | 916 | (10,329) | 6,134 | (8,261) |
| Funds from operations | $14,479 | $45,939 | $25,561 | $65,735 |

## Adjusted Income (Loss) and Comprehensive Income (Loss)

| 000's (Unaudited) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Income (loss) and comprehensive income (loss) | ($20,863) | $30,601 | ($43,802) | $27,189 |
| Amortization expense on intangibles | 1,505 | 1,508 | 4,515 | 1,534 |
| Gain on business combination | (543) | - | (543) | - |
| Goodwill impairment | 18,900 | - | 18,900 | - |
| Share-based payment transactions | 2,118 | 1,073 | 4,960 | 2,959 |
| Adjusted income (loss) and comprehensive income (loss) | $1,117 | $33,182 | ($15,970) | $31,682 |
| Adjusted per share-basic | $0.02 | $0.48 | ($0.23) | $0.49 |
| Adjusted per share-diluted | $0.02 | $0.47 | ($0.23) | $0.48 |

## QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS

| 000's except per share amounts (Unaudited) | Three Months Ended September 30 | |
|---|---|---|
| | 2015 | 2014 |
| Revenue | $111,314 | $204,309 |
| Cost of services | (102,967) | (150,753) |
| Gross profit | 8,347 | 53,556 |
| Administrative expenses | (8,803) | (9,854) |
| Amortization expense | (1,505) | (1,508) |
| Results from operating activities | (1,961) | 42,194 |
| Finance costs | (623) | (727) |
| Foreign exchange loss | (832) | (633) |
| Gain on sale of property and equipment | 98 | 172 |
| Gain on business combination | 543 | - |
| Goodwill impairment | (18,900) | - |
| Income (loss) before income tax | (21,675) | 41,006 |
| Income tax recovery (expense) | 812 | (10,405) |
| Income (loss) and comprehensive income (loss) | ($20,863) | $30,601 |
| EBITDA before share-based payments(1) | $15,082 | $57,657 |
| Adjusted income & comprehensive income (1) | $1,117 | $33,182 |
| Adjusted income per share(1) | | |
| Basic | $0.02 | $0.48 |
| Diluted | $0.02 | $0.47 |

## Pressure Pumping Services

| 000's except per share amounts (Unaudited) | Three Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| Revenue | $100,479 | 100% | $188,053 | 100% |
| Cost of services | (94,754) | (94%) | (141,118) | 75% |
| Gross profit | 5,725 | 6% | 46,935 | 25% |
| Administrative expenses | (5,896) | (6%) | (5,247) | (3%) |
| Amortization expense | (5) | (0%) | (8) | (0%) |
| Results from operating activities | (176) | (0%) | 41,680 | 22% |
| Add non-cash items: | | | | |
| Depreciation and amortization | 11,402 | 11% | 11,517 | 7% |
| Share-based payments expense | 1,464 | 1% | 743 | 0% |
| EBITDA before share-based payments(1) | $12,690 | 12% | $53,940 | 29% |

Note (1): See Non-GAAP Measures.

## Revenue

In Q3 2015, Canyon completed 759 pressure pumping jobs, down 14% from 887 jobs completed in Q3 2014 although industry activity levels were approximately a half of prior year's levels. Commodity prices remained low throughout the quarter, which coupled with reduced industry activity, has led to sharply lower customer pricing. We estimate pricing is 30% lower than Q4 2014 levels. As a result, pressure pumping revenues were $100.5 million, 47% down from $188.1 million in Q3 2014. With fracturing revenues accounting for over 90% of total pressure pumping revenues, average fracturing revenue per job decreased 44% to $173,638 in Q3 2015 from $310,403 in Q3 2014 due to job mix and lower pricing.

## Cost of services

Cost of services for the three months ended September 30, 2015 totaled $94.8 million (2014: $141.1 million) and included materials, products, transportation and repair costs of $65.8 million (2014: $98.4 million), employee benefits expense of $18.2 million (2014: $31.6 million), and depreciation of property and equipment of $10.8 million (2014: $11.1 million).

- Materials, products, transportation and repair costs decreased by 33% in Q3 2015 when compared to Q3 2014 mainly due to lower activity and input cost reductions, as previously discussed.
- Employee benefits expense has decreased by 42% in Q3 2015 due to a reduction in the permanent employee count and a company-wide wage rollback as a result of decreased activity.
- Depreciation of property and equipment has remained relatively flat year over 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. While additional equipment was added to Canyon's fleet throughout 2014, the increased asset base for amortization expense was 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 three months ended September 30, 2015 totaled $5.9 million (2014: $5.2 million) and included employee benefits expense of $2.6 million (2014: $2.9 million), share-based payments expense of $1.5 million (2014: $0.7 million) and other administrative expenses of $1.2 million (2014: $1.4 million).

