

**CANYON REPORTS FOURTH QUARTER AND 2015 RESULTS,
AMENDS ITS BANK FACILITY AND SUSPENDS ITS QUARTERLY DIVIDEND**

Calgary, Alberta – March 3, 2016 – Canyon Services Group Inc. (“Canyon” or the “Company”) today announces its fourth quarter and 2015 results, amends its bank facility and suspends its quarterly dividend. The following results should be read in conjunction with the Management’s Discussion and Analysis, the audited consolidated financial statements and notes of Canyon Services Group Inc. for the year ended December 31, 2015 and the Annual Information Form for the year ended December 31, 2014, which are available on SEDAR at www.sedar.com.

The current quarter includes the results of Canyon’s pressure pumping business as well as the results of Fraction Energy Services Ltd. (“Fraction”), a leading provider of fracturing fluid management, including water sourcing, transfer, wellsite storage, fluid heating, flowback transfer and produced water storage services, which was acquired by Canyon effective July 1, 2014 (the “Fraction Acquisition”).

HIGHLIGHTS

The operating and financial highlights for the fourth quarter and year ended December 31, 2015 are summarized as follows:

- Q4 2015 consolidated revenues totaled \$93.9 million. In the current quarter, the impact of reduced activity and lower customer pricing was partially offset by cost reductions and efficiencies gained in operating and input costs, and resulted in Q4 2015 consolidated adjusted EBITDA (see *Non-GAAP Measures*) of \$7.7 million.
- In 2015, Canyon made significant progress on a number of cost reduction measures. In addition to price concessions realized on input costs, Canyon has moved away from the fixed salary model for certain groups within our Company to a variable pay model so that expenses are more closely linked to revenue. As a result, approximately 74% of the Company’s consolidated workforce is now on a variable pay structure compared to about 10% at the beginning of 2015.
- During 2015, Canyon entered into a new extendible revolving operating credit facility (the “Facility”). Effective March 3, 2016, the Company has amended certain terms of the Facility (the “Amended Facility”). The Amended Facility provides the Company with more financial flexibility with reduced financial covenant requirements. The key financial covenant amendments include a deferral of testing the debt to earnings before interest, taxes, depreciation, amortization, impairment and share-based payments (“EBITDAS”) calculation and amendments to the debt service coverage ratio and the debt to capitalization ratio. Canyon maintains a relatively strong balance sheet with low debt to capitalization at December 31, 2015.
- Given weak industry conditions, Canyon has suspended its dividend. Canyon initially reduced its dividend in May 2015. The Company reduced the dividend again in July 2015, and is now suspending its \$0.03 per common share per quarter dividend. The suspension of the remaining \$0.03 per common share per quarter dividend will reduce annual cash outflows by \$8.3 million, which combined with the previous two reductions reduce total annual cash outflows by \$41.6 million as compared to the pre-reduction levels. The Board will continue to regularly review the ability of the Company to reinstate a dividend in the context of the market for Canyon’s services.

OVERVIEW OF FOURTH QUARTER AND ANNUAL RESULTS

000's except per share, job amounts and hydraulic pumping capacity (3 month information unaudited)	Three Months Ended		Year Ended		
	December 31,		December 31,		
	2015	2014	2015	2014	2013
Consolidated revenues	\$93,940	\$188,265	\$403,998	\$591,022	\$299,614
Income (loss) and comprehensive income (loss)	(\$18,261)	\$22,280	(\$62,063)	\$49,094	(\$4,375)
Per share-basic	(\$0.26)	\$0.32	(\$0.90)	\$0.75	(\$0.07)
Per share-diluted	(\$0.26)	\$0.32	(\$0.90)	\$0.74	(\$0.07)
Adjusted EBITDA ⁽¹⁾	\$7,667	\$45,576	\$31,330	\$121,478	\$32,496
Funds from operations ⁽¹⁾	\$8,668	\$38,084	\$34,229	\$103,819	\$38,716
Adjusted income (loss) and comprehensive income (loss) ⁽¹⁾	(\$4,491)	\$24,870	(\$20,461)	\$56,120	(\$45)
Adjusted per share-basic ⁽¹⁾	(\$0.07)	\$0.36	(\$0.30)	\$0.85	\$0.00
Adjusted per share-diluted ⁽¹⁾	(\$0.07)	\$0.36	(\$0.30)	\$0.84	\$0.00
Total pressure pumping jobs completed ⁽²⁾	817	818	2,479	2,942	1,828
Consolidated pressure pumping revenue per job ⁽²⁾	\$104,301	\$215,784	\$146,592	\$192,004	\$164,529
Average fracturing revenue per job	\$182,352	\$318,705	\$208,446	\$269,894	\$232,460
Hydraulic Pumping Capacity:					
Average HHP	255,500	245,500	255,500	240,500	225,500
Exit HHP	255,500	255,500	255,500	255,500	225,500
Capital expenditures	\$2,208	\$36,830	\$28,878	\$112,677	\$14,840

