



CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2016 and 2015

UNAUDITED

CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Balance Sheets
(Unaudited)

000's of dollars		September 30, 2016	December 31, 2015
	Note		
Assets			
Current assets:			
Cash		\$1,324	\$3,059
Trade and other receivables	4	36,569	59,142
Inventories		13,889	16,899
Prepayments		2,968	2,498
Current tax assets		16,361	9,418
Total current assets		71,111	91,016
Non-current assets:			
Property and equipment	7	326,623	362,036
Investment		447	364
Intangible assets		30,721	35,241
Goodwill		21,431	21,431
Total non-current assets		379,222	419,072
Total assets		\$450,333	\$510,088
Liabilities and Equity			
Current liabilities:			
Trade and other payables	8	\$39,991	\$57,491
Finance leases	9	1,942	3,873
Dividend payable		-	2,074
Total current liabilities		41,933	63,438
Non-current liabilities:			
Bank indebtedness	9	15,000	60,000
Finance leases	9	3,283	4,779
Deferred tax liabilities		35,099	34,934
Total non-current liabilities		53,382	99,713
Equity:			
Share capital	10	365,492	300,616
Contributed surplus		21,997	18,819
Retained earnings (deficit)		(32,471)	27,502
Total equity		355,018	346,937
Total liabilities and equity		\$450,333	\$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 nine months ended September 30
(Unaudited)

000's of dollars, except per share amounts					
	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2016	2015	2016	2015
Revenue		\$62,339	\$111,314	\$159,341	\$310,058
Depreciation - cost of services	5	(11,894)	(12,830)	(36,954)	(38,890)
Other - cost of services	5	(62,548)	(90,137)	(163,427)	(267,941)
Gross (loss) profit		(12,103)	8,347	(41,040)	3,227
Depreciation - administrative expenses	6	(616)	(590)	(1,501)	(1,695)
Share-based payment transactions - administrative expenses	6,11	(1,358)	(2,118)	(7,361)	(4,960)
Other - administrative expenses	6	(4,929)	(6,095)	(14,982)	(18,454)
Bad debt expenses		-	-	(4,004)	-
Amortization expense		(1,503)	(1,505)	(4,517)	(4,515)
Results (loss) from operating activities		(20,509)	(1,961)	(73,405)	(26,397)
Finance costs		(323)	(623)	(1,128)	(2,010)
Foreign exchange loss		(22)	(832)	(629)	(2,122)
Gain on sale of property and equipment		126	98	757	248
Gain on business combination		-	543	-	543
Write-off of equipment and onerous contracts	7,12	-	-	(1,187)	-
Goodwill impairment		-	(18,900)	-	(18,900)
Loss before income tax		(20,728)	(21,675)	(75,592)	(48,638)
Income tax (expense) recovery:					
Current		4,827	916	16,716	6,134
Deferred		(861)	(104)	(1,097)	(1,298)
		3,966	812	15,619	4,836
Loss and comprehensive loss		(\$16,762)	(\$20,863)	(\$59,973)	(\$43,802)
Loss per share:					
Basic	10	(\$0.20)	(\$0.30)	(\$0.74)	(\$0.64)
Diluted	10	(\$0.20)	(\$0.30)	(\$0.74)	(\$0.64)

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		Number of shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
	Note					
Balance at December 31, 2014		68,604	\$297,761	\$13,565	\$109,203	\$420,529
Loss for the period			-	-	(43,802)	(43,802)
Transactions with owners, recorded directly in equity:						
Issue of shares related to business combination		200	1,008	-	-	1,008
Issue on exercise of stock options		219	595	-	-	595
Reclassification on exercise of share options and incentive-based units		66	936	(936)	-	-
Share-based payment transactions	11	-	-	4,960	-	4,960
Dividends		-	-	-	(17,564)	(17,564)
Balance at September 30, 2015		69,089	\$300,300	\$17,589	\$47,837	\$365,726
Balance at December 31, 2015		69,124	\$300,616	\$18,819	\$27,502	\$346,937
Loss for the period			-	-	(59,973)	(59,973)
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	-	(2,571)	-	-	(2,571)
Reclassification on exercise of share options and incentive-based units		969	4,180	(4,180)	-	-
Share-based payment transactions	11	-	-	7,361	-	7,361
Balance at September 30, 2016		85,909	\$365,492	\$21,997	(\$32,471)	\$355,018

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 nine months ended September 30
(Unaudited)

