MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD QUARTER 2016

This management's discussion and analysis ("MD&A") is dated November 3, 2016. It should be read in conjunction with the condensed consolidated interim financial statements and notes of Canyon Services Group Inc. ("Canyon" or the "Company") as at and for the three and nine months ending September 30, 2016 and 2015 as well as the audited consolidated financial statements and notes as at and for the years ending December 31, 2015 and 2014. Additional information relating to the Company, including the Company's Annual Information Form ("AIF") for the year ended December 31, 2015, is available on SEDAR at www.sedar.com. All amounts are denominated in Canadian dollars unless otherwise identified.

We refer you to the end of the MD&A for our Risk Factors and Non-GAAP Measures. We also note that this MD&A contains forward-looking information and statements. Our disclaimer on forward-looking information and statements is described at the end of this MD&A.

CORPORATE OVERVIEW

Canyon Services Group Inc. is an oilfield services company that focuses operations in the Western Canadian Sedimentary Basin ("WCSB") with two core business lines: Pressure Pumping Services and Full-Service Fluid Management and Hauling Services.

Pressure Pumping Services are provided by Canyon through its wholly-owned subsidiary Canyon Technical Services Ltd. and include hydraulic fracturing, high-rate nitrogen fracturing, coiled tubing, chemical stimulation, remedial and primary cementing.

Full-Service Fluid Management and Hauling Services are provided by Canyon through its wholly-owned subsidiary Fraction Energy Services Ltd. ("Fraction") and include fluid sourcing, transfer, hauling and containment.

000's except per share, job amounts and hydraulic pumping capacity (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Consolidated revenues	$62,339	$111,314	$159,341	$310,058
Loss and comprehensive loss	($16,762)	($20,863)	($59,973)	($43,802)
Per share-basic	($0.20)	($0.30)	($0.74)	($0.64)
Per share-diluted	($0.20)	($0.30)	($0.74)	($0.64)
Adjusted EBITDA(1)	($5,138)	$15,082	($23,072)	$23,663
Funds from (used in) operations(1)	($662)	$14,479	($8,196)	$25,561
Adjusted income (loss) and comprehensive income (loss)(1)	($13,901)	$1,117	($46,908)	($15,970)
Adjusted per share-basic(1)	($0.16)	$0.02	($0.58)	($0.23)
Adjusted per share-diluted(1)	($0.16)	$0.02	($0.58)	($0.23)
Total pressure pumping jobs completed (2)	787	759	1,981	1,662
Consolidated pressure pumping revenue per job (2)	$73,712	$133,000	$73,014	$166,767
Average fracturing revenue per job	$100,115	$173,638	$103,293	$217,006
Hydraulic Pumping Capacity:				
Average HHP	255,500	255,500	255,500	255,500
Exit HHP	255,500	255,500	255,500	255,500
Capital expenditures	$3,339	$2,999	$5,199	$26,670

000's except per share amounts (Unaudited)	As at September 30, 2016	As at December 31, 2015
Cash and cash equivalents	$1,324	$3,059
Working capital	$29,178	$27,578
Total long-term financial liabilities	$18,283	$64,779
Total assets	$450,333	$510,088
Cash dividends declared per share	$0.00	$0.29

Note (1): See *Non-GAAP Measures* described on page 21 of this MD&A.

Note (2): Includes all jobs from each service line within Pressure Pumping Services, specifically hydraulic fracturing; coiled tubing; nitrogen fracturing; acidizing and cementing.

FINANCIAL AND OPERATING HIGHLIGHTS

Third Quarter Industry Conditions

During the third quarter of 2016, West Texas Intermediate ("WTI") oil and natural gas prices remained low and volatile (consistent with Q3 2015). Therefore, exploration and production companies (E&P) continued to operate with reduced capital programs, leading to declines in drilling rig utilization, well licensing and well completions, all of which are key drivers of oilfield services activity across the WCSB. The average drilling rig count across the WCSB in Q3 2016 has declined by 31% from the third quarter of 2015 (*source*: Nickles Energy Group), while WCSB well licenses decreased by 28% in the third quarter of 2016 compared to the third quarter of 2015 (*source*: Nickles Energy Group).

During the third quarter of 2016, average WTI oil prices ranged between USD $40 and USD $50 per barrel, remaining relatively consistent with the second quarter of 2016 but increasing by 35% since the first quarter of 2016 (*source:* US Energy Information Administration (EIA)). More recently, global concerns around oversupply of oil have partially abated due to discussions inside and outside OPEC (Organization of the Petroleum Exporting Countries) to limit oil production combined with the continued growth in global oil demand. As a result, WTI oil price declines have moderated with WTI in Q3 2016 averaging USD $44.94 per barrel, down sequentially only 1% from USD $45.53 per barrel in Q2 2016, and down only 3% from Q3 2015's levels (*source*: US EIA). Where natural gas prices are concerned, AECO spot prices have improved sequentially increasing by 70% to CAD $2.38 per mcf in Q3 2016 from CAD $1.40 per mcf in Q2 2016 (*source*: Nickles Energy Group). With the recent stabilization of commodity prices, the oilfield services industry activity declines that started in early 2015 seem to have bottomed in Q3 2016, with initial signs of activity improvement.

Industry activity during the third quarter of 2016 was negatively affected by wet weather conditions across the entire WCSB as rainfall in many parts of the WCSB was the highest recorded in several years. This resulted in a deferral of drilling and completions work in Q3 but has led to a tightening of the supply and demand balance for pressure pumping equipment entering the fourth quarter of 2016.

Q3 2016 showed modest activity improvements however, the industry pricing environment remains largely unchanged from that previously described in Canyon's MD&A dated August 4, 2016. As a result of prolonged lower industry activity levels and intense competition among service providers, pricing levels for pressure pumping and fluid management services have decreased by approximately 50% since the beginning of 2015 and have reached unsustainable levels, evident from the overall negative financial results experienced by the pressure pumping industry in 2016. However, recent commodity price stabilization, increased activity in Q3 2016, material weather related delays, combined with the continuing growth in equipment intensity per well, all point towards an improving supply and demand balance for pressure pumping equipment. As a result, Canyon introduced a modest price increase in September with mixed results so far. The customer price increases did not have a material impact on third quarter 2016 financial results.

The above *Industry Conditions* are referred to throughout this MD&A.

Overall Performance and Results of Operations

The aforementioned *Industry Conditions* were a significant factor contributing to lower third quarter financial results relative to Q3 2015. In Q3 2016, consolidated revenues totaled $62.3 million, down 44% from $111.3 million in Q3 2015 when industry activity and pricing were considerably higher. Lower pricing in Q3 2016 contributed significantly to consolidated adjusted EBITDA of negative $5.1 million compared to positive $15.1 million of adjusted EBITDA in Q3 2015. Canyon was only able to partially mitigate the dramatic decrease in revenue with cost reductions (see *Cost Reduction Measures* for further details). Q3 2016 adjusted EBITDA was also negatively affected by provisions for commodity tax reassessments of approximately $2.2 million.

For the nine months ended September 30, 2016, consolidated revenue of $159.3 million (2015: $310.1 million) and consolidated adjusted EBITDA of negative $23.1 million (2015: positive $23.7 million) decreased significantly from the comparable 2015 period primarily due to *Industry Conditions* and the effect of bad debt expenses, severance costs, and commodity tax reassessments totaling $7.7 million (2015: $1.5 million).

The consolidated loss and comprehensive loss for the three and nine months ended September 30, 2016 of $16.8 million and $60.0 million, respectively (three and nine months ended September 30, 2015: $20.9 million loss and $43.8 million loss, respectively) was primarily a result of *Industry Conditions*.

Overview of Pressure Pumping Services

In Pressure Pumping Services, *Industry Conditions* led to lower activity and rapidly deteriorating customer pricing levels. This has resulted in current pricing levels being approximately 50% lower than those prevailing at the beginning of 2015.