000's except per share amounts	As at December 31, 2015	As at December 31, 2014	As at December 31, 2013
Cash and cash equivalents	\$3,059	\$20,613	\$21,308
Working capital	\$27,578	\$21,880	\$41,730
Total long-term financial liabilities	\$64,779	\$36,193	\$3,096
Total assets	\$510,088	\$638,770	\$402,707
Cash dividends declared per share	\$0.29	\$0.60	\$0.60

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

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

FINANCIAL AND OPERATING HIGHLIGHTS

Industry Conditions

2015 has seen dramatically lower industry activity across the Western Canadian Sedimentary Basin (“WCSB”) in response to continuing low commodity prices. Global concerns around oil supply and economic growth together with record global inventory levels have resulted in West Texas Intermediate oil prices for Q4 2015 and for the year ended 2015 declining by 43% and 48%, respectively, over the comparable 2014 periods (source: Nickles Energy Group). Similarly, in the case of natural gas, AECO Spot prices for Q4 2015 and for the year ended 2015 have declined by 32% and 40% respectively, over the comparable 2014 periods (source: Nickles Energy Group) in response to persistently strong U.S. production levels, sluggish demand due to mild winter conditions and high inventory levels. In response to the lower commodity pricing environment, exploration and production (“E&P”) companies have reduced capital programs leading to dramatic declines in drilling rig utilization, well licensing and well completions, all of which are key indicators of industry activity across the WCSB. In Q4 2015, WCSB drilling rig utilization averaged 23%, about half the 50% level reached in Q4 2014 (source: Nickles Energy Group), while annual 2015 drilling rig utilization averaged 26% compared to 49% in 2014. Similarly, well licenses and completions decreased by 58% and 59% respectively in the current quarter compared to the prior year’s comparable quarter (source: Nickles Energy Group), while 2015 annual well licenses and completions declined by 50% and 49% , respectively, relative to 2014.

In pressure pumping, the lower industry activity led to rapidly deteriorating customer pricing levels commencing in January 2015, which continued throughout the year and into 2016. Q4 2015 customer pricing declined sequentially about 7% from prior quarter levels, while Q1 2016 is already experiencing further pricing degradation over Q4 2015 levels. In fluid management, prices have declined by 15% to 30% for water transfer services and significantly lower for containment services.

Since the beginning of the new year, accelerating weakness in oil prices suggests a much weaker outlook for WCSB activity levels than previously expected. In response, E&P companies continue to negatively adjust capital programs as they strive to spend within projected cash flows.

The above described *Industry Conditions* are referred to throughout this press release.

Overall Performance and Results of Operations

The aforementioned *Industry Conditions* led to significant declines in financial results in Q4 2015 and annual financial results from the comparative 2014 periods. In Q4 2015, consolidated revenues totaled \$93.9 million, down 50% from \$188.3 million in Q4 2014 when industry activity and pricing were considerably higher. For the year ended December 31, 2015, consolidated revenues were \$404.0 million (including revenue of \$43.8 million from fluid management), down 32% from consolidated revenues in the prior year of \$591.0 million (including revenue of \$29.1 million from the fluid management business acquired July 1, 2014).

The challenging *Industry Conditions* were the primary driver leading to Q4 2015 consolidated adjusted EBITDA (see *Non-GAAP Measures*) of \$7.7 million compared to \$45.6 million in Q4 2014. The decrease in consolidated adjusted EBITDA from Q4 2014 is due to the significant operating leverage that is characteristic of the pressure pumping business. For the year ended December 31, 2015, consolidated adjusted EBITDA is \$31.3 million compared to \$121.5 million in 2014 as lower activity levels and severe pricing degradation set in early in the year which was only partially mitigated by cost efficiencies and savings implemented throughout the year. The Company was able to maintain positive adjusted EBITDA, in part, due to the shift of a majority of its workforce to variable pay coupled with its significant cost reduction measures (see *Cost Reduction Measures* for further details).

