



CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2016 and 2015

UNAUDITED

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Balance Sheets
(Unaudited)

| 000's of dollars | | March 31, 2016 | December 31, 2015 |
|--------------------------------------|------|-------------------|----------------------|
| | Note | | |
| Assets | | | |
| Current assets: | | | |
| Cash | | \$2,341 | \$3,059 |
| Trade and other receivables | 4 | 37,168 | 59,142 |
| Inventories | | 12,777 | 16,899 |
| Prepayments | | 2,482 | 2,498 |
| Current tax assets | | 13,756 | 9,418 |
| Total current assets | | 68,524 | 91,016 |
| Non-current assets: | | | |
| Property and equipment | 7 | 348,944 | 362,036 |
| Investment | | 429 | 364 |
| Intangible assets | | 33,791 | 35,241 |
| Goodwill | | 21,431 | 21,431 |
| Total non-current assets | | 404,595 | 419,072 |
| Total assets | | \$473,119 | \$510,088 |
| Liabilities and Equity | | | |
| Current liabilities: | | | |
| Trade and other payables | 8 | \$39,621 | \$57,491 |
| Finance leases | 9 | 2,565 | 3,873 |
| Dividend payable | | - | 2,074 |
| Current tax liabilities | | - | - |
| Derivative instruments | 4 | 291 | - |
| Total current liabilities | | 42,477 | 63,438 |
| Non-current liabilities: | | | |
| Bank indebtedness | 9 | - | 60,000 |
| Finance leases | 9 | 5,069 | 4,779 |
| Deferred tax liabilities | | 33,786 | 34,934 |
| Total non-current liabilities | | 38,855 | 99,713 |
| Equity: | | | |
| Share capital | 10 | 364,508 | 300,616 |
| Contributed surplus | | 20,371 | 18,819 |
| Retained earnings | | 6,908 | 27,502 |
| Total equity | | 391,787 | 346,937 |
| Total liabilities and equity | | \$473,119 | \$510,088 |

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

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Statements of Comprehensive Loss
For the three months ended March 31
(Unaudited)

| 000's of dollars, except per share amounts | Note | 2016 | 2015 |
|--|------|------------|-----------|
| Revenue | | \$71,269 | \$155,585 |
| Depreciation - cost of services | 5 | (13,128) | (13,802) |
| Other - cost of services | 5 | (69,386) | (130,233) |
| Gross (loss) profit | | (11,245) | 11,550 |
| Depreciation - administrative expenses | 6 | (539) | (529) |
| Share-based payment transactions - administrative expenses | 6,11 | (4,860) | (1,371) |
| Other - administrative expenses | 6 | (5,556) | (7,017) |
| Amortization expense | | (1,447) | (1,505) |
| Results from operating activities | | (23,647) | 1,128 |
| Finance costs | | (589) | (533) |
| Foreign exchange loss | | (565) | (1,564) |
| Gain (loss) on sale of property and equipment | | 167 | (49) |
| Write-off of equipment and onerous contracts | 7,12 | (1,187) | - |
| Loss before income tax | | (25,821) | (1,018) |
| Income tax (expense) recovery: | | | |
| Current | | 5,010 | (578) |
| Deferred | | 217 | 558 |
| | | 5,227 | (20) |
| Loss and comprehensive loss | | (\$20,594) | (\$1,038) |
| Loss per share: | | | |
| Basic | 10 | (\$0.29) | (\$0.02) |
| Diluted | 10 | (\$0.29) | (\$0.02) |

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CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)