In the three and nine months ended September 30, 2016, drilling activity was down approximately 31% and 40%, respectively, over the comparable 2015 periods as E&P companies dramatically decreased completion expenditures due to sustained low and volatile commodity prices. Pressure Pumping Services experienced high job counts during the nine months ended September 30, 2016, with Canyon's Pressure Pumping Services job count for the three and nine months ended September 30, 2016 increasing by 4% and 19%, respectively, from the comparable 2015 periods due to the fact that cementing jobs completed for the three and nine months ended September 30, 2016 increased by 35% and 115%, respectively, over the comparable 2015 periods. Hydraulic fracturing jobs completed for the three and nine months ended September 30, 2016 remained relatively consistent, resulting in a 9% decrease and a 2% increase, respectively, over the comparable 2015 periods. For the three and nine months ended September 30, 2016, average hydraulic fracturing revenue per job decreased 42% and 53%, respectively, from the comparable 2015 periods due primarily to the aforementioned pricing declines, job mix and customer requested administrative changes.

The general trend in well completions design has resulted in increased fracturing intensity on a per well basis in the form of more fractures per wellbore and/or larger individual fracture designs. One of the main predictors of fracture intensity for pressure pumping is the average total length in meters per well. Meters drilled per well in the nine months ended September 30, 2016 has increased by approximately 12% from the comparable 2015 period (*source:* Nickles Energy Group), however, total meters drilled in the WCSB has decreased by approximately 37% due to the sharp decrease in overall activity. The service intensity per well combined with the increased proppant volumes and the usage of more expensive types of proppant, has not been enough to offset the activity and pricing declines seen in the nine months ended September 30, 2016.

Pressure Pumping Services cash flow and profitability remain highly levered to changes in customer pricing due to the cost intensive nature of the business. Throughout 2015 and into 2016, Canyon has been working with suppliers, as well as continuing to review its internal operations and systems to reduce both variable and fixed input costs. These include: 1) proppants and chemicals; 2) third-party hauling and fuel; and 3) labour, benefits and accommodations. The goal of these reductions is to permanently reduce our input costs of delivering services to our customers (see *Cost Reduction Measures* below for further details). These cost reduction efforts, while substantial, cannot overcome the dramatic reduction in Pressure Pumping Services' pricing. As a result, Pressure Pumping Services adjusted EBITDA for the three and nine months ended September 30, 2016 was negative $4.7 million and negative $21.0 million, respectively, which was down from the comparable 2015 periods of adjusted EBITDA of positive $12.6 million and positive $15.8 million, respectively. The third quarter of 2016 results include the impact of commodity tax reassessments of $2.2 million. For the nine months ended September 30, 2016, commodity tax reassessments, bad debt expenses, and severance costs totaled $7.0 million. Severance costs for the 2015 year totaled $1.3 million.

Overview of Fluid Management Services

Fraction is a provider of fracturing fluid logistics, containment, hauling and storage for the oil and natural gas industry in Northwest Alberta and Northeast British Columbia and operates as an independent operating segment. Fraction's service offering complements Canyon's offering of services to our customers.

As a result of the *Industry Conditions*, prices have declined by approximately 35% for water transfer services, and up to 70% for containment services, when compared to peak 2014 pricing levels. For the three and nine months ended September 30, 2016, Fraction contributed $4.6 million and $15.4 million in revenue, respectively, resulting in $0.3 million and $0.2 million of adjusted EBITDA, respectively. During the three and nine months ended September 30, 2015, revenue was $10.8 million and $34.8 million, respectively, and adjusted EBITDA was $3.4 million and $10.3 million, respectively. Nine month 2016 financial results were negatively affected by charges for severance costs and bad debt expenses totaling $0.7 million. Severance costs for the 2015 year totaled $0.2 million.

Industry Conditions contributed to reduced revenues and profitability for the nine months ended September 30, 2016 from the comparable 2015 period. While tank rentals, fluid containment and fluid transfer services are still required for completions, the volume of work has decreased and there is continued pressure on pricing due to intense competition. The decline in volume of work is evidenced by a decline in tank rental utilization rates to 30% in the nine months ended September 30, 2016 from 54% for the nine months ended September 30, 2015.

Cost Reduction Measures

To mitigate the significant decrease in the pricing of services, Canyon has been working diligently to reduce all operating and input costs, primarily focused on: chemicals; proppants; fuel; third party hauling; accommodations; and labour. Canyon does not view the reduction of input costs as a one-time exercise and is continuing to work with suppliers and customers to gain concessions and economies of scale. More importantly, we have made and will continue to make changes within the organization to permanently reorganize and transform certain business processes with the goal of permanently reducing the cost of delivering our services.

Canyon's Variable Pay Structure

Canyon's Pressure Pumping Services division has moved away from a fixed cost model to a variable pay model so that expenses are more closely linked to revenue. The pressure pumping industry has historically experienced significant volatility of cash flows due to the fact that many field employees received fixed base salaries. This previous lack of flexibility within the Pressure Pumping Services division's cost structure magnified cash flow losses during low activity periods. The timeline for the move to variable pay has been as follows: (1) effective August 1, 2015, Canyon introduced an hourly rate for the transportation group to more closely match the compensation structure of the trucking industry; (2) effective November 1, 2015, Canyon introduced a day rate for the majority of the field staff in its pressure pumping business; and (3) effective January 1, 2016 additional field support staff were transitioned to the day rate model. These changes now place approximately 75% of the Company's consolidated workforce on a variable pay structure compared to about 10% at the beginning of the first quarter of 2015.

Other Input Costs

The third quarter of 2016 chemical costs have been reduced by approximately 13%, and third party hauling rates have decreased by approximately 40%, relative to the third quarter of 2015. Although trucking rates have declined from 2015 levels, Canyon has achieved additional savings in decreasing third party hauling costs by migrating the majority of its trucking to an internal cost rather than a third-party cost. The cost of both Canadian and U.S. sourced proppants has been reduced by approximately 16% net of exchange rate fluctuations in the third quarter of 2016 compared to the third quarter of 2015. Minor concessions have been received from fuel suppliers and accommodation costs have been reduced by about 11%. During the nine months ended September 30, 2016, Canyon reduced its permanent employee count in the Pressure Pumping Services and Fluid Management Services divisions by 14% to better match reduced activity levels. The reduced work force resulted in severance costs of $1.5 million for the 2015 year and $0.7 million for the nine months ended September 30, 2016. During the first quarter of 2015, employees' salaries were rolled back between 5% and 10%, with a 10% reduction of executive management salaries and directors' fees. The reduced salaries remain in effect and various employee benefits were also reduced or suspended.

Equipment Operating Costs

On September 8, 2016, Canyon announced the upgrading of 11 existing 2500 hydraulic horse power (HHP) pumps to new SPM QEM 3000 HHP pumps. The upgrade will reduce Canyon's operating costs and will provide our customers with more continuous pumping operations. The upgraded pump design will allow Canyon to reduce the number of pumps on our customers' locations, fuel consumption, manpower and repair and maintenance requirements. The benefits of this investment will begin to occur once the construction is complete in the second half of 2017 (see *Capital Expenditures*).

Dividend

The Board of Directors continuously reviews the long-term capital structure of the Company and its corresponding dividend policy each fiscal quarter. On March 3, 2016, the Company announced the suspension of its quarterly dividend. At the date of this MD&A, there is currently no plan to reinstate a dividend until *Industry Conditions* improve.

Q3 2016 Key Events

Some of the key strategic events for the three months ended September 30, 2016 and to the date of this MD&A are as follows:

- As at September 30, 2016, Canyon maintained a strong financial position with $15 million drawn under its $100 million credit facility and has $85 million available.
- On September 8, 2016 Canyon expanded its capital program by $16.5 million, primarily to upgrade 11 existing 2500 hydraulic horse power (HHP) pumps to new SPM QEM 3000HHP pumps (QEM 3000). The upgrade will reduce Canyon's operating costs and will provide our customers with more continuous pumping operations.