The fourth quarter and full year 2015 consolidated loss and comprehensive loss of \$18.3 million and \$62.1 million, respectively, was impacted by a non-cash impairment charge of \$10.7 million and \$29.6 million, respectively. The impairment charges are primarily associated with goodwill related to the Fraction Acquisition. Annual 2015 results are also affected by an increase to amortization expense related to intangible assets associated with the Fraction Acquisition of \$6 million. 2014 annual results include only half a year of amortization expense as the Fraction Acquisition was completed on July 1, 2014.

Overview of Pressure Pumping Services

In pressure pumping, the *Industry Conditions* led to lower activity and rapidly deteriorating customer pricing levels commencing in January 2015 and continuing throughout the year. This has resulted in current pricing levels approximately 35% lower than those prevailing at the beginning of 2015.

Although Q4 2015 and annual 2015 drilling and completions activity levels are down approximately 54% and 48%, respectively (source: Nickles Energy Group), and customer pricing is down by approximately 35% from peak 2014 levels, Pressure Pumping Services was able to remain relatively active in the quarter. Q4 2015 jobs from all service lines completed remained relatively flat at 817 in comparison to Q4 2014; however, revenues earned decreased by 52% compared to Q4 2014. In the current quarter cementing jobs completed increased by 68% over Q4 2014 due to the addition of contract-based work, while hydraulic fracturing jobs completed declined by 27% over the same periods due to *Industry Conditions*. Average fracturing revenue per job decreased 43% to \$182,352 in Q4 2015 from \$318,705 in Q4 2014 due to the aforementioned pricing declines and a job mix that was weighted towards smaller, lower revenue cementing jobs. Activity did slow in December due to seasonal slowdowns and reductions in our customer's drilling and completion budgets caused by the declining commodity prices.

For the year ended December 31, 2015, pressure pumping revenues totaled \$360.2 million from 2,479 jobs completed, a decrease of 36% compared to \$561.9 million from 2,942 jobs in 2014. Average fracturing revenue per job for the year ended December 31, 2015 decreased by 23% to \$208,446 from \$269,894 over the prior year as larger job sizes partially offset the significant pricing declines.

Canyon's average equipment capacity as at December 31, 2015 of 255,500 HHP increased modestly from the prior year average available equipment capacity of 240,500 HHP due to 2014 capital program commitments being completed in early 2015. In conjunction with the previously announced staffing reductions at the end of Q1 2015, Canyon has right-sized its fleet to match anticipated activity which resulted in the temporary idling of about 10% of the Company's pressure pumping equipment for most of 2015.

Fortunately, changing well and completions designs have resulted in increased fracturing intensity on a per well basis in the form of more fractures per wellbore and/or larger individual fracture designs. One of the main predictors of service intensity for pressure pumping is the average total length in meters per well. Meters drilled per well has increased by about 13% year over year (source: Nickles Energy Group) however, total meters drilled has decreased by about 46% in Q4 2015 relative to Q4 2014 due to the sharp decrease in well completions activity. In addition, proppant usage per stage increased dramatically since 2014 and has led to 2015 total proppant volumes pumped per fracturing job by Canyon increasing by 18% compared to the comparable 2014 period. In the year ended December 31, 2015, average Ottawa White sand volumes pumped per fracturing job by Canyon's customers increased by 45% and represented approximately 66% of total sand pumped by Canyon for the year compared to 53% of total sand pumped by Canyon in 2014. The service intensity per well, indicated by the increases in meters drilled per well, combined with the increased proppant volumes and the usage of more expensive types of proppant, has only partially offset the activity and pricing declines.

Pressure pumping cash flow and profitability remains highly levered to changes in customer pricing due to the service intensive nature of the business. Throughout 2015, Canyon has been working with suppliers, as well as continuing to vigorously review our 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. These cost reduction efforts have not been significant enough to offset the dramatic reduction in Canyon's services' pricing. As a result, Pressure Pumping adjusted EBITDA in Q4 and full year 2015 remained positive at \$8.4 million and \$24.5 million, respectively, but was down significantly from the comparable 2014 periods due to *Industry Conditions*.

Overview of Fluid Management Services

Fraction was acquired by Canyon effective July 1, 2014 and continues to operate as an independent operating segment. Fraction is a provider of fracturing fluid logistics, containment, transfer and storage for the oil and gas industry in Northwest Alberta and Northeast British Columbia. The acquisition of Fraction has complemented Canyon's offering of services to our customers.