Administrative expenses increased due to the $0.8 million increase in share-based payments expense as a result of the modification of the Share Purchase Option Plan as discussed in Note 16(a) of the Condensed Consolidated Interim Financial Statements. The decrease in employee benefits expense was mainly attributable to the wage and benefits rollbacks and a reduced number of staff, 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: $0.3 million).

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

In Q3 2015, pressure pumping contributed $12.7 million of EBITDA before share-based payments expense (see Non-GAAP Measures) compared to $53.9 million in the comparable 2014 quarter. As previously discussed, lower customer pricing due to decreased industry-wide activity levels and competitive pricing led to the decrease.

## Fluid Management Services

| 000's except per share amounts (Unaudited) | Three Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| Revenue | $10,835 | 100% | $16,256 | 100% |
| Cost of services | (8,213) | (76%) | (9,635) | (59%) |
| Gross profit | 2,622 | 24% | 6,621 | 41% |
| Administrative expenses | (1,430) | (13%) | (1,769) | (11%) |
| Amortization expense | (1,500) | (14%) | (1,500) | (9%) |
| Results from operating activities | (308) | (3%) | 3,352 | 21% |
| Add non-cash items: | | | | |
| Depreciation and amortization | 3,523 | 32% | 2,873 | 17% |
| Share-based payments expense | 88 | 1% | - | -% |
| EBITDA before share-based payments(1) | $3,303 | 30% | $6,225 | 38% |

Note (1): See Non-GAAP Measures.

### Revenue

The fluid management services business, acquired July 1, 2014, contributed $10.8 million of revenue to Canyon in Q3 2015. The lower WCSB industry activity, along with a prolonged period of low commodity prices has led to sharply lower pricing for these services of between 15% - 40% in comparison to Q3 2014, depending on the service. Lower pricing coupled with lower industry activity resulted in fluid management revenue decreasing by 33% from $16.3 million in Q3 2014 to $10.8 million in Q3 2015.

### Cost of services

Cost of services for the three months ended September 30, 2015 totaled $8.2 million (2014: $9.6 million) and included materials, products, transportation and repair costs of $3.4 million (2014: $5.2 million), employee benefits expense of $2.7 million (2014: $3.1 million), and depreciation of property and equipment of $2.1 million (2014: $1.3 million).

- Materials, products, transportation and repair costs decreased by 35% in Q3 2015 when compared to Q3 2014, mainly due to lower activity and input cost reductions, as previously discussed.
- Employee benefits expense has decreased by 13% in Q3 2015 due to a company-wide wage rollback as a result of decreased activity. Employee costs have not been reduced to the extent that pricing levels have eroded due to the labour intensive nature of certain of our services.
- The increase in depreciation expense for the division is due to equipment additions in late 2014 and 2015. The 2015 additions included the purchase of the fluid transport assets effective September 11, 2015.

## Administrative expenses

Administrative expenses for the three months ended September 30, 2015 totaled $1.4 million and includes employee benefits expense and other administrative expenses. Administrative expenses decreased by 19% from $1.8 million in Q3 2014 to $1.4 million in Q3 2015. The decrease is largely the result of wage and benefit rollbacks and a reduced number of staff, as previously discussed.

The amortization expense of $1.5 million relates to the amortization of customer relationships and non-competition agreements related to the acquisition of Fraction.

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

Q3 2015 EBITDA before share-based payments (see Non-GAAP Measures) totaled $3.3 million, or 30% of revenue. This is a decrease of 47% in comparison to Q3 2014 and is due to lower pricing and decreased activity levels, as previously discussed.

## Corporate

| 000's except per share amounts (Unaudited) | Three Months Ended September 30 | |
|---|---|---|
| | 2015 | 2014 |
| Revenue | $ - | $ - |
| Administrative expenses | (1,477) | (2,838) |
| Results from operating activities | (1,477) | (2,838) |
| Add non-cash item: | | |
| Share-based payments expense | 566 | 330 |
| EBITDA before share-based payments[1] | ($911) | ($2,508) |

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 September 30, 2015 totaled $1.5 million compared to $2.8 million in Q3 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. In addition, administrative expenses in Q3 2014 included $0.7 million in legal, professional and other fees related to the acquisition of Fraction.

