CANYON SERVICES GROUP INC.

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2016 and 2015

UNAUDITED

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Balance Sheets
(Unaudited)

000's of dollars	Note	June 30, 2016	December 31, 2015
Assets			
Current assets:			
Cash		$1,127	$3,059
Trade and other receivables	4	20,165	59,142
Inventories		13,955	16,899
Prepayments		3,808	2,498
Current tax assets		17,272	9,418
Total current assets		56,327	91,016
Non-current assets:			
Property and equipment	7	336,097	362,036
Investment		441	364
Intangible assets		32,226	35,241
Goodwill		21,431	21,431
Total non-current assets		390,195	419,072
Total assets		$446,522	$510,088
Liabilities and Equity			
Current liabilities:			
Trade and other payables	8	$31,070	$57,491
Finance leases	9	2,130	3,873
Dividend payable		-	2,074
Total current liabilities		33,200	63,438
Non-current liabilities:			
Bank indebtedness	9	5,000	60,000
Finance leases	9	3,665	4,779
Deferred tax liabilities		34,238	34,934
Total non-current liabilities		42,903	99,713
Equity:			
Share capital	10	365,248	300,616
Contributed surplus		20,880	18,819
Retained earnings (deficit)		(15,709)	27,502
Total equity		370,419	346,937
Total liabilities and equity		$446,522	$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 and six months ended June 30
(Unaudited)

000's of dollars, except per share amounts	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2016	2015	2016	2015
Revenue		$25,733	$43,159	$97,002	$198,744
Depreciation - cost of services	5	(11,932)	(12,258)	(25,060)	(26,060)
Other - cost of services	5	(31,493)	(47,571)	(100,879)	(177,804)
Gross loss		(17,692)	(16,670)	(28,937)	(5,120)
Depreciation - administrative expenses	6	(346)	(576)	(885)	(1,105)
Share-based payment transactions - administrative expenses	6,11	(1,143)	(1,471)	(6,003)	(2,842)
Other - administrative expenses	6	(4,497)	(5,342)	(10,053)	(12,359)
Bad debt expenses		(4,004)	-	(4,004)	-
Amortization expense		(1,567)	(1,505)	(3,014)	(3,010)
Results from operating activities		(29,249)	(25,564)	(52,896)	(24,436)
Finance costs		(216)	(854)	(805)	(1,387)
Foreign exchange gain (loss)		(42)	274	(607)	(1,290)
Gain on sale of property and equipment		464	199	631	150
Write-off of equipment and onerous contracts	7,12	-	-	(1,187)	-
Loss before income tax		(29,043)	(25,945)	(54,864)	(26,963)
Income tax (expense) recovery:					
Current		6,879	5,795	11,889	5,218
Deferred		(453)	(1,707)	(236)	(1,194)
		6,426	4,088	11,653	4,024
Loss and comprehensive loss		($22,617)	($21,857)	($43,211)	($22,939)
Loss per share:					
Basic	10	($0.26)	($0.32)	($0.55)	($0.33)
Diluted	10	($0.26)	($0.32)	($0.55)	($0.33)

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

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)

000's of dollars and shares	Note	Number of shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance at December 31, 2014		68,604	$297,761	$13,565	$109,203	$420,529
Loss for the period			-	-	(22,939)	(22,939)
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		32	566	(566)	-	-
Share-based payment transactions	11	-	-	2,842	-	2,842
Dividends		-	-	-	(15,492)	(15,492)
Balance at June 30, 2015		68,855	$298,922	$15,841	$70,772	$385,535
Balance at December 31, 2015		69,124	$300,616	$18,819	$27,502	$346,937
Loss for the period			-	-	(43,211)	(43,211)
Transactions with owners, recorded directly in equity:						
Issue on exercise of stock options		3	17	(3)	-	14
Proceeds from common shares issued	10	15,813	63,250	-	-	63,250
Share issuance costs (net of deferred tax of $932)	10	-	(2,574)	-	-	(2,574)
Reclassification on exercise of share options and incentive-based units		944	3,939	(3,939)	-	-
Share-based payment transactions	11	-	-	6,003	-	6,003
Balance at June 30, 2016		85,884	$365,248	$20,880	($15,709)	$370,419