As a result of the weak *Industry Conditions*, prices have declined by approximately 25% for water transfer services, and up to 70% for containment services, when compared to peak 2014 pricing levels. For the three months ended December 31, 2015 Fraction contributed \$9.0 million in revenue and \$1.3 million in adjusted EBITDA compared to \$12.9 million in revenue and \$3.3 million in adjusted EBITDA in the comparable 2014 quarter. For the year ended December 31, 2015, the division contributed \$43.8 million in revenue and \$11.6 million in adjusted EBITDA compared to a six month contribution in 2014 of \$29.1 million in revenue and \$9.5 million in adjusted EBITDA.

Industry Conditions negatively affected Q4 2015 revenues and profitability compared to Q4 2014. 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 strong competition. The decline in volume of work is evidenced by a decline in tank rental utilization rates to 38% in Q4 2015 from 59% in Q4 2014.

Cost Reduction Measures

To mitigate the significant decreases in services' pricing, the Company has been working diligently to reduce all operating and input costs, primarily focused on: chemicals; proppants; fuel; third party hauling; accommodations; and labour. During 2015, chemical costs have been reduced by approximately 20%, and third party hauling rates have decreased by approximately 30%. The cost of both Canadian and U.S. sourced proppants has been reduced by approximately 15% net of exchange rate fluctuations. Minor concessions have been received from fuel suppliers in addition to the benefits of lower oil prices and accommodation costs have been reduced by about 15%. As previously reported, in 2015 Canyon reduced its permanent employee count in the Pressure Pumping and Fluid Management divisions by 22% and 15%, respectively, to match the reduced 2015 activity levels. The reduced work force resulted in one time severance costs of \$1.5 million for 2015, including \$1.0 million in Q4, and the idling of approximately 10% of the Pressure Pumping fleet which is a better match of the available fleet to industry demand given the *Industry Conditions*. In addition, all of the Company's remaining employees' salaries were rolled back between 5% and 10%, with a 10% reduction of executive management salaries and directors' fees. Various employee benefits have also been reduced or suspended.

Canyon does not view the reduction of input costs as a one-time exercise and is continuing to work with suppliers and customers to gain concessions and economies of scale. More importantly, we have made and will continue to make changes to permanently reorganize and transform certain business processes with the goal of permanently reducing the cost of delivering our services. The Pressure Pumping division is moving 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 division's cost structure magnified cash flow losses during low activity periods. Canyon's move to a variable cost structure should aid in reducing cash flow volatility during periods of low activity levels. Effective August 1, 2015, Canyon introduced an hourly rate for the transportation group to more closely match the compensation structure of the trucking industry. Effective November 1, 2015, Canyon introduced a day rate for the majority of the field staff in its pressure pumping business and made further changes to a day rate model effective January 1, 2016. These changes now place approximately 74% of the Company's consolidated workforce on a variable pay structure compared to about 10% at the beginning of 2015.

Dividend

The Board of Directors (the "Board") continuously reviews the long-term capital structure of the Company and its corresponding dividend policy each fiscal quarter. The sustained weakness in oil prices early in 2016 suggests a much weaker outlook for WCSB activity levels than previously anticipated with 2016 activity levels expected to be even lower than 2015's weak levels. In this environment, the Company remains focused on controlling all costs and in preserving its balance sheet. Consequently, the Board is suspending the quarterly dividend. During 2015, due to the *Industry Conditions*, the Board determined that it was prudent to make two dividend reductions. A 50% reduction in May 2015 to \$0.075 per common share per quarter effective for the July 2015 payment, and a further reduction of the quarterly dividend to \$0.03 per common share effective for the October 2015 payment. This was maintained for the December 17, 2015 declared dividend (paid on January 25, 2016). The suspension of the remaining \$0.03 per common share per quarter dividend will reduce annual cash outflows by \$8.3 million, which combined with the previous two reductions reduce total annual cash outflows by \$41.6 million. These dividend reductions, will help Canyon preserve its balance sheet flexibility and provide the Company with additional financial capacity to pursue organic growth prospects and asset acquisitions, should such attractive opportunities arise.

AMENDED FACILITY

Effective March 3, 2016, the Company has entered into an Amended Facility. Although there were no changes to amounts available under the Facility, there were amendments to certain of the financial covenants.

- The debt to capitalization ratio was amended such that the ratio is not to exceed 0.30 to 1.00 and the definition of Total Debt has been changed to be reduced by cash on hand and the definition of Total Capitalization was changed to exclude the value of goodwill and intangibles. The debt to capitalization ratio shall be replaced by a debt to EBITDAS ratio beginning with the fiscal quarter ending September 30, 2017. The debt to EBITDAS ratio shall not exceed 4.00 to 1.00 at any time during the fiscal quarter ended September 30, 2017, 3.50 to 1.00 at any time during the fiscal quarter ended December 31, 2017, and 3.00 to 1.00 thereafter.
- The debt service coverage ratio shall not be less than 0.75 to 1.00 for a period 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 1.00:1.00, returning to a ratio of 1.25:1.00 thereafter.