| 000's of dollars and shares | | Number of shares | Share Capital | Contributed Surplus | Retained Earnings | Total Equity |
|---|------|------------------------|------------------|------------------------|----------------------|-----------------|
| | Note | | | | | |
| Balance at December 31, 2014 | | 68,604 | \$297,761 | \$13,565 | \$109,203 | \$420,529 |
| Loss for the period | | | - | - | (1,038) | (1,038) |
| Transactions with owners, recorded directly in equity: | | | | | | |
| Issue on exercise of stock options | | 219 | 595 | - | - | 595 |
| Reclassification on exercise of share options and incentive-based units | | 28 | 523 | (523) | - | - |
| Share-based payment transactions | 11 | - | - | 1,371 | - | 1,371 |
| Dividends | | - | - | - | (10,328) | (10,328) |
| Balance at March 31, 2015 | | 68,851 | \$298,879 | \$14,413 | \$97,837 | \$411,129 |
| Balance at December 31, 2015 | | 69,124 | \$300,616 | \$18,819 | \$27,502 | \$346,937 |
| Loss for the period | | | - | - | (20,594) | (20,594) |
| Transactions with owners, recorded directly in equity: | | | | | | |
| Proceeds from common shares issued | 10 | 15,813 | 63,250 | - | - | 63,250 |
| Share issuance costs, net of tax of \$929 | 10 | - | (2,666) | - | - | (2,666) |
| Reclassification on exercise of share options and incentive-based units | | 824 | 3,308 | (3,308) | - | - |
| Share-based payment transactions | 11 | - | - | 4,860 | - | 4,860 |
| Balance at March 31, 2016 | | 85,761 | \$364,508 | \$20,371 | \$6,908 | \$391,787 |

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

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31
(Unaudited)

| 000's of Dollars | Note | 2016 | 2015 |
|--|------|------------|-----------|
| Cash flows from operating activities: | | | |
| Loss for the period | | (\$20,594) | (\$1,038) |
| Adjustments for: | | | |
| Depreciation and amortization | | 15,114 | 15,836 |
| Share-based payment transactions | 11 | 4,860 | 1,371 |
| (Gain) loss on sale of property and equipment | | (167) | 49 |
| Equity investment income | | (65) | (76) |
| Write-off of equipment and onerous contracts | 7,12 | 1,187 | - |
| Finance costs | | 589 | 533 |
| Unrealized loss on derivative instrument | 4 | 291 | - |
| Income tax (recovery) expense | | (5,227) | 20 |
| Funds provided by operations | | (4,012) | 16,695 |
| Change in inventories | | 4,122 | 4,946 |
| Change in trade and other receivables | | 21,974 | 26,024 |
| Change in prepayments | | 16 | (375) |
| Change in trade and other payables | | (17,433) | (46,783) |
| Change in non-cash working capital related to operating activities | | 8,679 | (16,188) |
| Cash generated from operating activities | | 4,667 | 507 |
| Income taxes recovered (paid) | | 675 | (8,827) |
| Net cash from (used in) operating activities | | 5,342 | (8,320) |
| Cash flows from investing activities: | | | |
| Proceeds from sale of property and equipment | | 417 | 409 |
| Acquisition of property and equipment | 7 | (1,278) | (17,618) |
| Change in non-cash working capital related to investing activities | | (1,166) | 14,386 |
| Net cash used in investing activities | | (2,027) | (2,823) |
| Cash flows from financing activities: | | | |
| Proceeds from issue of shares | 10 | 59,655 | - |
| Interest paid | | (589) | (533) |
| Repayment of bank indebtedness | 9 | (65,000) | - |
| Proceeds from credit facilities | 9 | 5,000 | 12,144 |
| Proceeds from exercise of share options | | - | 595 |
| Payment of finance lease liabilities | | (1,025) | (955) |
| Dividends paid | | (2,074) | (10,294) |
| Net cash from (used in) financing activities | | (4,033) | 957 |
| Net decrease in cash and cash equivalents | | (718) | (10,186) |
| Cash and cash equivalents at beginning of period | | 3,059 | 20,613 |
| Cash and cash equivalents at March 31 | | \$2,341 | \$10,427 |

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

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

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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

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.

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 2015 annual financial statements.

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on May 5, 2016.

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, 2015.

Use of estimates and judgments

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.

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

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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, 2015.

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 quarter, 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. Financial risk management overview

The Company has exposure to the following risks:

- a) Credit risk
- b) Liquidity risk
- c) Market risk

The Company did not change its policy for managing and mitigating financial risk during the quarter ended March 31, 2016 and as such, only certain updates from the 2015 annual financial statement disclosures are included within these Condensed Consolidated Interim Financial Statements.