000's of Dollars		Three Months Ended		Nine Months Ended	
	Note	September 30,		September 30,	
		2016	2015	2016	2015
Cash flows from operating activities:					
Loss for the period		(\$16,762)	(\$20,863)	(\$59,973)	(\$43,802)
Adjustments for:					
Depreciation and amortization		14,013	14,925	42,972	45,100
Share-based payment transactions	11	1,358	2,118	7,361	4,960
Gain on sale of property and equipment		(126)	(98)	(757)	(248)
Gain on business combination		-	(543)	-	(543)
Equity investment (income)		(6)	(64)	(83)	(104)
Write-off of equipment and onerous contracts	7,12	-	-	1,187	-
Finance costs		323	623	1,128	2,010
Goodwill impairment		-	18,900	-	18,900
Income tax recovery		(3,966)	(812)	(15,619)	(4,836)
Funds provided by (used in) operations		(5,166)	14,186	(23,784)	21,437
Change in inventories		66	1,117	3,010	7,594
Change in trade and other receivables		(16,381)	(32,934)	22,596	54,101
Change in prepayments		840	492	(470)	(1,035)
Change in trade and other payables		9,185	17,965	(16,639)	(71,044)
Change in non-cash working capital related to operating activities		(6,290)	(13,360)	8,497	(10,384)
Cash generated from (used in) operating activities		(11,456)	826	(15,287)	11,053
Income taxes recovered (paid)		5,738	(517)	9,773	(9,325)
Net cash from (used in) operating activities		(5,718)	309	(5,514)	1,728
Cash flows from investing activities:					
Proceeds from sale of property and equipment		429	690	2,460	2,785
Acquisition of property and equipment	7	(3,339)	(2,999)	(5,199)	(26,670)
Business combination, net of cash acquired		-	(8,504)	-	(8,504)
Change in non-cash working capital related to investing activities		(287)	1,969	(1,617)	17,192
Net cash (used in) investing activities		(3,197)	(8,844)	(4,356)	(15,197)
Cash flows from financing activities:					
Proceeds from issue of shares	10	2	-	59,747	-
Interest paid		(323)	(623)	(1,128)	(2,010)
Bank indebtedness	9	10,000	13,378	(45,000)	28,719
Proceeds from exercise of share options		-	-	14	595
Payment of finance lease liabilities		(567)	(1,138)	(3,424)	(3,230)
Dividends paid		-	(5,159)	(2,074)	(25,781)
Net cash from (used in) financing activities		9,112	6,458	8,135	(1,707)
Net increase (decrease) in cash and cash equivalents		197	(2,077)	(1,735)	(15,176)
Cash and cash equivalents at beginning of period		1,127	7,514	3,059	20,613
Cash and cash equivalents at September 30		\$1,324	\$5,437	\$1,324	\$5,437

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)

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 within the Western Canadian Sedimentary Basin (WCSB). Pressure pumping services specializes in fracturing and chemical stimulation services to companies exploring for and developing petroleum and natural gas resources operating in the WCSB. 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 November 3, 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)

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 nine months ended September 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 nine month period ended September 30, 2016, two customers, each accounting for more than 10% of revenue, totaled 25% and 23%, respectively, of the Company's revenue (year ended December 31, 2015: two customers, 29%), which was primarily in the pressure pumping segment. As at September 30, 2016, five customers accounted for 46% (December 31, 2015: five customers accounted for 66%) of the Company's accounts receivable while five customers accounted for 50% and 45% respectively, of the revenue for the three and nine months ended September 30, 2016 (December 31, 2015: five customers accounted 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	September 30, 2016	December 31, 2015
Current (0-30 days from invoice date)	\$22,415	\$32,297
31-60 days past due	8,076	17,978
Over 60 days past due	7,165	8,963
Sub-total	37,656	59,238
Less: Allowance for doubtful accounts	(1,087)	(96)
Total	\$36,569	\$59,142

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

(b) Liquidity risk

As at September 30, 2016, the Company had a working capital balance of \$29.2 million (December 31, 2015: \$27.6 million) and, subject to certain conditions (see note 9), also had available on its credit facility approximately \$85 million (December 31, 2015: \$40 million available). At September 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 September 30, 2016 and December 31, 2015, the exposure to USD was primarily as a result of USD denominated accounts payable of USD\$2.7 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 September 30, 2016 and December 31, 2015, there were no derivative contracts outstanding.