- Weak industry conditions contributed to consolidated negative adjusted EBITDA of $5.1 million (Q3 2015: positive $15.1 million), which includes $2.2 million of expenses related to commodity tax reassessments.
- Approximately 80% of Canyon's pressure pumping fleet remains fully operational, while the remaining 20% requires pricing improvements and some minor capital investment to be placed back into service.

INDUSTRY COMMENTARY & 2016 OUTLOOK

Industry Commentary

The deterioration of oil and natural gas prices since mid-2014 has significantly altered industry expectations of activity levels and job pricing for 2016. E&P capital programs remain sensitive to the volatile swings in commodity prices. However, recent improvement in commodity prices combined with optimism that global oil demand and supply is closer to equilibrium levels, has introduced the potential for higher activity levels and increased prices for our services in Q4 2016 and 2017. Therefore, increases in commodity prices from current levels may cause demand for services to significantly outstrip the Canadian pressure pumping industry's ability to supply equipment and the corresponding manpower. Conversely, decreases in commodity prices will defer an oilfield services recovery. Current commodity price levels should support modest customer price increases for pressure pumping services as the pressure pumping industry strives to return to positive EBITDA margins. Further improvements in commodity prices would support the customer price increases necessary to return the business model to sustainable return on investment levels.

The current commodity price environment has forced E&P's to focus on only the most economic resource plays within the WCSB. The key trend is for continued investment in the Montney, Bakken and Viking formations with increasing interest in the Duvernay and Shaunavon. These are all areas in which Canyon is active. Given the growing service intensity required by E&P companies to complete wells in the Montney and Duvernay formations, a modest increase in commodity prices could result in an increase in E&P's capital programs leading to a return to a sustainable level of well completion services pricing. Any potential pricing increase could be positively or negatively magnified depending upon how quickly the well completion services industry can reactivate idle equipment. Our view is that the ability for the pressure pumping industry to activate idle equipment will depend on: (1) the availability of qualified workers, many of whom have now left the industry; and (2) the need for significant investment to overhaul equipment which has been idle for more than a year. While a positive final investment decision ("FID") on liquefied natural gas would have a positive impact on advancing increases in well completion services pricing, we believe that the economics of the key WCSB resource plays (noted above) are competitive with other significant North American resource plays such that an FID is not required for continued (and potentially increasing) E&P investment in these areas.

Canyon Commentary

While Canyon has reduced its costs over the past several quarters to respond to decreased WCSB activity and customer pricing levels, the impact of lower customer pricing for the nine months ended September 30, 2016 has more than offset benefits gained from our *Cost Reduction Measures.* This pricing degradation has directly impacted the bottom line as margins have been eroded since 2014, resulting in negative consolidated adjusted EBITDA for 2016. However, the Company believes that prices will start to improve in the fourth quarter of 2016 and Canyon is already seeing signs that there is a shortage of equipment and people to meet all customer well completion requests. As a result, in September, Canyon introduced a modest price increase, with mixed results so far.

Primary Objectives

As a result of our relatively strong financial position, and our reduced and adjusted cost structure, Canyon's short-term and long-term objectives remain essentially unchanged for 2016. In the short-term, our primary objective is to maintain and selectively grow our market share, which has and will continue to negatively impact short-term return on invested capital. Our primary long-term objectives are as follows:

- To build a leading Canadian oilfield service provider that can succeed and grow over the long-term and provide superior long-term returns on invested capital to our investors by reducing finding and development costs for our customers through operational and technical advancements in service delivery.
- To grow Canyon's operating assets over the next five years, with a continuing focus on servicing the WCSB.

To achieve our objectives, Canyon will continue to undertake the following key activities:

- Seek out attractive investment opportunities, that will add both long-term value on a per share basis and enhance our relative competitive position with customers including: (1) add equipment purpose built (QEM 3000s) for the increasing well intensity levels of the WCSB; and (2) actively evaluate oilfield merger and acquisition opportunities.

- Strengthen relationships with top-tier customers and build our reputation in the region's premier unconventional plays with a particular focus on high-rate treatments.

FINANCIAL REVIEW – THIRD QUARTER 2016 COMPARED TO 2015

Pressure Pumping Services – Q3 Financial Review

000's (Unaudited)	Three Months Ended September 30,				
	2016			2015	
	Total	Percentage of revenue	Percentage change	Total	Percentage of revenue
Revenue	$57,777		(42%)	$100,479	
Depreciation - cost of services	(9,693)	(17%)	(10%)	(10,806)	(11%)
Other - cost of services	(59,527)	(103%)	(29%)	(83,948)	(84%)
Cost of services	(69,220)	(120%)	(27%)	(94,754)	(94%)
Gross profit (loss)	(11,443)	(20%)	(300%)	5,725	6%
Depreciation - administrative expenses	(616)	(1%)	4%	(590)	(1%)
Other - administrative expenses	(2,996)	(5%)	(23%)	(3,882)	(4%)
Administrative expenses	(3,612)	(6%)	(19%)	(4,472)	(4%)
Amortization expense	(4)	-%	(20%)	(5)	-%
Results (loss) from operating activities	(15,059)	(26%)	(1,307%)	1,248	1%
Add non-cash items:					
Depreciation and amortization	10,313	18%	(10%)	11,401	11%
Adjusted EBITDA(1)	($4,746)	(8%)	(138%)	$12,649	13%

Note (1): See *Non-GAAP Measures*.

Revenues

In Q3 2016, Canyon completed 787 jobs, a 4% increase over the 759 jobs completed in Q3 2015 despite industry activity levels that were approximately one-half of prior year's levels. However, both competitive pricing pressures as well as the mix of services provided and changes to billing practices adversely impacted revenue per job. Cementing jobs completed for the three months ended September 30, 2016 increased by 35% over the comparable 2015 period primarily due to Canyon's focus on expanding its market share in Saskatchewan, which has led to long-term contract-based work. In the current quarter, higher-revenue hydraulic fracturing jobs completed decreased by 9% over Q3 2015 primarily due to lower industry activity and job mix partially offset by administrative changes in how our customers have requested their billings resulting in more invoices per well. Commodity prices remained volatile throughout the quarter which, coupled with reduced overall industry activity, led to sharply lower customer pricing. As a result, Pressure Pumping Services revenue decreased by 42% to $57.8 million from $100.5 million in Q3 2015.

Cost of services

Cost of services includes materials, products, transportation and repair costs, employee benefits expense and depreciation of property and equipment. The following table provides a summary of cost of services:

000's (Unaudited)	Three Months Ended September 30,		
	2016	Percentage change	2015
Employee benefits expense	$14,271	(22%)	$18,232
Depreciation of property and equipment	9,693	(10%)	10,806
Materials and inventory	31,056	4%	29,946
Operating expense	14,200	(60%)	35,770
Total cost of services	$69,220	(27%)	$94,754

- Total cost of services did not decline in proportion to revenue declines as supplier discounts and staff reductions were not in proportion to services revenue pricing decreases.
- Employee benefits expense decreased by 22% in Q3 2016 when compared to Q3 2015 due to reduced activity levels, as well as a reduction in the fixed salaried employee count. While the Company implemented staff reductions in response to *Industry Conditions*, pricing for services deteriorated more than the staffing and wage reductions.
- Depreciation of property and equipment decreased 10% when compared to Q3 2015, due primarily to a decrease in the asset base through disposal of leased equipment.
- Materials and inventory expenses increased by 4% in Q3 2016 when compared to Q3 2015. The number of pressure pumping jobs completed for the three months ended September 30, 2016 increased 4% to 787 from 759 in the prior year's comparative period. The percentage change in revenues did not match the percentage change in the job count due to *Industry Conditions*, as previously discussed. Included in Q3 2016 operating expenses is a commodity tax provision of $2.2 million resulting from ongoing tax authority assessments.
- Operating expenses decreased by 60% when compared to Q3 2015 primarily due to previously noted *Cost Reduction Measures*.