(a) Credit risk

Trade and Other Receivables

During the period ended March 31, 2016, three customers, each accounting for more than 10% of revenue, totaled 41% of the Company's revenue (year ended December 31, 2015: two customers, 29%) which was primarily in the pressure pumping segment. As at March 31, 2016, five customers accounted for 27% (December 31, 2015: five customers accounted for 66%) of the Company's accounts receivable while five customers account for 57% (December 31, 2015: five customers account for 49%) of the revenue.

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

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Standard payment terms for the industry are 30-60 days from the invoice date, however industry practice allows payment for up to 90 days after the invoice date. The Company's accounts receivable is aged as follows:

| 000's of dollars | March 31, 2016 | December 31, 2015 |
|---------------------------------------|----------------|-------------------|
| Current (0-30 days from invoice date) | \$24,712 | \$32,297 |
| 31-60 days past due | 8,737 | 17,978 |
| Over 60 days past due | 4,381 | 8,963 |
| Sub-total | 37,830 | 59,238 |
| Less: Allowance for doubtful accounts | (662) | (96) |
| Total | \$37,168 | \$59,142 |

(b) Market risk

Currency risk

The Company is exposed to currency risk on purchases that are denominated in United States Dollars (USD). At March 31, 2016 and December 31, 2015, the exposure to USD was primarily as a result of USD denominated accounts payable of USD\$3.2 million and USD\$8.6 million, respectively.

To manage the currency risk on outstanding USD accounts payables balances and on anticipated USD purchases, the Company has entered into derivative contracts. At March 31, 2016, the following contract was outstanding:

| Notional Quantity (USD) | Floor (CAD:USD) | Cap (CAD:USD) | Time to expiry |
|-------------------------|-----------------|---------------|----------------|
| Collar: 2,500 | 1.4225 | 1.52 | May 16, 2016 |

The Company may choose to unwind the derivative instruments in advance of the expiry date to more closely align actual timing of physical payment of the USD accounts payable and anticipated USD purchases.

5. Cost of services

| 000's of dollars | Three Months Ended March 31, | |
|---------------------------|------------------------------|-----------|
| | 2016 | 2015 |
| Employee benefits expense | \$20,881 | \$34,528 |
| Depreciation of equipment | 13,128 | 13,802 |
| Materials and inventory | 34,460 | 68,723 |
| Operating expense | 14,045 | 26,982 |
| | \$82,514 | \$144,035 |

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
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6. Administrative expenses

| 000's of dollars | Three Months Ended March 31, | |
|----------------------------------|------------------------------|---------|
| | 2016 | 2015 |
| Employee benefits expense | \$3,385 | \$4,676 |
| Depreciation of equipment | 539 | 529 |
| Share-based payment transactions | 4,860 | 1,371 |
| Other administration expenses | 2,171 | 2,341 |
| | \$10,955 | \$8,917 |

7. Property and equipment

| 000's of dollars | Office, Shop and Yard | | Field Equipment | Automotive | Office Equipment and Leaseholds | | Total |
|-------------------------------------|-----------------------------|-----------------|--------------------|------------------|---------------------------------------|------------------|-------|
| | Land | | | | | | |
| Cost: | | | | | | | |
| Balance at January 1, 2015 | \$13,200 | \$25,223 | \$389,638 | \$98,967 | \$8,536 | \$535,564 | |
| Additions: | | | | | | | |
| Business combination | - | - | 53 | 10,089 | 76 | 10,218 | |
| Owned | - | 152 | 27,288 | 558 | 880 | 28,878 | |
| Finance leases | - | - | - | 3,148 | 778 | 3,926 | |
| Disposals | - | - | (14,389) | (4,112) | (157) | (18,658) | |
| Balance at December 31, 2015 | \$13,200 | \$25,375 | \$402,590 | \$108,650 | \$10,113 | \$559,928 | |
| Additions: | | | | | | | |
| Owned | - | - | 1,146 | 43 | 89 | 1,278 | |
| Disposals | - | - | (337) | (469) | (28) | (834) | |
| Balance at March 31, 2016 | \$13,200 | \$25,375 | \$403,399 | \$108,224 | \$10,174 | \$560,372 | |
| Accumulated depreciation: | | | | | | | |
| Balance at January 1, 2015 | - | \$5,097 | \$108,545 | \$39,760 | \$4,591 | \$157,993 | |
| Depreciation for the year | - | 1,122 | 41,311 | 10,736 | 1,397 | 54,566 | |
| Asset write off | - | - | 1,215 | - | - | 1,215 | |
| Disposals | - | - | (13,298) | (2,474) | (110) | (15,882) | |
| Balance at December 31, 2015 | \$- | \$6,219 | \$137,773 | \$48,022 | \$5,878 | \$197,892 | |
| Depreciation for the period | - | 265 | 10,391 | 2,718 | 293 | 13,667 | |
| Asset write off | - | - | 222 | - | 232 | 454 | |
| Disposals | - | - | (235) | (338) | (12) | (585) | |
| Balance at March 31, 2016 | \$- | \$6,484 | \$148,151 | \$50,402 | \$6,391 | \$211,428 | |
| Carrying amounts: | | | | | | | |
| At December 31, 2015 | \$13,200 | \$19,156 | \$264,817 | \$60,628 | \$4,235 | \$362,036 | |
| At March 31, 2016 | \$13,200 | \$18,891 | \$255,248 | \$57,822 | \$3,783 | \$348,944 | |