## Other items – three months ended September 30, 2015

## Finance costs and foreign exchange loss

Finance costs remained relatively flat in Q3 2015 in comparison to Q3 2014 and totaled $0.6 million in Q3 2015 (2014: $0.7 million). Finance costs include interest on loans, finance lease obligations and automobile loans.

In Q3 2015 the Company recorded a foreign exchange loss of $0.8 million compared to $0.6 million in Q3 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.

**Gain on business combination**

On September 11, 2015, the Company acquired the assets of a privately held fluid transportation company. The total consideration paid was $9.5 million which consisted of 0.2 million Canyon common shares issued at $5.04 per share and cash consideration of $8.5 million. The net identifiable assets totaled $10.0 million which resulted in a gain of $0.5 million. The gain on business combination arose due to depressed commodity prices which allowed the Company to purchase the business for less than fair value.

**Goodwill impairment**

At the end of each reporting period, Canyon 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 in Q3 2015, the Company recorded a goodwill write-down of $18.9 million in the Fluid Management Services segment.

**Income tax recovery**

At the expected combined income tax rate of 26%, the loss before income tax for Q3 2015 would have resulted in an income tax recovery of $0.7 million after adjusting the Q3 2015 loss before income tax of $21.7 million for the $18.9 million goodwill impairment, which is in line with the expected recovery of $0.8 million. The recovery is due to a loss in the quarter in comparison to net income in Q3 2014 which resulted in a tax expense.

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

In Q3 2015, Canyon recorded consolidated EBITDA before share-based payments (see Non-GAAP Measures) of $15.1 million in comparison to $57.7 million recorded in the comparable 2014 quarter. The decrease is due to the overall lower activity levels across the WCSB and significantly lower customer pricing, as previously discussed.

**Income (loss) and comprehensive income (loss) and income (loss) per share**

Loss and comprehensive loss was $20.9 million in Q3 2015 in comparison to income and comprehensive income of $30.6 million in Q3 2014. The loss in Q3 2015 in comparison to income in Q3 2014 is mainly due to the goodwill impairment of $18.9 million, as well as the aforementioned reduced industry-wide activity and lower pricing.

Basic and diluted loss per share was $0.30 for the three months ended September 30, 2015 compared to basic and diluted income per share of $0.45 and $0.44, respectively, for the comparable 2014 quarter.

## NINE MONTHS ENDED SEPTEMBER 30, 2015 CONSOLIDATED STATEMENTS OF OPERATIONS

| 000's except per share amounts (Unaudited) | Nine Months Ended September 30 | |
|---|---|---|
| | 2015 | 2014 |
| Revenue | $310,058 | $402,757 |
| Cost of services | (306,831) | (338,644) |
| Gross profit | 3,227 | 64,113 |
| Administrative expenses | (25,109) | (23,730) |
| Amortization expense | (4,515) | (1,534) |
| Results from operating activities | (26,397) | 38,849 |
| Finance costs | (2,010) | (978) |
| Foreign exchange loss | (2,122) | (901) |
| Gain on sale of property and equipment | 248 | 188 |
| Gain on business combination | 543 | - |
| Goodwill impairment | (18,900) | - |
| Loss before income tax | (48,638) | 37,158 |
| Income tax recovery (expense) | 4,836 | (9,969) |
| Income (loss) and comprehensive income (loss) | ($43,802) | $27,189 |
| EBITDA before share-based payments[(1)] | $23,663 | $75,904 |
| Adjusted income (loss) & comprehensive income (loss) [(1)] | ($15,970) | $31,682 |
| Adjusted income (loss) per share[(1)] | | |
| Basic | ($0.23) | $0.49 |
| Diluted | ($0.23) | $0.48 |

Note (1): See Non-GAAP Measures.

## Pressure Pumping Services

| 000's except per share amounts (Unaudited) | Nine Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| Revenue | $275,221 | 100% | $386,501 | 100% |
| Cost of services | (280,982) | (102%) | (329,009) | (85%) |
| Gross (loss) profit | (5,761) | (2%) | 57,492 | 15% |
| Administrative expenses | (16,280) | (6%) | (15,494) | (4%) |
| Amortization expense | (15) | (0%) | (34) | (0%) |
| Results from operating activities | (22,056) | (8%) | 41,964 | 11% |
| Add non-cash items: | | | | |
| Depreciation and amortization | 34,990 | 13% | 31,223 | 8% |
| Share-based payments expense | 3,154 | 1% | 1,845 | 0% |
| EBITDA before share-based payments[1] | $16,088 | 6% | $75,032 | 19% |

Note (1): See Non-GAAP Measures.