5. Cost of services

000's of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Employee benefits expense	\$15,666	\$20,892	\$46,207	\$71,961
Depreciation of equipment	11,894	12,830	36,954	38,890
Materials and inventory	31,503	51,111	79,201	113,557
Operating expense	15,379	18,134	38,019	82,423
	\$74,442	\$102,967	\$200,381	\$306,831

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

6. Administrative expenses

000's of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Employee benefits expense	\$2,977	\$3,841	\$8,987	\$11,548
Depreciation of equipment	616	590	1,501	1,695
Share-based payment transactions	1,358	2,118	7,361	4,960
Other administration expenses	1,952	2,254	5,995	6,906
	\$6,903	\$8,803	\$23,844	\$25,109

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	-	-	4,957	43	199	5,199
Disposals	-	-	(3,519)	(3,286)	(35)	(6,840)
Balance at September 30, 2016	\$13,200	\$25,375	\$404,028	\$105,407	\$10,277	\$558,287
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	-	796	28,898	7,874	887	38,455
Asset write off	-	-	222	-	232	454
Disposals	-	-	(3,281)	(1,833)	(23)	(5,137)
Balance at September 30, 2016	\$-	\$7,015	\$163,612	\$54,063	\$6,974	\$231,664
Carrying amounts:						
At December 31, 2015	\$13,200	\$19,156	\$264,817	\$60,628	\$4,235	\$362,036
At September 30, 2016	\$13,200	\$18,360	\$240,416	\$51,344	\$3,303	\$326,623

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

Property and equipment under construction

As at September 30, 2016, costs incurred on field and automotive equipment and facilities under construction totaled \$4,768 (December 31, 2015: \$4,532).

As at September 30, 2016, field and automotive equipment and facilities that are available for use but not yet in service, therefore not being depreciated, totaled \$203 (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 September 30, 2016, the net carrying amount of the leased equipment was \$4,928 (December 31, 2015: \$7,876).

Impairment

No impairments were recorded during the three and nine months ended September 30, 2016. However, the Company did identify 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 nine months ended September 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	September 30, 2016	December 31, 2015
Trade payables	\$19,920	\$33,503
Accrued expenses	20,071	23,988
	\$39,991	\$57,491

9. Bank indebtedness and finance leases

000's of dollars	Nominal Interest Rate	Year of Maturity	September 30, 2016	December 31, 2015
Current liabilities:				
Finance lease liabilities	0.0-8.4%	2016-2017	1,942	3,873
			\$1,942	\$3,873
Non-current liabilities:				
Drawing on credit facility	3.4-4.4%	2018	15,000	60,000
Finance lease liabilities	0.0-8.4%	2017-2019	3,283	4,779
			\$18,283	\$64,779

As at September 30, 2016, the Company had \$15,000 outstanding under its credit facility (December 31, 2015: \$60,000).

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

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 September 30, 2016 was 0.06 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 September 30, 2016 to interest expense plus all scheduled principal repayments of debt including finance leases for the four quarters ending September 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 is automatically waived for the period from July 1, 2016 to December 31, 2016 if the Total Debt is less than \$50 million. As at September 30, 2016, the Company had \$18,901 Total Debt therefore, the debt service coverage ratio was automatically waived.
- 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 September 30, 2016, Canyon is in compliance with each of the above financial covenants.

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

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 September 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Loss) for the period	(\$16,762)	(\$20,863)	(\$59,973)	(\$43,802)
Weighted average shares:				
Basic	85,889	68,859	80,667	68,794
Dilution effect of share options and incentive based units	-	-	-	-
Diluted	85,889	68,859	80,667	68,794
Basic income (loss) per share	(\$0.20)	(\$0.30)	(\$0.74)	(\$0.64)
Diluted income (loss) per share	(\$0.20)	(\$0.30)	(\$0.74)	(\$0.64)

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.

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

A summary of the status of the Company's Option Plan as at September 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	(308)	\$5.31 - \$16.27	\$10.36
Expired	(138)	\$11.64 - \$11.79	\$11.64
Outstanding as at September 30, 2016	2,141	\$3.20 - \$14.97	\$5.88
Exercisable as at September 30, 2016	719		\$5.89

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:

	September 30, 2016	September 30, 2015
Weighted average fair value	\$1.60	\$0.85
Forfeiture rate (%)	13.9%	6.4%
Volatility (%)	50.1%	39.2%
Risk free interest rate (%)	0.5%	0.5%
Option life - weighted average (years)	2.5	2.5

Stock-based compensation expense of \$1,187 has been recorded for the nine months ended September 30, 2016 (September 30, 2015: \$1,930).

(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.

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

The following table summarizes the SBCUs as at September 30, 2016 and December 31, 2015 and changes during the periods then ended:

000's of SBCUs	September 30, 2016	December 31, 2015
SBCUs issued at the beginning of the period	1,240	497
Granted	2,145	896
Exercised	(969)	(101)
Forfeited	(108)	(52)
SBCUs outstanding as at the end of the period	2,308	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:

	September 30, 2016	September 30, 2015
Weighted average fair value	\$3.49	\$5.87
Forfeiture rate (%)	6.1%	6.4%
Volatility (%)	53.6%	39.1%
Risk free interest rate (%)	0.4%	0.5%
Option life - weighted average (years)	1.8	2.4

The compensation cost to the Company under the SBCU Plan for the nine months ended September 30, 2016 was \$6,174 (September 30, 2015: \$3,030). As at September 30, 2016, there were 2,308 SBCUs outstanding (December 31, 2015: 1,240).