Administrative expenses (G&A)

The following table provides a summary of G&A:

000's (Unaudited)	Three Months Ended September 30,		
	2016	Percentage change	2015
Employee benefits expense	$2,387	(24%)	$3,151
Depreciation of property and equipment	616	4%	590
Other administration expenses	609	(17%)	731
Total administrative expenses	$3,612	(19%)	$4,472

Overall, G&A expenses are lower by 19% primarily attributable to the wage rate, benefits and staffing reductions implemented throughout 2015 and into Q3 2016 as previously discussed in *Cost Reduction Measures*.

Adjusted EBITDA

In Q3 2016, adjusted EBITDA for Pressure Pumping Services decreased to a negative $4.7 million from positive $12.6 million in Q3 2015. The primary cause of the decline was the previously discussed *Industry Conditions* that resulted in reduced customer pricing and a change in the mix of services provided to our customers, as well as a commodity tax provision of $2.2 million resulting from ongoing tax authority assessments.

Fluid Management Services – Q3 Financial Review

000's (Unaudited)	Three Months Ended September 30,				
	2016			2015	
	Total	Percentage of revenue	Percentage change	Total	Percentage of revenue
Revenue	$4,562		(58%)	$10,835	
Depreciation - cost of services	(2,201)	(48%)	9%	(2,024)	(19%)
Other - cost of services	(3,021)	(66%)	(51%)	(6,189)	(57%)
Cost of services	(5,222)	(114%)	(36%)	(8,213)	(76%)
Gross profit (loss)	(660)	(14%)	(125%)	2,622	24%
Other – administrative expenses	(1,197)	(26%)	(7%)	(1,288)	(12%)
Administrative expenses	(1,197)	(26%)	(7%)	(1,288)	(12%)
Amortization expense	(1,499)	(33%)	-%	(1,500)	(14%)
Results (loss) from operating activities	(3,356)	(74%)	1,922%	(166)	(2%)
Add non-cash items:					
Depreciation and amortization	3,700	81%	5%	3,524	33%
Adjusted EBITDA(1)	$344	8%	(90%)	$3,358	31%

Note (1): See *Non-GAAP Measures.*

Revenues

The Fluid Management Services division, contributed $4.6 million of revenue to Canyon in Q3 2016, a 58% decrease from the $10.8 million generated in Q3 2015. *Industry Conditions* caused increased competitive pressures from smaller service providers which led to pricing declines of 15% to 30% for water transfer services and significantly higher pricing declines for containment services relative to Q3 2015.

Cost of services

The following table provides a summary of cost of services:

000's (Unaudited)	Three Months Ended September 30,		
	2016	Percentage change	2015
Employee benefits expense	$1,395	(48%)	$2,660
Depreciation of property and equipment	2,201	9%	2,024
Materials and inventory	447	(49%)	868
Operating expense	1,179	(56%)	2,661
Total cost of services	$5,222	(36%)	$8,213

- Employee benefits expense decreased by 48% in Q3 2016 due to a reduction in wage rates as well as a decrease in staffing to match reduced industry activity levels.
- Materials, products, transportation and repair costs decreased dramatically in Q3 2016 when compared to Q3 2015, mainly due to lower activity. Although discounts for costs were negotiated, the costs did not decrease in proportion to revenue as competitive pressures resulted in price decreases which were greater than input cost decreases.
- Depreciation of property and equipment expense increased by 9% in Q3 2016 primarily due to the acquisition of a fluid hauling business in Q3 2015.

Administrative expenses (G&A)

The following table provides a summary of G&A:

000's (Unaudited)	Three Months Ended September 30,		
	2016	Percentage change	2015
Employee benefits expense	$590	(14%)	$690
Other administration expenses	607	2%	598
Total administrative expenses	$1,197	(7%)	$1,288

Employee benefits expense decreased 14% primarily as a result of decreased staffing levels. Overall, G&A expenses decreased by 7% as a result of continued *Cost Reduction Measures*.

Adjusted EBITDA

Q3 2016 adjusted EBITDA totaled $0.3 million, compared to $3.4 million in Q3 2015, primarily due to lower activity, and reduced customer pricing.

Corporate – Q3 Financial Review

This segment consists of costs incurred to operate a public company, including corporate management, head office costs, share-based payment expenses and professional fees.

000's (Unaudited)	Three Months Ended September 30,		
	2016		2015
	Total	Percentage change	Total
Revenue	$-		$-
Share-based payment transactions - administrative expenses	(1,358)	(36%)	(2,118)
Other - administrative expenses	(736)	(20%)	(925)
Results (loss) from operating activities	(2,094)	(31%)	(3,043)
Add non-cash items:			
Share-based payment transactions - administrative expenses	1,358	(36%)	2,118
Adjusted EBITDA(1)	($736)	(20%)	($925)

Note (1): See *Non-GAAP Measures.*

Administrative expenses for the three months ended September 30, 2016 totaled $2.1 million and includes employee benefits expense, share-based payments, and other head office administrative expenses. The decrease in administrative expenses is primarily due to a decrease in non-cash share-based payments expense. During Q3 2015, the Company offered its non-executive employees the opportunity to exchange every option granted prior to January 1, 2015 for 0.5 of a new option for every 1.0 option currently held. As a result, 1.8 million options were cancelled in exchange for 0.9 million new options granted on September 15, 2015.

Other Items – Quarterly Consolidated Statement of Operations

000's (Unaudited)	Three Months Ended September 30,	
	2016	2015
Finance costs	$323	$623
Foreign exchange loss	$22	$832
Income tax recovery	$3,966	$812

Finance costs

Finance costs include interest on bank indebtedness and finance lease obligations and totaled $0.3 million in Q3 2016, which decreased significantly from the 2015 figure of $0.6 million. The decrease is primarily due to using proceeds from the Q1 2016 equity financing to repay outstanding bank debt.

Foreign exchange loss

In Q3 2016, the Company recorded a nominal foreign exchange loss of $22 (2015: loss of $832). The Company purchases U.S. sourced proppants which require payment in USD. Payments are due 30 to 45 days after purchase which cause foreign exchange gains and losses on outstanding USD accounts payable.

Income tax expense

For Q3 2016, the actual calculated tax rate did not equal the expected combined income tax rate of 27% primarily due to income before income tax including expenses that are not deductible for tax purposes, including non-deductible share-based payment expenses.

FINANCIAL REVIEW – YEAR TO DATE 2016 COMPARED TO 2015

Pressure Pumping Services – Year to Date Financial Review

000's (Unaudited)	Nine Months Ended September 30,				
	2016			2015	
	Total	Percentage of revenue	Percentage change	Total	Percentage of revenue
Revenue	$143,896		(48%)	$275,221	
Depreciation - cost of services	(29,853)	(21%)	(10%)	(33,281)	(12%)
Other - cost of services	(152,506)	(106%)	(38%)	(247,701)	(90%)
Cost of services	(182,359)	(127%)	(35%)	(280,982)	(102%)
Gross profit (loss)	(38,463)	(27%)	568%	(5,761)	(2%)
Depreciation - administrative expenses	(1,501)	(1%)	(11%)	(1,695)	(1%)
Other - administrative expenses	(8,947)	(6%)	(24%)	(11,729)	(4%)
Administrative expenses	(10,448)	(7%)	(22%)	(13,424)	(5%)
Bad debt expenses	(3,417)	(2%)	-%	-	-%
Amortization expense	(14)	-%	(7%)	(15)	-%
Results (loss) from operating activities	(52,342)	(36%)	173%	(19,200)	(7%)
Add non-cash items:					
Depreciation and amortization	31,368	22%	(10%)	34,991	13%
Adjusted EBITDA(1)	($20,974)	(15%)	(233%)	$15,791	6%

Note (1): See *Non-GAAP Measures*.