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Notes to the Condensed Consolidated Interim Financial Statements
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Property and equipment under construction

As at March 31, 2016, costs incurred on field and automotive equipment and facilities under construction totaled \$4,599 (December 31, 2015: \$4,532).

As at March 31, 2016, field and automotive equipment and facilities that are available for use, but not yet in service, therefore not being depreciated, totaled, \$3,550 (December 31, 2015: \$3,915).

Leased equipment

Property and equipment includes leased assets as the Company leases equipment under a number of finance lease agreements. The leased equipment secures the finance leases. As at March 31, 2016, the net carrying amount of the leased equipment was \$7,030 (December 31, 2015: \$7,876).

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. The Company did not identify any indicators of impairment therefore, no impairment test was completed. Although no impairment test was completed, the Company identified specific equipment that was no longer in use and was written-off. Recognized in the statement of comprehensive loss and included in write-off of equipment and onerous contracts is \$454 related to the write-off of specific equipment within the Fluid Management Services segment.

8. Trade and other payables

| 000's of dollars | March 31, 2016 | December 31, 2015 |
|------------------|-------------------|----------------------|
| Trade payables | \$20,016 | \$33,503 |
| Accrued expenses | 19,605 | 23,988 |
| | \$39,621 | \$57,491 |

9. Bank indebtedness and finance leases

| 000's of dollars | Nominal Interest Rate | Year of Maturity | March 31, 2016 | December 31, 2015 |
|---------------------------------|--------------------------|---------------------|-------------------|----------------------|
| Current liabilities: | | | | |
| Finance lease liabilities | 0.0-8.4% | 2016-2017 | 2,565 | 3,873 |
| | | | \$2,565 | \$3,873 |
| Non-current liabilities: | | | | |
| Drawing on credit facility | 3.4-4.4% | 2018 | \$- | \$60,000 |
| Finance lease liabilities | 0.0-8.4% | 2017-2019 | 5,069 | 4,779 |
| | | | \$5,069 | \$64,779 |

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As at March 31, 2016, no amounts were outstanding under the credit facility (December 31, 2015: \$60,000).

The amount of the credit facility (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 Company is required to maintain certain financial covenants, including a debt to tangible capitalization ratio, which shall not exceed 0.30 to 1.00, and a debt service coverage ratio, which shall not be less than 1.25 to 1.00, both measured at the end of each fiscal quarter.