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 and six months ended June 30
(Unaudited)

000's of Dollars		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	2016	2015	2016	2015
Cash flows from operating activities:					
Loss for the period		($22,617)	($21,857)	($43,211)	($22,939)
Adjustments for:					
Depreciation and amortization		13,845	14,339	28,959	30,175
Share-based payment transactions	11	1,143	1,471	6,003	2,842
Gain on sale of property and equipment		(464)	(199)	(631)	(150)
Equity investment (income) loss		(12)	35	(77)	(40)
Write-off of equipment and onerous contracts	7,12	-	-	1,187	-
Finance costs		216	854	805	1,387
Unrealized gain on derivative instrument	4	(291)	-	-	-
Income tax recovery		(6,426)	(4,088)	(11,653)	(4,024)
Funds provided by (used in) operations		(14,606)	(9,445)	(18,618)	7,251
Change in inventories		(1,178)	1,531	2,944	6,477
Change in trade and other receivables		17,003	61,011	38,977	87,035
Change in prepayments		(1,326)	(1,152)	(1,310)	(1,527)
Change in trade and other payables		(8,391)	(42,230)	(25,824)	(89,009)
Change in non-cash working capital related to operating activities		6,108	19,160	14,787	2,976
Cash generated from (used in) operating activities		(8,498)	9,715	(3,831)	10,227
Income taxes recovered (paid)		3,360	17	4,035	(8,808)
Net cash from (used in) operating activities		(5,138)	9,732	204	1,419
Cash flows from investing activities:					
Proceeds from sale of property and equipment		1,614	1,686	2,031	2,095
Acquisition of property and equipment	7	(582)	(6,053)	(1,860)	(23,671)
Change in non-cash working capital related to investing activities		(164)	832	(1,330)	15,223
Net cash from (used in) investing activities		868	(3,535)	(1,159)	(6,353)
Cash flows from financing activities:					
Proceeds from issue of shares	10	90	-	59,745	-
Interest paid		(216)	(854)	(805)	(1,387)
Bank indebtedness	9	5,000	3,197	(55,000)	15,341
Proceeds from exercise of share options		14	-	14	595
Payment of finance lease liabilities		(1,832)	(1,125)	(2,857)	(2,092)
Dividends paid		-	(10,328)	(2,074)	(20,622)
Net cash from (used in) financing activities		3,056	(9,110)	(977)	(8,165)
Net decrease in cash and cash equivalents		(1,214)	(2,913)	(1,932)	(13,099)
Cash and cash equivalents at beginning of period		2,341	10,427	3,059	20,613
Cash and cash equivalents at June 30		$1,127	$7,514	$1,127	$7,514

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

1. Reporting entity

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

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

2. Basis of preparation

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 August 4, 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.

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 three and six months ended June 30, 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 three and six month period ended June 30, 2016, three customers, each accounting for more than 10% of revenue, totaled 69% and 39%, respectively, of the Company's revenue (year ended December 31, 2015: two customers, 29%), which was primarily in the pressure pumping segment. As at June 30, 2016, five customers accounted for 80% (December 31, 2015: five customers accounted for 66%) of the Company's accounts receivable while five customers account for 84% and 57% respectively, of the revenue for the three and six months ended June 30, 2016 (December 31, 2015: five customers account for 49%).