Revenues

For the nine months ended September 30, 2016, Canyon completed 1,981 jobs, a 19% increase over the 1,662 jobs completed for the nine months ended September 30, 2015, despite industry activity levels that were approximately one-half of prior year's levels. However, both competitive pricing pressures as well as the mix of services provided adversely impacted revenue per job. Lower-revenue cementing jobs completed increased by 115% over 2015 due to the addition of contract work, and higher-revenue hydraulic fracturing jobs completed increased 2% over the same period. The lower industry activity was offset by administrative changes in how our customers have requested their billings, resulting in more invoices per well. Commodity prices remained low throughout the period which, coupled with reduced industry activity, has led to sharply lower customer pricing. As a result, Pressure Pumping Services revenue decreased by 48% to $143.9 million from $275.2 million in 2015.

Cost of services

Cost of services includes materials, products, transportation and repair costs, employee benefits expense and depreciation of property and equipment. The following table provides a summary of cost of services:

000's (Unaudited)	Nine Months Ended September 30,		
	2016	Percentage change	2015
Employee benefits expense	$41,338	(34%)	$63,059
Depreciation of property and equipment	29,853	(10%)	33,281
Materials and inventory	77,588	(30%)	111,107
Operating expense	33,580	(54%)	73,535
Total cost of services	$182,359	(35%)	$280,982

- Total cost of services did not decline in proportion to the 48% decline in revenue as supplier discounts were not in proportion to services revenue pricing decreases. Additionally, certain of the input costs purchased in United States dollars (USD) were negatively affected by the appreciation in USD relative to the Canadian dollar.
- Employee benefits expense decreased by 34% for the nine months ended September 30, 2016 when compared to the same period in 2015 due to activity being weighted to lower intensity cementing work, as well as a reduction in the fixed salaried employee count. Severance costs were $0.6 million for the nine months ended September 30, 2016. While the Company implemented wage rate reductions in response to *Industry Conditions*, pricing for services deteriorated more than the wage rate reductions.
- Depreciation of property and equipment decreased 10% when compared to 2015, due primarily to the change in expected useful life calculation of coiled tubing, nitrogen and cementing equipment that occurred in Q2 2015.
- Materials, inventory, transportation and other operating expenses decreased significantly for the nine months ended September 30, 2016 when compared to 2015 due to the previously noted *Cost Reduction Measures* offset by increases in third party materials required to support increases in well intensity. Included in 2016 operating expense is a year-to-date commodity tax provision of $3.0 million resulting from ongoing tax authority reassessments.

Administrative expenses (G&A)

The following table provides a summary of G&A:

000's (Unaudited)	Nine Months Ended September 30,		
	2016	Percentage change	2015
Employee benefits expense	$7,017	(26%)	$9,516
Depreciation of property and equipment	1,501	(11%)	1,695
Other administration expenses	1,930	(13%)	2,213
Total administrative expenses	$10,448	(22%)	$13,424

Overall, G&A expenses are lower by 22% primarily attributable to the wage rate, benefits, and staffing reductions implemented throughout 2015 and into Q3 2016 as previously discussed in *Cost Reduction Measures*.

Adjusted EBITDA

For the nine months ended September 30, 2016, adjusted EBITDA for Pressure Pumping Services decreased to negative $21.0 million from a positive $15.8 million in 2015. The primary cause of the decline was the aforementioned decrease in *Industry Conditions*, significantly reduced customer pricing and the impact of items related to bad debt expenses, severance costs and one-time prior period sales tax assessments totaling $7.0 million.

Fluid Management Services – YTD Financial Review

000's (Unaudited)	Nine Months Ended September 30,				
			2016		2015
	Total	Percentage of revenue	Percentage change	Total	Percentage of revenue
Revenue	$15,445		(56%)	$34,837	
Depreciation - cost of services	(7,101)	(46%)	27%	(5,609)	(16%)
Other - cost of services	(10,921)	(71%)	(46%)	(20,240)	(58%)
Cost of services	(18,022)	(117%)	(30%)	(25,849)	(74%)
Gross profit (loss)	(2,577)	(17%)	(129%)	8,988	26%
Other - administrative expenses	(3,731)	(24%)	(12%)	(4,258)	(12%)
Administrative expenses	(3,731)	(24%)	(12%)	(4,258)	(12%)
Bad debt expenses	(587)	(4%)	-%	-	-%
Amortization expense	(4,503)	(29%)	-%	(4,500)	(13%)
Results (loss) from operating activities	(11,398)	(74%)	(5,056%)	230	1%
Add non-cash items:					
Depreciation and amortization	11,604	75%	15%	10,109	29%
Adjusted EBITDA(1)	$206	1%	(98%)	$10,339	30%

Note (1): See *Non-GAAP Measures.*

Revenues

The Fluid Management Services division, contributed $15.4 million of revenue to Canyon for the nine months ended September 30, 2016, a 56% decrease from the $34.8 million generated in the comparable 2015 period. *Industry Conditions* caused increased competitive pressures from smaller service providers which led to pricing declines of 15% to 30% for water transfer services and significantly higher pricing declines for containment services relative to 2015.

Cost of services

The following table provides a summary of cost of services:

000's (Unaudited)	Nine Months Ended September 30,		
	2016	Percentage change	2015
Employee benefits expense	$4,869	(45%)	$8,902
Depreciation of property and equipment	7,101	27%	5,609
Materials and inventory	1,613	(34%)	2,450
Operating expense	4,439	(50%)	8,888
Total cost of services	$18,022	(30%)	$25,849

- Employee benefits expense decreased by 45% for the nine months ended September 30, 2016 due to a reduction in wage rates as well as a decrease in staffing to match reduced industry activity levels.
- Materials, products, transportation and repair costs decreased 34% for the nine months ended September 30, 2016 when compared to 2015, mainly due to lower activity. Although discounts for costs were negotiated, the costs did not decrease in proportion to revenue as competitive pressures resulted in price decreases which were greater than input cost decreases.
- Depreciation of property and equipment expense increased by 27% for the nine months ended September 30, 2016 primarily due to the acquisition of a fluid hauling business in Q3 2015.

Administrative expenses (G&A)

The following table provides a summary of G&A:

000's (Unaudited)	Nine Months Ended September 30,		
	2016	Percentage change	2015
Employee benefits expense	$1,970	(3%)	$2,032
Other administration expenses	1,761	(21%)	2,226
Total administrative expenses	$3,731	(12%)	$4,258

For the nine months ended September 30, 2016, G&A expenses decreased by 12% when compared to 2015, due to continued cost reduction measures. Employee benefits expense remained largely unchanged primarily as a result of $0.1 million in severance costs incurred during the first half of 2016.

Adjusted EBITDA

For the nine months ended September 30, 2016 adjusted EBITDA totaled $0.2 million, a decrease from $10.3 million in 2015, primarily due to the aforementioned lower industry activity, reduced customer pricing and the impact of bad debt expenses and severance costs totaling $0.7 million.

Corporate – YTD Financial Review

This segment consists of costs incurred to operate a public company, including corporate management, head office costs, share-based payment expenses and professional fees.

000's (Unaudited)	Nine Months Ended September 30,		
	2016		2015
	Total	Percentage change	Total
Revenue	$-	-%	$-
Share-based payment transactions - administrative expenses	(7,361)	48%	(4,960)
Other - administrative expenses	(2,304)	(7%)	(2,467)
Results (loss) from operating activities	(9,665)	30%	(7,427)
Add non-cash items:			
Share-based payment transactions - administrative expenses	7,361	48%	4,960
Adjusted EBITDA(1)	($2,304)	(7%)	($2,467)

Note (1): See *Non-GAAP Measures.*

Administrative expenses for the nine months ended September 30, 2016 totaled $9.7 million (2015: $7.4 million) and includes employee benefits expense, share-based payments, and other head office administrative expenses. The change is primarily due to an increase in non-cash share-based payments expense in Q1 2016 as a result of annual bonus awards being settled with non-cash share-based payments rather than cash.