### Revenue

Pressure pumping revenues for the nine months ended September 30, 2015 totaled $275.2 million compared to $386.5 million earned in the nine months ended September 30, 2014, a decrease of 29%. Canyon completed 1,662 pressure pumping jobs for the nine months ended September 30, 2015 compared to 2,124 jobs completed in the prior year nine month period, a decrease of 22%. Average fracturing revenue decreased by 14% to $217,006 in the current nine month period from $252,184 in the prior year nine month period as larger job sizes partially offset the significant pricing declines.

### Cost of services

Cost of services for the three months ended September 30, 2015 totaled $281.0 million (2014: $329.0 million) and included materials, products, transportation and repair costs of $184.6 million (2014: $221.5 million), employee benefits expense of $63.1 million (2014: $77.6 million), and depreciation of property and equipment of $33.3 million (2014: $29.9 million).

- Materials, products, transportation and repair costs decreased by 17% for the nine months ended September 30, 2015 compared to the nine months ended September 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 19% for the nine months ended September 30, 2015 in comparison to the nine months ended September 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. Q3 2015 employee benefits expense decreased by 42% compared to Q3 2014 as the aforementioned staff reductions were implemented at the end of March.

* The increase in depreciation of property and equipment for the nine months ended September 30, 2015 in comparison to the nine months ended September 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 nine months ended September 30, 2015 totaled $16.3 million compared to $15.5 million for the nine months ended September 30, 2014 and included employee benefits expense of $7.7 million (2014: $7.9 million) and share-based payments expense (see Non-GAAP Measures) of $3.2 million (2014: $1.8 million). The decrease in employee benefits expense was mainly attributable to wage and benefits rollbacks implemented at the beginning of Q3 2015.

Administrative expenses also include depreciation of buildings and office equipment of $1.7 million (2014: $1.4 million). In addition, other administrative expenses totaled $3.7 million for the nine months ended September 30, 2015 compared to $4.4 million for the nine months ended September 30, 2014.

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

For the nine months ended September 30, 2015, EBITDA before share-based payments (see Non-GAAP Measures) contributed by pressure pumping was $16.1 million compared to $75.0 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) | Nine Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2015 | | 2014[2] | |
| Revenue | $34,837 | 100% | $16,256 | 100% |
| Cost of services | (25,849) | (74%) | (9,635) | (59%) |
| Gross profit | 8,988 | 26% | 6,621 | 41% |
| Administrative expenses | (4,445) | (13%) | (1,769) | (11%) |
| Amortization expense | (4,500) | (13%) | (1,500) | (9%) |
| Results from operating activities | 43 | 0% | 3,352 | 21% |
| Add non-cash items: | | | | |
| Depreciation and amortization | 10,110 | 29% | 2,873 | 17% |
| Share-based payments expense | 188 | 1% | - | -% |
| EBITDA before share-based payments[1] | $10,341 | 30% | $6,225 | 38% |

Note (1): See Non-GAAP Measures.

Note (2): The Fluid Management segment consists of results from July 1, 2014 to September 30, 2014 for the nine month period ended September 30, 2014 as Canyon acquired control on July 1, 2014. As such, a meaningful year over year comparison cannot be completed. Please refer to discussion above for comparison of quarterly results.

**Revenue**

The fluid management services business contributed $34.8 million of revenues to Canyon for the nine months ended September 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. This was offset by a prolonged break-up as well as decreased customer pricing, as previously discussed.

**Cost of services**

Cost of services for the nine months ended September 30, 2015 totaled $25.8 million and includes materials, products, transportation and repair costs of $11.3 million, employee benefits expense of $8.9 million, and depreciation of property and equipment of $5.6 million.

**Administrative expenses**

Administrative expenses for the Corporate segment for the nine months ended September 30, 2015 totaled $4.4 million and includes employee benefits expense and other administrative expenses.

The amortization expense of $4.5 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)**

For the nine months ended September 30, 2015 EBITDA before share-based payments totaled $10.3 million in the fluid management services segment, or 30% of revenue.