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	June 30, 2016	December 31, 2015
Current (0-30 days from invoice date)	$17,383	$32,297
31-60 days past due	2,282	17,978
Over 60 days past due	1,920	8,963
Sub-total	21,585	59,238
Less: Allowance for doubtful accounts	(1,420)	(96)
Total	$20,165	$59,142

(b) Liquidity risk

As at June 30, 2016, the Company had a working capital balance of $23.1 million (December 31, 2015: $27.6 million) and, subject to certain conditions (see note 9), also had available on its credit facility approximately $95 million (December 31, 2015: $40 million available). At June 30, 2016, the Company was committed to various commitments (see note 12) which require the Company to have available various sources of capital and/or require the Company to generate future operating cash flow to meet the obligations associated with these commitments.

The Company's availability under its existing credit facilities (see note 9), or availability under alternate similar credit facilities, is dependent on its ability to maintain compliance with certain financial covenants (see note 9). Current credit facility availability is expected to be greater than anticipated obligations and commitments over the next year. Credit facility availability, including covenant compliance, could be adversely affected by a continued and/or further decline of the oil and gas services business in Canada.

(c) Market risk

Currency risk

The Company is exposed to currency risk on purchases that are denominated in United States Dollars (USD). At June 30, 2016 and December 31, 2015, the exposure to USD was primarily as a result of USD denominated accounts payable of USD$6.0 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 may enter into derivative contracts. At June 30, 2016, there were no derivative contracts outstanding.

5. Cost of services

000's of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Employee benefits expense	$9,660	$16,541	$30,541	$51,069
Depreciation of equipment	11,932	12,258	25,060	26,060
Materials and inventory	13,238	14,020	47,698	62,446
Operating expense	8,595	17,010	22,640	64,289
	$43,425	$59,829	$125,939	$203,864

6. Administrative expenses

000's of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Employee benefits expense	$2,625	$3,031	$6,010	$7,707
Depreciation of equipment	346	576	885	1,105
Share-based payment transactions	1,143	1,471	6,003	2,842
Other administration expenses	1,872	2,311	4,043	4,652
	$5,986	$7,389	$16,941	$16,306

7. Property and equipment

000's of dollars	Land	Office, Shop and Yard	Field Equipment	Automotive	Office Equipment and Leaseholds	Total
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	-	-	1,651	43	166	1,860
Disposals	-	-	(1,165)	(3,123)	(17)	(4,305)
Balance at June 30, 2016	**$13,200**	**$25,375**	**$403,076**	**$105,570**	**$10,262**	**$557,483**
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**	**$197,892**
Depreciation for the period	-	530	19,506	5,319	590	25,945
Asset write off	-	-	222	-	232	454
Disposals	-	-	(1,150)	(1,743)	(12)	(2,905)
Balance at June 30, 2016	**$-**	**$6,749**	**$156,351**	**$51,598**	**$6,688**	**$221,386**
Carrying amounts:						
At December 31, 2015	$13,200	$19,156	$264,817	$60,628	$4,235	$362,036
At June 30, 2016	**$13,200**	**$18,626**	**$246,725**	**$53,972**	**$3,574**	**$336,097**

Property and equipment under construction

As at June 30, 2016, costs incurred on field and automotive equipment and facilities under construction totaled $4,639 (December 31, 2015: $4,532).

As at June 30, 2016, field and automotive equipment and facilities that are available for use but not yet in service, therefore not being depreciated, totaled $561 (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 June 30, 2016, the net carrying amount of the leased equipment was $7,031 (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 for the six months ended June 30, 2016 is $454 related to the direct write-off of specific equipment within the Fluid Management Services segment.

8. Trade and other payables

000's of dollars	June 30, 2016	December 31, 2015
Trade payables	$13,644	$33,503
Accrued expenses	17,426	23,988
	$31,070	$57,491

9. Bank indebtedness and finance leases

000's of dollars	Nominal Interest Rate	Year of Maturity	June 30, 2016	December 31, 2015
Current liabilities:				
Finance lease liabilities	0.0-8.4%	2016-2017	2,130	3,873
			$2,130	$3,873
Non-current liabilities:				
Drawing on credit facility	3.4-4.4%	2018	5,000	60,000
Finance lease liabilities	0.0-8.4%	2017-2019	3,665	4,779
			$8,665	$64,779

As at June 30, 2016, the Company had $5,000 outstanding under its 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 June 30, 2016 was 0.03 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 June 30, 2016 to interest expense plus all scheduled principal repayments of debt including finance leases for the four quarters ending June 30, 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 June 30, 2016 was 0.46 to 1.00 however, on June 28, 2016, the Company obtained a letter of Waiver and Acknowledgment from its lenders to waive compliance with the Debt Service Coverage Ratio covenant of its Credit Agreement for the quarter ending June 30, 2016.