- For purposes of the covenant calculation, the debt to tangible capitalization ratio is calculated as bank indebtedness, plus finance leases, minus cash and cash equivalents ("Total Debt"), to total equity minus goodwill, minus intangible assets plus Total Debt ("Capitalization"). The debt to tangible capitalization ratio as at March 31, 2016 was 0.02 to 1.00.
- The debt service coverage ratio refers to the ratio of earnings before interest, taxes, depreciation, amortization, impairment, severance costs and share-based payments ("EBITDAS") of the Company for the four quarters ending March 31, 2016 to interest expense plus all scheduled principal repayments of debt including finance leases for the four quarters ending March 31, 2016. The debt service coverage ratio shall not be less than 1.25 to 1.00 from January 1, 2016 to June 30, 2016 and 0.75 to 1.00 from July 1, 2016 to December 31, 2016. From January 1, 2017 to June 30, 2017, the debt service coverage ratio shall not be less than 1.00 to 1.00, returning to a ratio of 1.25 to 1.00 thereafter. Compliance with the debt service coverage ratio shall be automatically waived for the period from July 1, 2016 to December 31, 2016 if the Total Debt is less than \$50 million. The debt service coverage ratio as at March 31, 2016 was 1.60 to 1.00.
- The debt to tangible capitalization ratio will be replaced by a debt to EBITDAS ratio beginning with the fiscal quarter ending September 30, 2017. The debt to EBITDAS ratio refers to the ratio of EBITDAS for the four quarters ending at the end of the fiscal quarter to Total Debt. The debt to EBITDAS ratio shall not exceed 4.00 to 1.00 from July 1, 2017 to September 30, 2017, 3.50 to 1.00 from October 1, 2017 to December 31, 2017 and 3.00 to 1.00 thereafter.

As of March 31, 2016, Canyon is in compliance with each of the above financial covenants.

10. Share capital

During the period ended March 31, 2016, the Company issued 15,813 common shares at \$4.00 per common share for gross proceeds of \$63.3 million. Share issuance costs related to the issuance were \$3.6 million.

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Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

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Loss per share

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

| 000's of dollars and shares | Three Months Ended March 31, | |
|--|------------------------------|-----------|
| | 2016 | 2015 |
| (Loss) for the period | (\$20,594) | (\$1,038) |
| Weighted average shares: | | |
| Basic | 70,197 | 68,666 |
| Dilution effect of share options and incentive based units | - | - |
| Diluted | 70,197 | 68,666 |
| Basic (loss) per share | (\$0.29) | (\$0.02) |
| Diluted (loss) per share | (\$0.29) | (\$0.02) |

Dividends

Effective March 3, 2016, the Company suspended its quarterly dividend.

11. Share based payments

(a) Share purchase option plan (the "Option Plan")

The Company's Option Plan is available to directors, officers, certain employees and consultants as determined by the Company's Board of Directors.

The per share weighted average fair value of stock options granted during the three months ended March 31, 2016 was \$0.83 (March 31, 2015: \$0.97) based on the date of grant valuation using the Black-Scholes option pricing model. Stock-based compensation expense of \$580 has been recorded for the three months ended March 31, 2016 (March 31, 2015: \$465).

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A summary of the status of the Company's Option Plan as at March 31, 2016 and December 31, 2015 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 at January 1, 2015 | 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 | (341) | \$5.31 - \$18.42 | \$11.37 |
| Exchanged | (1,774) | \$5.16 - \$18.42 | \$11.64 |
| Expired | (59) | \$4.20 - \$4.97 | \$4.93 |
| Outstanding as at December 31, 2015 | 3,203 | \$4.79 - \$16.27 | \$8.57 |
| Granted | 36 | \$3.20 - \$3.20 | \$3.20 |
| Cancelled | (1,347) | \$7.24 - \$14.34 | \$10.73 |
| Forfeited | (182) | \$5.31 - \$16.27 | \$10.71 |
| Expired | (138) | \$11.64 - \$11.79 | \$11.64 |
| Outstanding as at March 31, 2016 | 1,572 | \$3.20 - \$14.97 | \$6.10 |
| Exercisable as at March 31, 2016 | 511 | | \$6.17 |

(b) Stock-based compensation plan (the "SBCU Plan")

The Company's SBCU Plan is available to directors, officers, certain employees and consultants as determined by the Company's Board of Directors. The SBCU Plan provides holders of Share-Based Compensation Units ("SBCUs") with an opportunity to acquire common shares in lieu of cash bonuses. Each SBCU will give the participant the right to receive, on or after the vesting date for such SBCU upon exercise, one common share for no further consideration or payment by such participant.