NON-GAAP MEASURES

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

Adjusted EBITDA, funds from 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 income (loss) and comprehensive income (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.

Adjusted EBITDA

Canyon calculates adjusted EBITDA as income and comprehensive income (loss) for the year adjusted for depreciation and amortization, equity settled share-based payment transactions, gain or loss on sale of property and equipment, finance costs, foreign exchange (gain) loss, income tax (recovery) expense, bargain purchase on business combination and goodwill 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 (three month information unaudited)	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Income (loss) and comprehensive income (loss)	(\$18,261)	\$22,280	(\$62,063)	\$49,094
Add (deduct):				
Depreciation and amortization	15,487	15,225	60,587	49,320
Finance costs	689	534	2,699	1,512
Foreign exchange (gain) loss	484	(155)	2,606	746
Share-based payment transactions	1,547	1,026	6,507	3,985
Gain on sale of property and equipment	(167)	(127)	(415)	(315)
Gain on business combination		-	(543)	-
Impairment	10,715	-	29,615	-
Income tax (recovery) expense	(2,827)	6,793	(7,663)	17,136
Adjusted EBITDA	\$7,667	\$45,576	\$31,330	\$121,478

Funds from Operations

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

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

000's (three month information unaudited)	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Net cash from operating activities	\$11,288	\$56,657	\$13,102	\$83,335
Add (deduct):				
Income taxes recovered (paid)	(260)	(2,286)	8,979	(6,747)
Change in non-cash working capital related to operating activities	(3,858)	(8,644)	6,526	44,113
Current tax recovery (expense)	2,187	(7,109)	8,321	(15,370)
Finance costs	(689)	(534)	(2,699)	(1,512)
Funds from operations	\$8,668	\$38,084	\$34,229	\$103,819

Adjusted Income (Loss) and Comprehensive Income (Loss)

Adjusted income (loss) and comprehensive income (loss) is calculated as income (loss) and comprehensive income (loss) plus amortization expense on intangibles, bargain purchase on business combination, 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, one-time items or amortization of intangibles or impairment which are not reflective of past operational activity.

Readers should be cautioned that the above metrics should not be construed as an alternative to income (loss) and comprehensive income (loss), determined in accordance with IFRS, as an indicator of the Company's performance. Canyon's method of calculating these metrics may differ from other companies and accordingly, they may not be comparable to measures used by other companies.

000's (three month information unaudited)	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Income (loss) and comprehensive income (loss)	(\$18,261)	\$22,280	(\$62,063)	\$49,094
Amortization expense on intangibles	1,508	1,564	6,023	3,041
Gain on business combinations	-	-	(543)	-
Impairment	10,715	-	29,615	-
Share-based payment transactions	1,547	1,026	6,507	3,985
Adjusted income (loss) and comprehensive income (loss)	(\$4,491)	\$24,870	(\$20,461)	\$56,120
Adjusted per share-basic	(\$0.07)	\$0.36	(\$0.30)	\$0.85
Adjusted per share-diluted	(\$0.07)	\$0.36	(\$0.30)	\$0.84

CONSOLIDATED STATEMENTS OF OPERATIONS (Quarterly)

000's except per share amounts (Unaudited)	Three Months Ended December 31,	
	2015	2014
Revenue	\$93,940	\$188,265
Cost of services	(93,620)	(147,617)
Gross profit	320	40,648
Administrative expenses	(8,179)	(9,817)
Amortization expense	(1,508)	(1,506)
Results from operating activities	(9,367)	29,325
Finance costs	(689)	(534)
Foreign exchange gain (loss)	(484)	155
Gain on sale of property and equipment	167	127
Impairment	(10,715)	-
Income (loss) before income tax	(21,088)	29,073
Income tax (expense) recovery	2,827	(6,793)
Income (loss) and comprehensive income (loss)	(\$18,261)	\$22,280
Adjusted EBITDA ⁽¹⁾	\$7,667	\$45,576
Adjusted income (loss) and comprehensive income (loss) ⁽¹⁾	(\$4,491)	\$24,870
Adjusted income (loss) per share: ⁽¹⁾		
Basic	(\$0.07)	\$0.36
Diluted	(\$0.07)	\$0.36

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

For discussion of fourth quarter consolidated statements of operations, adjusted EBITDA, Income (loss) and comprehensive income (loss), see *Industry Conditions* and *Overall Performance and Results of Operations*.