- 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 June 30, 2016, Canyon is in compliance with each of the above financial covenants.

10. Share capital

The Company issued 15,813 common shares at $4.00 per common share for gross proceeds of $63.3 million during the period ended June 30, 2016. Share issuance costs related to the issuance were $3.5 million.

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
(Loss) for the period	($22,617)	($21,857)	($43,211)	($22,939)
Weighted average shares:				
Basic	85,859	68,855	78,028	68,761
Dilution effect of share options and incentive based units	-	-	-	-
Diluted	85,859	68,855	78,028	68,761

Basic income (loss) per share	($0.26)	($0.32)	($0.55)	($0.33)
Diluted income (loss) per share	($0.26)	($0.32)	($0.55)	($0.33)

Dividends

The Company suspended its quarterly dividend effective March 3, 2016.

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.

A summary of the status of the Company's Option Plan as at June 30, 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	734	$3.20	-	$5.41	$5.30
Exercised	(3)	$5.31	-	$5.31	$5.31
Cancelled	(1,347)	$7.24	-	$14.34	$10.73
Forfeited	(286)	$5.31	-	$16.27	$10.43
Expired	(138)	$11.64	-	$11.79	$11.64
Outstanding as at June 30, 2016	2,163	$3.20	-	$14.97	$5.88
Exercisable as at June 30, 2016	475				$6.18

Options are granted at a price equal to the fair market value of the shares at the time of grant. The fair value estimate associated with the options is expensed in the income statement over the vesting period. The fair value of the options was estimated using the Black-Scholes model with the following inputs:

	June 30, 2016	June 30, 2015
Weighted average fair value	$1.60	$0.82
Forfeiture rate (%)	13.9%	6.4%
Volatility (%)	50.1%	38.1%
Risk free interest rate (%)	0.5%	0.6%
Option life - weighted average (years)	2.5	1.5

Stock-based compensation expense of $820 has been recorded for the six months ended June 30, 2016 (June 30, 2015: $891).

(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 June 30, 2016 and December 31, 2015 and changes during the periods then ended:

000's of SBCUs	June 30, 2016	December 31, 2015
SBCUs issued at the beginning of the period	1,240	497
Granted	2,133	896
Exercised	(944)	(101)
Forfeited	(101)	(52)
SBCUs outstanding as at the end of the period	2,328	1,240

SBCUs are granted at a price equal to the fair market value of the shares at the time of grant. The fair value estimate associated with the SBCU is expensed in the income statement over the vesting period. The fair value of the SBCU was estimated using the Black-Scholes model with the following inputs:

	June 30, 2016	June 30, 2015
Weighted average fair value	$3.48	$5.69
Forfeiture rate (%)	6.1%	6.4%
Volatility (%)	53.6%	38.1%
Risk free interest rate (%)	0.4%	0.6%
Option life - weighted average (years)	1.8	1.5

The compensation cost to the Company under the SBCU Plan for the six months ended June 30, 2016 was $5,183 (June 30, 2015: $1,951). As at June 30, 2016, there were 2,328 SBCUs outstanding (December 31, 2015: 1,240).

12. Capital commitments and contingencies

As at June 30, 2016, the Company has commitments to purchase property and equipment for $2.33 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. Included in operating and office space leases is a lease obligation with an entity controlled by a member of key management personnel. The total obligation is $210 payable over 5 years.

During the six months ended June 30, 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 contracts.