12. Capital commitments and contingencies

As at September 30, 2016, the Company has commitments to purchase property and equipment for \$13.7 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 \$2,165 payable over 5 years. As at September 30, 2016, the total costs incurred under the lease obligation was \$261 (September 30, 2015: \$316).

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

During the nine months ended September 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.

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

Three months ended September 30, 2016	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	\$57,777	\$4,562	\$-	\$62,339
Depreciation - cost of services	(9,693)	(2,201)	-	(11,894)
Other - cost of services	(59,527)	(3,021)	-	(62,548)
Cost of services	(69,220)	(5,222)	-	(74,442)
Gross (loss) profit	(\$11,443)	(\$660)	\$-	(\$12,103)
Depreciation - administrative expenses	(616)	-	-	(616)
Share-based payment transactions - administrative expenses	-	-	(1,358)	(1,358)
Other - administrative expenses	(2,996)	(1,197)	(736)	(4,929)
Administrative expenses	(3,612)	(1,197)	(2,094)	(6,903)
Amortization expense	(4)	(1,499)	-	(1,503)
Results (loss) from operating activities	(\$15,059)	(\$3,356)	(\$2,094)	(\$20,509)
Income tax recovery	(\$2,871)	(\$1,095)	\$-	(\$3,966)

Three months ended September 30, 2015	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	\$100,479	\$10,835	\$-	\$111,314
Depreciation - cost of services	(10,806)	(2,024)	-	(12,830)
Other - cost of services	(83,948)	(6,189)	-	(90,137)
Cost of services	(94,754)	(8,213)	-	(102,967)
Gross (loss) profit	\$5,725	\$2,622	\$-	\$8,347
Depreciation - administrative expenses	(590)	-	-	(590)
Share-based payment transactions - administrative expenses	-	-	(2,118)	(2,118)
Other - administrative expenses	(3,882)	(1,288)	(925)	(6,095)
Administrative expenses	(4,472)	(1,288)	(3,043)	(8,803)
Amortization expense	(5)	(1,500)	-	(1,505)
Results (loss) from operating activities	\$1,248	(\$166)	(\$3,043)	(\$1,961)
Goodwill impairment	\$-	(\$18,900)	\$-	(\$18,900)
Income tax (recovery) expense	(\$823)	\$11	\$-	(\$812)

CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)

Nine months ended September 30, 2016	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	\$143,896	\$15,445	\$-	\$159,341
Depreciation - cost of services	(29,853)	(7,101)	-	(36,954)
Other - cost of services	(152,506)	(10,921)	-	(163,427)
Cost of services	(182,359)	(18,022)	-	(200,381)
Gross (loss) profit	(\$38,463)	(\$2,577)	\$-	(\$41,040)
Depreciation - administrative expenses	(1,501)	-	-	(1,501)
Share-based payment transactions - administrative expenses	-	-	(7,361)	(7,361)
Other - administrative expenses	(8,947)	(3,731)	(2,304)	(14,982)
Administrative expenses	(10,448)	(3,731)	(9,665)	(23,844)
Bad debt expenses	(3,417)	(587)	-	(4,004)
Amortization expense	(14)	(4,503)	-	(4,517)
Results (loss) from operating activities	(\$52,342)	(\$11,398)	(\$9,665)	(\$73,405)
Income tax recovery	(\$10,900)	(\$4,719)	\$-	(\$15,619)
Segment assets as at September 30, 2016	\$381,072	\$69,261	\$-	\$450,333
Segment liabilities as at September 30, 2016	\$85,545	\$9,770	\$-	\$95,315

Nine months ended September 30, 2015	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	\$275,221	\$34,837	\$-	\$310,058
Depreciation - cost of services	(33,281)	(5,609)	-	(38,890)
Other - cost of services	(247,701)	(20,240)	-	(267,941)
Cost of services	(280,982)	(25,849)	-	(306,831)
Gross (loss) profit	(\$5,761)	\$8,988	\$-	\$3,227
Depreciation - administrative expenses	(1,695)	-	-	(1,695)
Share-based payment transactions - administrative expenses	-	-	(4,960)	(4,960)
Other - administrative expenses	(11,729)	(4,258)	(2,467)	(18,454)
Administrative expenses	(13,424)	(4,258)	(7,427)	(25,109)
Amortization expense	(15)	(4,500)	-	(4,515)
Results (loss) from operating activities	(\$19,200)	\$230	(\$7,427)	(\$26,397)
Goodwill impairment	\$-	(\$18,900)	\$-	(\$18,900)
Income tax (recovery) expense	(\$4,942)	\$106	\$-	(\$4,836)
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