Other Items – YTD Consolidated Statement of Operations

000's (Unaudited)	Nine Months Ended September 30,	
	2016	2015
Finance costs	$1,128	$2,010
Foreign exchange loss	$629	$2,122
Income tax recovery	$15,619	$4,836

Finance costs

Finance costs include interest on bank indebtedness and finance lease obligations and totaled $1.1 million for the nine months ended September 30, 2016, which decreased 44% from the 2015 figure of $2.0 million. The decrease is primarily due to using proceeds from the March 2016 equity financing which was to repay outstanding bank debt.

Foreign exchange loss

For the nine months ended September 30, 2016, the Company recorded a foreign exchange loss of $0.6 million (2015: loss of $2.1 million). The Company purchases U.S. sourced proppants which require payment in USD. Payments are due 30 to 45 days after purchase which cause foreign exchange gains and losses on outstanding USD accounts payable. In addition, included within foreign exchange gain (loss) are amounts related to the Company's foreign exchange hedging activities.

Income tax expense

For the nine months ended September 30, 2016, the actual calculated tax rate did not equal the expected combined income tax rate of 27% primarily due to income before income tax including expenses that are not deductible for tax purposes, including non-deductible share-based payment expenses.

SUMMARY OF QUARTERLY RESULTS (1)

000's except per share amounts (Unaudited)		Revenue	Adjusted EBITDA(2)	Income (Loss) and Comprehensive Income (Loss)	Basic Income (Loss) per Share	Diluted Income (Loss) per Share
2016(1)	Q3	$62,339	($5,138)	($16,762)	($0.20)	($0.20)
	Q2	$25,733	($14,261)	($22,617)	($0.26)	($0.26)
	Q1	$71,269	($3,673)	($20,594)	($0.29)	($0.29)
2015(1)	Q4	$93,940	$7,667	($18,261)	($0.26)	($0.26)
	Q3	$111,314	$15,082	($20,863)	($0.30)	($0.30)
	Q2	$43,159	($9,754)	($21,857)	($0.32)	($0.32)
	Q1	$155,585	$18,335	($1,038)	($0.02)	($0.02)
2014(1)	Q4	$188,265	$45,576	$22,280	$0.32	$0.32
	Q3	$204,309	$57,656	$30,601	$0.45	$0.44

Note (1): The Company's business is seasonal in nature with the periods of greatest activity being in the first, third and fourth quarters.
Note (2): See *Non-GAAP Measures.*

In Q2 2016 and Q2 2015, the lower revenues, negative adjusted EBITDA and loss and comprehensive loss were negatively impacted by the seasonal weather related drilling delays caused by the annual spring break-up. Since Q1 2015, *Industry Conditions* have caused a general negative trend in sequential quarterly financial results which also include goodwill impairments in Q3 2015 and Q4 2015 and approximately $4.0 million of bad debt expenses in Q2 2016 and an expense of $2.2 million in Q3 2016 for prior-period sales tax assessments.

Strong Q3 and Q4 2014 revenue, adjusted EBITDA, and income and comprehensive income were the result of the Company's equipment fleet essentially being fully utilized and the inclusion of Fraction's financial results commencing at the time of its acquisition in Q3 2014.

LIQUIDITY AND CAPITAL RESOURCES

Funds from (used in) operations

Funds from operations totaled negative $0.7 million and negative $8.2 million for the three and nine months ended September 30, 2016, respectively, down from funds from operations of $14.5 million and $25.6 million, respectively, in the prior year's comparable periods. The decrease in funds from operations is due to *Industry Conditions* as previously described. Funds from operations were primarily financed by changes in working capital and through *Financing* activities, described below.

Financing

Equity (Share amounts in thousands)

The Company issued 15,813 common shares at $4.00 per common for gross proceeds of $63.3 million ($59.7 million net of share issue costs) during the nine months ended September 30, 2016. There were nil and 3 common shares issued by the Company to employees and officers upon exercise of options pursuant to the Share Purchase Option

Plan during the three and nine months ended September 30, 2016, respectively. The Company issued 25 and 969 common shares for nil proceeds pursuant to the Stock-Based Compensation Plan during the three and nine months ended September 30, 2016, respectively.

Debt

As a result of the Offering, the Company had $13.7 million of bank indebtedness, net of cash outstanding at September 30, 2016 (December 31, 2015 bank indebtedness net of cash: $56.9 million). In addition, finance leases as at September 30, 2016 totaled $5.2 million (December 31, 2015: $8.7 million).

The principal amount of the amended credit facility totals $100 million with an accordion feature that allows for the expansion of the amended credit facility by up to an aggregate maximum principal amount of $50 million. The accordion feature is available upon request by Canyon, subject to review and unanimous approval by the lenders. The $100 million credit facility has a term of three years, extendible annually, and bears interest at variable rates depending on certain financial ratios and metrics. See *Capital Management* for further discussion of the amended credit facility financial covenant requirements.

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, 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 *Liquidity Risk*) 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, or availability under alternate similar credit facilities, is dependent on its ability to maintain compliance with certain financial covenants. 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.

Working Capital and Cash Requirements

As at September 30, 2016, Canyon had a working capital balance of $29.2 million compared to $27.6 million as at December 31, 2015. As at September 30, 2016 trade and other receivables decreased to $36.6 million from $59.1 million as at December 31, 2015 due to lower activity levels and lower pricing as previously discussed. Inventories decreased by $3.0 million primarily due to lower chemical and proppant levels required for decreased activity levels and a $1.2 million adjustment to retire fatigued strings of coil tubing. The Company's working capital position and available operating credit facilities exceed the level required to manage timing differences between cash collections and cash payments.

The Company continually monitors individual customer trade receivables, taking into account numerous factors including industry conditions, payment history and financial condition in assessing credit risk. The Company establishes an allowance for doubtful accounts for specifically identified customer balances which are assessed to have credit risk exposure and also a general provision for financial credit risk. When it is determined that no recovery of the allowance for doubtful accounts is expected, the doubtful account is recognized as a bad debt expense. As at September 30, 2016, accounts receivable includes an allowance of $1.1 million for doubtful receivables (December 31, 2015: $0.1 million).

Investments

For the three and nine months ended September 30, 2016, capital expenditures, net of finance leases, totaled $3.3 million and $5.2 million, respectively, including maintenance capital, storage, transportation and water transfer equipment. Please refer to *Capital Expenditures* below.

Capital Management

The Company's objective when managing its capital structure is to maintain a balance between debt and equity capitalization so as to withstand industry and seasonal volatility, maintain investor, creditor and market confidence and to sustain future development of the business. Debt includes the current and long-term portions of bank indebtedness less cash. Capitalization is calculated as the debt, as described above, plus shareholders' equity.

The Company also manages its capital structure to maintain compliance with the financial covenants on its amended facility.

The Company is required to maintain certain financial covenants, including a debt to tangible capitalization ratio and debt service coverage ratio. Each of the Company's covenants are described in note 9 of the Company's September 30, 2016 Condensed Consolidated Interim Financial Statements.

As of September 30, 2016, Canyon is in compliance with each of the financial covenants and has $15 million drawn on its amended facility (see *Financing* above). The Company may be required to adjust its capital structure from time to time as a result of expansion activities or *Industry Conditions*.

The Company believes that it has access to sufficient capital through cash on hand, internally generated funds from operations and available credit facilities to meet its obligations associated with financial liabilities and capital expenditures.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, where possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following table of financial obligations shows the timing of cash outflows relative to trade and other payables, bank indebtedness, finance leases, operating and office leases and capital expenditure commitments as at September 30, 2016:

000's (Unaudited)	Total	Next 12 months	1-3 years	4-5 years	After 5 years
Trade and other payables	$39,991	39,991	-	-	-
Bank indebtedness and finance leases	$20,225	1,942	18,283	-	-
Operating and office space leases	$5,671	2,290	2,409	972	-
Capital expenditure commitments	$13,714	13,714	-	-	-
Total contractual obligations	$79,601	$57,937	$20,692	$972	$-

The Company monitors cash flow requirements and optimizes its cash return on investments. Typically, the Company ensures that it has sufficient cash on demand to meet expected operating expenses for a period of 60 days, including the servicing of financial obligations. The Company's ability to meet its obligations could be adversely affected by sustained *Industry Conditions*, which cannot reasonably be predicted.