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.

Three months ended June 30, 2016	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	$23,141	$2,592	$-	$25,733
Depreciation - cost of services	(9,443)	(2,489)	-	(11,932)
Other - cost of services	(29,580)	(1,913)	-	(31,493)
Cost of services	(39,023)	(4,402)	-	(43,425)
Gross (loss) profit	($15,882)	($1,810)	$-	($17,692)
Depreciation - administrative expenses	(346)	-	-	(346)
Share-based payment transactions - administrative expenses	-	-	(1,143)	(1,143)
Other - administrative expenses	(2,580)	(1,088)	(829)	(4,497)
Administrative expenses	(2,926)	(1,088)	(1,972)	(5,986)
Bad debt expenses	(3,417)	(587)	-	(4,004)
Amortization expense	(5)	(1,562)	-	(1,567)
Results from operating activities	($22,230)	($5,047)	($1,972)	($29,249)
Income tax recovery	($4,978)	($1,448)	$-	($6,426)

Three months ended June 30, 2015	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	$36,560	$6,599	$-	$43,159
Depreciation - cost of services	(10,392)	(1,866)	-	(12,258)
Other - cost of services	(43,786)	(3,785)	-	(47,571)
Cost of services	(54,178)	(5,651)	-	(59,829)
Gross (loss) profit	($17,618)	$948	$-	($16,670)
Depreciation - administrative expenses	(576)	-	-	(576)
Share-based payment transactions - administrative expenses	-	-	(1,471)	(1,471)
Other - administrative expenses	(3,444)	(1,346)	(552)	(5,342)
Administrative expenses	(4,020)	(1,346)	(2,023)	(7,389)
Amortization expense	(5)	(1,500)	-	(1,505)
Results from operating activities	($21,643)	($1,898)	($2,023)	($25,564)
Income tax recovery	($3,579)	($509)	$-	($4,088)

Six months ended June 30, 2016	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	$86,119	$10,883	$-	$97,002
Depreciation - cost of services	(20,160)	(4,900)	-	(25,060)
Other - cost of services	(92,979)	(7,900)	-	(100,879)
Cost of services	(113,139)	(12,800)	-	(125,939)
Gross (loss) profit	($27,020)	($1,917)	$-	($28,937)
Depreciation - administrative expenses	(885)	-	-	(885)
Share-based payment transactions - administrative expenses	-	-	(6,003)	(6,003)
Other - administrative expenses	(5,951)	(2,534)	(1,568)	(10,053)
Administrative expenses	(6,836)	(2,534)	(7,571)	(16,941)
Bad debt expenses	(3,417)	(587)	-	(4,004)
Amortization expense	(10)	(3,004)	-	(3,014)
Results from operating activities	($37,283)	($8,042)	($7,571)	($52,896)
Income tax recovery	($8,029)	($3,624)	$-	($11,653)
Segment assets as at June 30, 2016	$373,724	$72,798	$-	$446,522
Segment liabilities as at June 30, 2016	$65,996	$10,107	$-	$76,103

Six months ended June 30, 2015	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	$174,742	$24,002	$-	$198,744
Depreciation - cost of services	(22,475)	(3,585)	-	(26,060)
Other - cost of services	(163,753)	(14,051)	-	(177,804)
Cost of services	(186,228)	(17,636)	-	(203,864)
Gross (loss) profit	($11,486)	$6,366	$-	($5,120)
Depreciation - administrative expenses	(1,105)	-	-	(1,105)
Share-based payment transactions - administrative expenses	-	-	(2,842)	(2,842)
Other - administrative expenses	(7,847)	(2,970)	(1,542)	(12,359)
Administrative expenses	(8,952)	(2,970)	(4,384)	(16,306)
Amortization expense	(10)	(3,000)	-	(3,010)
Results from operating activities	($20,448)	$396	($4,384)	($24,436)
Income tax (recovery) expense	($4,119)	$95	$-	($4,024)
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