**Corporate**

| 000's except per share amounts (Unaudited) | Nine Months Ended September 30 | |
|---|---|---|
| | 2015 | 2014 |
| Revenue | $ - | $ - |
| Administrative expenses | (4,384) | (6,467) |
| Results from operating activities | (4,384) | (6,467) |
| Add non-cash item: | | |
| Share-based payments expense | 1,618 | 1,114 |
| EBITDA before share-based payments[(1)] | ($2,766) | ($5,353) |

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 in the Corporate segment for the nine months ended September 30, 2015 totaled $4.4 million compared to $6.5 million in Q3 2014 and include employee benefits expense, share-based payments, and other corporate 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. In addition, there was $0.7 million of acquisition costs related to the acquisition of Fraction in 2014.

**Other Items – Nine months ended September 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 $2.0 million for the nine months ended September 30, 2015 (2014: $1.0 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 nine months ended September 30, 2015 the Company recorded a foreign exchange loss of $2.1 million compared to $0.9 million for the nine months ended September 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.

**Gain on business combination**

On September 11, 2015, the Company acquired the assets of a privately held fluid transportation company. The total consideration paid was $9.5 million which consisted of 0.2 million Canyon common shares issued at $5.04 per share and cash consideration of $8.5 million. The net identifiable assets totaled $10.0 million which resulted in a gain on business combination of $0.5 million.

**Goodwill impairment**

At the end of each reporting period, Canyon 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 $18.9 million in the Fluid Management Services segment.

**Income tax recovery**

At the expected combined income tax rate of 26%, the loss before income tax for the nine months ended September 30, 2015 of $29.7 million (before the goodwill impairment expense which is not subject to tax) would have resulted in an income tax recovery of $7.7 million, compared to the actual income tax recovery of $4.8 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 nine months ended September 30, 2015 Canyon recorded consolidated EBITDA before share-based payments (see Non-GAAP Measures) of $23.7 million compared to $75.9 million for the nine months ended September 30, 2014. As previously discussed, the decreased EBITDA before share-based payments expense is due to significantly lower industry-wide activity and resulting pricing pressure partially offset by the addition of Fraction, which contributed $10.3 million in EBITDA before share-based payments for the nine months ended September 30, 2015.

**Income (loss) and comprehensive income (loss) and income (loss) per share**

The aforementioned reduced industry-wide activity and resulting lower pricing, as well as the goodwill impairment expense resulted in a loss and comprehensive loss totaling $43.8 million for the nine months ended September 30, 2015 compared to income and comprehensive income of $27.2 million for the nine months ended September 30, 2014.

Basic and diluted loss per share was $0.64 for the nine months ended September 30, 2015 compared to basic and diluted income per share of $0.42 and $0.41, respectively, for the comparable 2014 period.

### Summary of Quarterly Results

| 000's except per share amounts (Unaudited) (1) | | Revenues | EBITDAS(2) | Income (Loss) and Comprehensive Income (Loss) | Basic Income (Loss) per Share | Diluted Income (Loss) per Share |
|---|---|---|---|---|---|---|
| 2015 | Q3 | $111,314 | $15,082 | ($20,863) | ($0.30) | ($0.30) |
| | Q2 | $43,159 | ($9,754) | ($21,857) | ($0.32) | ($0.32) |
| | Q1 | $155,585 | $18,335 | ($1,082) | ($0.02) | ($0.02) |
| 2014 | Q4 | $188,265 | $45,576 | $21,906 | $0.25 | $0.25 |
| | Q3 | $204,309 | $57,657 | $30,601 | $0.45 | $0.44 |
| | 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 |

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 Q3 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. Q4 2013 was a very active quarter supported by strong commodity prices but 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 $25.6 million for the nine months ended September 30, 2015, down from $65.7 million for nine months ended September 30, 2014. The decrease in funds from operations is due to significantly lower customer pricing for the nine months ended September 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 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 nine months ended September 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 34 and 66 incentive based units respectively pursuant to the Stock-Based Compensation Plan for aggregate proceeds of nil and $0.6 million, respectively. In addition, the Company issued 200 Canyon common shares at $5.04 per share in Q3 2015 as part of the consideration paid for the purchase of the assets of a fluid transportation business.

*Debt:*

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.

Bank indebtedness net of cash and cash equivalents as at September 30, 2015 totals $64.9 million (December 31, 2014: $21.0 million) and comprises $70.3 million drawn on the extendible revolving operating credit facility less cash and cash equivalents of $5.4 million (December 31, 2014: $30.0 million drawn on the previous revolving facility plus $11.6 million drawn on the previous operating facility less cash and cash equivalents of $20.6 million). In addition, finance leases as at September 30, 2015 total $9.6 million (December 31, 2014: $8.9 million).