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).

Capital Expenditures

Capital expenditure commitments will be funded from cash available, funds from operations and if required, available debt facilities. Please see *Working Capital and Cash Requirements,* and *Capital Management.*

On September 8, 2016, the Company announced it is expanding its capital program by $16.5 million, primarily to upgrade the capability of existing pressure pumping equipment, add ancillary equipment for support services to its pressure pumping division, and expand its fluid management equipment. The revised 2016 and Q1 2017 capital program will total approximately $28 million.

Canyon is upgrading 11 existing 2500 hydraulic horse power (HHP) pumps to new SPM QEM 3000 HHP pumps (QEM 3000). Since February 2016 Canyon has been testing a prototype of the QEM 3000 in deeper high pressure reservoirs in the WCSB. Increased pumping pressures and durations required by our customers in areas such as the Duvernay and Montney have pushed the current 2500 HHP pumps to their maximum capabilities resulting in high maintenance costs and increased downtime. The QEM 3000 is a more robust pump designed for continuous operation and is better suited to 24 hour operations with high pumping pressures and long pumping times compared to the existing 2500 HHP pumps currently operating in the WCSB. The upgrade will reduce Canyon's operating costs and will provide our customers with more continuous pumping operations. At completion of the retrofit, Canyon will have 12 QEM 3000's, which will represent 14% of Canyon's total pressure pumping fleet.

Canyon's capital spending plans, other than capital expenditures through business combinations, are summarized below:

(millions) Capital expenditures	Maintenance	Upgrade/Expansion	Fluid Management	Total
Previously disclosed capital expenditures	$10.0	$-	$1.5	$11.5
Additional capital expenditures	-	12.9	3.6	16.5
Total revised capital expenditures	$10.0	$12.9	$5.1	$28.0
Timing of capital spending				
As at September 30, 2016	$4.8	$0.1	$0.3	$5.2
2016	5.2	8.8	4.8	18.8
2017	-	4.0	-	4.0
	$10.0	$12.9	$5.1	$28.0

Outstanding Share, Option and Incentive Based Unit Data

The following table summarizes Canyon's capitalization as follows:

000's (Unaudited)	November 3, 2016	September 30, 2016	December 31, 2015
Common Shares	85,988	85,909	69,124
Options	2,133	2,141	3,203
Incentive Based Units	2,232	2,308	1,240

Share options and incentive based units granted, exercised, cancelled, expired and forfeited for the three and nine months ended September 30, 2016 and 2015 are summarized as follows:

000's (Unaudited)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Share Options Granted	-	890	734	1,925
Share Options Exercised	-	-	3	219
Share Options Cancelled	-	1,775	1,347	1,775
Share Options Forfeited	21	28	308	170
Share Options Expired	-	57	138	57
Incentive Based Units Granted	12	3	2,145	889
Incentive Based Units Exercised	25	34	969	66
Incentive Based Units Forfeited	7	3	108	20

The average exercise price of the options granted for the nine months ended September 30, 2016 was $5.30 per option (nine months ended September 30, 2015: $6.30 per option). Please refer to *Financing*.

FINANCIAL INSTRUMENTS

Fair Values

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings utilize a combination of short-term fixed rates through the use of 30 to 90 day Banker's Acceptance and floating rates and accordingly, its fair market value approximates its carrying value.

Interest Rate Risk

Loans and borrowings comprise amounts drawn on the Company's bank credit facilities and finance leases for equipment and automobiles. The Company manages its interest rate risk on bank credit facilities by utilizing a combination of short-term fixed rates through the use of 30 to 90 day Banker's Acceptance rates and floating rates. The finance leases for equipment and automobiles are at fixed interest rates.

Foreign Currency Risk

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 payable balances and on anticipated USD purchases, the Company may enter into derivative contracts. As at September 30, 2016 and December 31, 2015, there were no derivative contracts outstanding.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at September 30, 2016, other than the operating leases described above under *Liquidity Risk*.

ACCOUNTING POLICIES AND ESTIMATES

The Company's International Financial Reporting Standards ("IFRS") accounting policies are provided in Note 3 to the Annual Consolidated Financial Statements as at and for the years ended December 31, 2015 and 2014. Future accounting pronouncements are provided at note 2(b) to the Consolidated Financial Statements as at and for the years ended December 31, 2015 and 2014.

Critical Accounting Estimates and Judgments

In the preparation of the Company's Consolidated Financial Statements, management has made estimates that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Actual results could differ from these estimates. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the Consolidated Financial Statements are prepared. Please refer to the note 3 to the Consolidated Financial Statements for the years ended December 31, 2015 and 2014 for a description of the accounting policies of the Company. The Company considers the following to be the significant accounting policies and practices involving the use of estimates and judgments that are critical to determining Canyon's financial results.

Key Sources of Estimation Uncertainty

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in the Consolidated Financial Statements.

Revenue Recognition

The Company recognizes revenue based on the completion of planned programs of services and adjusted for required changes as agreed by the customer. For Pressure Pumping Services, revenue is recognized as work is completed and agreed upon by the customer. For Fluid Management Services, revenue is recognized based on equipment and manpower usage by the customer.

Estimates of Collectability of Accounts Receivable

The Company's management regularly reviews outstanding accounts receivable and follows up with customers when settlement has not occurred on a timely basis. A provision for doubtful accounts of $1.1 million has been established as at September 30, 2016 (December 31, 2015: $0.1 million) based on management's assessment of the Company's accounts receivable collection history. This assessment of collectability involves significant judgment and frequently involves material dollar amounts. As such, the Company's operating results could be affected if bad debt expenses in excess of the allowance are actually experienced.

Depreciation of Property and Equipment

Depreciation is calculated using varying methods and is intended to reflect the historical value of the underlying component that is consumed in conducting each period's operations. Estimates affecting management's assessment of the most appropriate depreciation rate and method of calculation for any particular asset component include the productive life of the asset, its salvage value, equipment utilization rates, planned maintenance programs and technological change.

Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

Management believes that its assessment and choice of estimates used in calculating depreciation are reasonable; however, there is no certainty that the depreciation expense provided will correctly measure the actual reduction in value of asset components used in operations over time.

Non-Financial Assets

Where impairment indicators exist, the recoverable amount of the asset or cash-generating unit ("CGU") is determined using the greater of fair value less costs of disposal or value-in-use. Value-in-use calculations require assumptions for discount rates and estimations of the timing for events or circumstances that will affect future cash flows. Fair value less costs of disposal requires management to make estimates of fair value using market conditions for similar assets as well as estimations for costs of disposal, taking into account dismantling and transportation costs.

Every reporting period, management assesses the carrying value of non-financial assets for indications of impairment. When an indication of impairment is present, an impairment test is performed and if required, the asset is written down to its estimated recoverable amount. No impairments were recorded during the three and nine months ended September 30, 2016. However, the Company did identify $454 of specific equipment that was no longer in use and was written-off. As at December 31, 2015, a mandatory impairment test was performed per IAS 36, Impairment of Assets, and the Company recorded a goodwill impairment of $28.4 million and an impairment loss of $1.2 million on specific equipment that was partially constructed but not completed. The Company had no further plans to complete fabrication on the equipment.

The assessment of impairment indicators is subjective and considers the various internal and external factors such as the financial performance of individual CGUs, market capitalization and industry trends. In addition, the impairment assessment is impacted by how management determines the composition of CGUs. Management has grouped assets into CGUs based on several factors with a primary focus on assets whose cash flows are interdependent. This assessment is subject to management estimate and interpretation.