The following table summarizes the SBCUs as at March 31, 2016 and December 31, 2015 and changes during the periods then ended:

| 000's of SBCUs | March 31, 2016 | December 31, 2015 |
|---|----------------|-------------------|
| SBCUs issued at the beginning of the period | 1,240 | 497 |
| Granted | 2,132 | 896 |
| Exercised | (824) | (101) |
| Forfeited | (23) | (52) |
| SBCUs outstanding as at the end of the period | 2,525 | 1,240 |

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The compensation cost to the Company under the SBCU Plan for the three months ended March 31, 2016 was \$4,280 (March 31, 2015: \$906). As at March 31, 2016, there were 2,525 SBCUs outstanding (December 31, 2015: 1,240).

12. Capital commitments and contingencies

As at March 31, 2016 the Company has commitments to purchase property and equipment for \$0.25 million (December 31, 2015: \$0.76 million).

The Company is subject to income and commodity taxes. Judgment is required in determining provisions for taxation. There are many transactions and calculations for determination of the various tax assets and liabilities. The Company maintains provisions for tax assets and liabilities. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, the Company is subject to ongoing audits, and it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will be recognized in the consolidated financial statements in the period in which such determination is made.

The Company is committed to operating leases for various premises. During the period ended March 31, 2016, it was identified that one of the premises was not going to be utilized and therefore \$733 has been recognized in the statement of comprehensive loss within write-off of equipment and onerous contract.

13. 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.

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| Three months ended March 31, 2016 | Pressure Pumping Services | Fluid Management Services | Corporate | Total |
|--|---------------------------------|---------------------------------|-----------|------------|
| Revenue | \$62,978 | \$8,291 | \$- | \$71,269 |
| Depreciation - cost of services | (10,717) | (2,411) | - | (13,128) |
| Other - cost of services | (63,399) | (5,987) | - | (69,386) |
| Cost of services | (74,116) | (8,398) | - | (82,514) |
| Gross (loss) profit | (\$11,138) | (\$107) | - | (\$11,245) |
| Depreciation - administrative expenses | (539) | - | - | (539) |
| Share-based payment transactions - administrative expenses | - | - | (4,860) | (4,860) |
| Other - administrative expenses | (3,371) | (1,446) | (739) | (5,556) |
| Administrative expenses | (3,910) | (1,446) | (5,599) | (10,955) |
| Amortization expense | (5) | (1,442) | - | (1,447) |
| Results from operating activities | (\$15,053) | (\$2,995) | (\$5,599) | (\$23,647) |
| Income tax (recovery) expense | (\$3,051) | (\$2,176) | \$- | (\$5,227) |
| Segment assets as at March 31, 2016 | \$393,370 | \$79,749 | \$- | \$473,119 |
| Segment liabilities as at March 31, 2016 | \$69,206 | \$12,126 | \$- | \$81,332 |

| Three months ended March 31, 2015 | Pressure Pumping Services | Fluid Management Services | Corporate | Total |
|--|---------------------------------|---------------------------------|-----------|-----------|
| Revenue | \$138,182 | \$17,403 | \$- | \$155,585 |
| Depreciation - cost of services | (12,083) | (1,719) | - | (13,802) |
| Other - cost of services | (119,967) | (10,266) | - | (130,233) |
| Cost of services | (132,050) | (11,985) | - | (144,035) |
| Gross profit | \$6,132 | \$5,418 | - | \$11,550 |
| Depreciation - administrative expenses | (529) | - | - | (529) |
| Share-based payment transactions - administrative expenses | - | - | (1,371) | (1,371) |
| Other - administrative expenses | (4,403) | (1,624) | (990) | (7,017) |
| Administrative expenses | (4,932) | (1,624) | (2,361) | (8,917) |
| Amortization expense | (5) | (1,500) | - | (1,505) |
| Results from operating activities | \$1,195 | \$2,294 | (\$2,361) | \$1,128 |
| Income tax (recovery) expense | (\$540) | \$560 | \$- | \$20 |
| Segment assets as at December 31, 2015 | \$422,030 | \$88,058 | \$- | \$510,088 |
| Segment liabilities as at December 31, 2015 | \$149,625 | \$13,526 | \$- | \$163,151 |