Under the new Facility, Canyon will not be subject to a debt to EBITDA before share-based payment expense (see Non-GAAP Measures) 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 (see Non-GAAP Measures) ratio beginning with the fiscal quarter ending September 30, 2016. Once enacted, the debt to EBITDA before share-based payment expense (see Non-GAAP Measures) 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 September 30, 2015, Canyon's funded debt to capitalization is 0.18:1.00 while the debt service ratio is 10.08. With this Credit Facility, Canyon has available bank credit facilities of $85.1 million including the accordion feature of $50.0 million (total credit lines of $150 million less drawn bank debt, net of cash of $64.9 million as at September 30, 2015), allowing the Company to actively pursue growth opportunities. Canyon maintains a strong balance sheet with a low funded debt to EBITDA before share-based payments expense ratio of 1.18 as at September 30, 2015.

## Working Capital and Cash Requirements

As at September 30, 2015, Canyon had a working capital balance of $27.9 million compared to $21.9 million as at December 31, 2014. As at September 30, 2015, trade and other receivables decreased to $69.6 million from $123.7 million as at December 31, 2014 due to the decrease in industry-wide activity levels and pricing as previously discussed. Inventories decreased by $7.6 million mainly due to lower chemical and proppant levels required for decreased activity 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 September 30, 2015, accounts receivable included an allowance of $96 thousand for doubtful receivables (December 31, 2014: $41 thousand).

The Company will use its September 30, 2015 cash available of $5.4 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 nine months ended September 30, 2015, capital expenditures, net of finance leases and assets purchased through business combinations, totaled $3.0 million and $26.7 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 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 September 30, 2015, Canyon's funded debt to capitalization is 0.18:1.00 while the debt service ratio is 10.08.

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 September 30, 2015, Canyon's contractual obligations are summarized as follows:

| 000's<br>(Unaudited) | Total | Next 12 months | 1 - 3 years | 4 - 5 years | After 5 years |
|---|---|---|---|---|---|
| Trade and other payables | $61,600 | $61,600 | $ - | $ - | $ - |
| Bank indebtedness and finance leases | 79,942 | 10,081 | 69,861 | - | - |
| Dividend payable | 2,075 | 2,075 | - | - | - |
| Operating leases and office space | 6,202 | 2,347 | 3,538 | 317 | - |
| Capital expenditure commitments | 835 | 835 | - | - | - |
| Total contractual obligations | $150,654 | $76,938 | $73,399 | $317 | $ - |

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 Expenditures

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.

In the three and nine months ended September 30, 2015, Canyon incurred capital expenditures of $3.0 million and $26.7 million, respectively. For the nine months ended September 30, 2015, the capital expenditures of $26.7 million included $8.1 million of growth capital carried over from 2014, $14.5 million for maintenance capital and $4.1 million for fluid transfer equipment, sand logistical equipment, transportation and other miscellaneous support equipment.

In addition to the $26.7 million of capital expenditures for the nine months ended September 30, 2015, Canyon acquired all of the assets of a private fluid hauling business for total consideration of $8.5 million cash, $1.0 million in Canyon shares, plus an earn out, as previously discussed. These assets have been recorded at a fair value of $10.0 million.

Canyon's total capital expenditures for 2015, other than capital expenditures through business combinations, are anticipated to total $28.6 million leaving approximately $1.9 million to be spent in the remainder 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) | October 31, 2015 | September 30, 2015 | December 31, 2014 |
|---|---|---|---|
| Common Shares | 69,089 | 69,089 | 68,604 |
| Stock Options | 3,368 | 3,375 | 3,671 |
| Incentive Based Units | 1,298 | 1,300 | 497 |

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

| 000's (Unaudited) | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Stock Options Granted | 890 | 95 | 1,925 | 994 |
| Stock Options Exercised | - | 96 | 219 | 613 |
| Stock Options Forfeited | 28 | 44 | 170 | 167 |
| Incentive Based Units Granted | 3 | 3 | 889 | 219 |
| Incentive Based Units Exercised | 34 | - | 66 | 52 |
| Incentive Based Units Forfeited | 3 | 4 | 20 | 14 |

The average exercise price of the options granted for the nine months ended September 30, 2015 was $7.15 (2014 - $16.32).

## 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 September 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 $96 thousand has been established as at September 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 period, 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. A goodwill impairment of $18.9 million was recorded in the quarter ended September 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 76% of the Company's accounts receivable as at September 30, 2015, and 63% of the Company's revenue for the three months ended September 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 September 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.