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, also had available on its credit facility approximately $85 million (December 31, 2015: $40 million available). As at September 30, 2016, the Company was committed to various commitments 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, or availability under alternate similar credit facilities, is dependent on its ability to maintain compliance with certain financial covenants. 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.

Tax Positions

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.

Share-Based Payments

The Company's estimate of share-based payment compensation is dependent upon estimates of historic volatility and forfeiture rates.

Critical Judgments in Applying Accounting Policies

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Non-Financial Assets

The Company's assets are aggregated into cash-generating units for the purpose of calculating impairment. CGUs are based on management's judgments and assessment of the CGU's ability to generate independent cash inflows. Judgments are also required to assess when impairment indicators exist and impairment testing is required.

Provisions and Contingencies

The Company is required to exercise judgment in assessing whether the criterion for recognition of a provision or a contingency has been met. The Company considers whether a present obligation exists, probability of loss and can a reliable estimate be formulated.

RISK FACTORS AND RISK MANAGEMENT

Readers of the Company's interim report should carefully consider the risks described under the heading "Risk Factors" in the Company's most recently filed AIF, which are specifically incorporated by reference herein. The AIF is available on SEDAR at *www.sedar.com*. Other than risks described within this MD&A, including within this section, the Company's risk factors and management of those risks has not changed substantially from the most recently filed AIF.

Credit Risk and Dependence on Major Customers

The Company's accounts receivable are due from customers that operate in the oil and gas exploration and production industry, and are subject to typical industry credit risks that include oil and natural gas price fluctuations and the customers' ability to secure appropriate financing. The Company assesses the credit worthiness of its customers, and monitors accounts receivable outstanding on a regular, ongoing basis.

The Company has a customer base of more than 60 exploration and production entities, ranging from large multinational public entities to small private companies. Notwithstanding the Company's significant customer base, five customers accounted for 46% of the Company's accounts receivable at September 30, 2016 (year ended December 31, 2015: five customers, 66% of accounts receivable). For the three and nine months ended September 30, 2016, five customers accounted for 50% and 45%, respectively, of the Company's revenue (three and nine months ended September 30, 2015: five customers, 63% and 53% of revenue, respectively).

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.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Canyon's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to Canyon's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of Canyon's disclosure controls and procedures at the financial year end of the Company and have concluded that the Company's disclosure controls and procedures are effective at the financial year end of the Company for the foregoing purposes.

Internal Controls over Financial Reporting

Canyon's Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Company. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of Canyon's internal controls over financial reporting at the financial year end of the Company and have concluded that Canyon's internal controls over financial reporting are effective at the financial year end of the Company for the foregoing purposes.

No material changes in the Company's internal controls over financial reporting were identified during the period beginning on January 1, 2016 and ended on September 30, 2016, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

NON-GAAP MEASURES

The Company's Consolidated Financial Statements have been prepared in accordance with IFRS. Certain measures in this document do not have any standardized meaning as prescribed by IFRS and are considered Non-GAAP Measures.

Adjusted EBITDA, funds from (used in) operations, adjusted income (loss) and comprehensive income (loss) and adjusted per share amounts are not recognized measures under IFRS. Management believes that in addition to loss and comprehensive loss, the following measures are useful to help assess the results of the Company.

Descriptions and reconciliations of these Non-GAAP Measures to the most directly comparable IFRS measures are outlined below. Readers should be cautioned that the below metrics should not be construed as an alternative to or a more meaningful measure than those determined in accordance with IFRS. Canyon's method of calculating these metrics may differ from other companies and accordingly, they may not be comparable to measures used by other companies.

Adjusted EBITDA

Canyon calculates adjusted EBITDA as loss and comprehensive loss for the period adjusted for depreciation and amortization, equity settled share-based payment transactions, gain or loss on sale of property and equipment, finance costs, foreign exchange gain or loss, income tax (recovery) expense, gain on business combination and impairment.

Adjusted EBITDA is a useful supplemental measure as it provides an indication of the cash results generated by the Company's principal business activities prior to consideration of how those activities are financed and how the results are taxed.

000's (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Loss and comprehensive loss	($16,762)	($20,863)	($59,973)	($43,802)
Add (deduct):				
Depreciation and amortization	14,013	14,925	42,972	45,100
Finance costs	323	623	1,128	2,010
Foreign exchange loss	22	832	629	2,122
Share-based payment transactions	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)
Goodwill impairment	-	18,900	-	18,900
Write-off of equipment and onerous contracts	-	-	1,187	-
Income tax recovery	(3,966)	(812)	(15,619)	(4,836)
Adjusted EBITDA	($5,138)	$15,082	($23,072)	$23,663

Funds from (used in) Operations

Funds from (used in) operations refers to cash flow from (used in) operations before changes in non-cash working capital, income taxes recovered (paid), but includes finance costs and current tax recovery (expense).

Funds from (used in) operations is a measure of liquidity based on cash generated by the Company's activities without consideration of the timing of the monetization of non-cash working capital items or payment of taxes. Management believes that funds from (used in) operations provides investors with an indication of cash available for capital commitments, debt repayments, payment of taxes, and other expenditures.

000's (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net cash (used in) from operating activities	($5,718)	$309	($5,514)	$1,728
Add (deduct):				
Income tax paid (recovered)	(5,738)	517	(9,773)	9,325
Change in non-cash working capital related to operating activities	6,290	13,360	(8,497)	10,384
Current tax recovery	4,827	916	16,716	6,134
Finance costs	(323)	(623)	(1,128)	(2,010)
Funds from (used in) operations	($662)	$14,479	($8,196)	$25,561

Adjusted Income (Loss) and Comprehensive Income (Loss)

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

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

These measures provide investors with results generated by the Company's business activities in the normal course of business, not taking into account share-based payments expense, amortization of intangibles or impairment, which are not reflective of past operational activity.

000's (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Loss and comprehensive loss	($16,762)	($20,863)	($59,973)	($43,802)
Amortization expense on intangibles	1,503	1,505	4,517	4,515
Gain on business combination	-	(543)	-	(543)
Goodwill impairment	-	18,900	-	18,900
Write-off of equipment and onerous contracts	-	-	1,187	-
Share-based payment transactions	1,358	2,118	7,361	4,960
Adjusted income (loss) and comprehensive income (loss)	($13,901)	$1,117	($46,908)	($15,970)
Adjusted per share-basic	($0.16)	$0.02	($0.58)	($0.23)
Adjusted per share-diluted	($0.16)	$0.02	($0.58)	($0.23)

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "should", "believe", "plans" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this document contains forward-looking information and statements pertaining to the following: future oil and natural gas prices; future results from operations; future liquidity and financial capacity and financial resources; future costs, expenses and royalty rates; future interest costs; future capital expenditures; future capital structure and expansion; the making and timing of future regulatory filings; anticipated activity levels of our customers; and the Company's ongoing relationship with major customers.

The forward-looking information and statements contained in this document reflect several material factors and expectations and assumptions of the Company including, without limitation: impact of commodity prices on activity and pricing; the ability of the pressure pumping industry to activate idle equipment; an FID is not required for activity to improve; the expected timing the Company will experience negative adjusted EBITDA; current financial losses in the industry are not sustainable and pricing will have to improve; that we are better positioned than our competitors to manage financial losses; that bundled services will provide more efficient operations; our primary objectives, and methods of achieving those objectives; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing tax, royalty and regulatory regimes; certain commodity price and other cost assumptions; the continued availability of adequate debt and/or equity financing and cash flow to funds its capital and operating requirements as needed; and the extent of its liabilities. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of the Company's services; unanticipated operating results; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in the development plans of third parties; increased debt levels or debt service requirements; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; reliance on industry partners; attracting and retaining skilled personnel and certain other risks detailed from time to time in the Company's public disclosure documents (including, without limitation, those risks identified in this document and the Company's Annual Information Form).

The forward-looking information and statements contained in this document speak only as of the date of the document, and none of the Company or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.