PRESSURE PUMPING SERVICES FINANCIAL REVIEW (Quarterly)

000's (Unaudited)	Three Months Ended December 31,				
	2015			2014	
	Total	% of revenue	% change	Total	% of revenue
Revenue	\$84,932		(52%)	\$175,398	
Cost of services	(85,262)	(100%)	(38%)	(137,997)	(79%)
Gross profit	(330)	-%	(101%)	37,401	21%
Administrative expenses	(3,812)	(4%)	(35%)	(5,672)	(3%)
Amortization expense	(4)	-%	(98%)	(216)	-%
Results from operating activities	(4,146)	(5%)	(113%)	31,513	18%
Add non-cash items:					
Depreciation and amortization	11,559	14%	(4%)	12,057	7%
Share-based payments expense	1,004	1%	158%	390	-%
Adjusted EBITDA ⁽¹⁾	\$8,417	10%	(81%)	\$43,960	25%

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

Revenue

In Q4 2015, Canyon completed 817 pressure pumping jobs, largely unchanged from 818 jobs completed in Q4 2014 although industry activity levels were approximately one-half of prior year's levels. In the current quarter lower-revenue cementing jobs completed increased by 68% over Q4 2014 due to the addition of contract work, while higher-revenue hydraulic fracturing jobs completed declined by 27% over the same periods due to *Industry Conditions*. Commodity prices remained low throughout the quarter, which coupled with reduced industry activity, has led to sharply lower customer pricing. As a result, Pressure Pumping Services revenue decreased by 52% to \$84.9 million from \$175.4 million in Q4 2014.

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 December 31,		
	2015	% change	2014
Materials, products, transportation and repair costs	\$55,874	(42%)	\$96,631
Employee benefits costs	18,419	(38%)	29,836
Depreciation of property and equipment	10,969	(5%)	11,530
Total cost of services	\$85,262	(38%)	\$137,997

- Materials, products, transportation and repair costs decreased by 42% in Q4 2015 when compared to Q4 2014 due to lower activity and previously noted Cost Reduction Measures. Total costs of services did not decline in proportion to revenue declines 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 38% in Q4 2015 due to reduced activity levels, as well as a reduction in the permanent employee count. 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 has remained relatively flat year over year. In 2014, Canyon added 30,000 HHP, coiled tubing equipment, transportation and logistics equipment, nitrogen and cement and acid equipment. While additional equipment was added to Canyon's fleet throughout 2014, the increased asset base for amortization expense was offset by a change in the expected useful life of coiled tubing, nitrogen and cementing equipment which reduced the depreciation expense of these assets.

Administrative expenses (G&A)

The following table provides a summary of G&A:

000's (Unaudited)	Three Months Ended December 31,		
	2015	% change	2014
Employee benefits expense	\$1,475	(60%)	\$3,729
Share-based payments expense	1,004	157%	390
Other administrative expense	743	(28%)	1,031
Depreciation of property and equipment	590	13%	522
Total administrative expenses	\$3,812	(33%)	\$5,672

Overall, G&A decreased by \$1.9 million mainly due to lower employee benefits expense attributable to the wage rate, benefits and staffing reductions implemented at the end of Q1 2015 as previously discussed. Share-based payments expense increased due to accelerated stock based compensation expense, as described in the notes to the consolidated financial statements.

Adjusted EBITDA

In Q4 2015, adjusted EBITDA expense decreased by 81% to \$8.4 million from \$44.0 million in Q4 2014. The primary cause of the decline was *Industry Conditions* that resulted in reduced activity and customer pricing.

FLUID MANAGEMENT SERVICES FINANCIAL REVIEW (Quarterly)

000's (Unaudited)	Three Months Ended December 31,				
	2015			2014	
	Total	% of revenue	% change	Total	% of revenue
Revenue	\$9,008		(30%)	\$12,867	
Cost of services	(8,358)	(93%)	(13%)	(9,620)	(75%)
Gross profit	650	7%	(80%)	3,247	25%
Administrative expenses	(1,862)	(21%)	18%	(1,573)	(12%)
Amortization expense	(1,504)	(17%)	(1%)	(1,521)	(12%)
Results from operating activities	(2,716)	(30%)	(1,875%)	153	1%
Add non-cash items:					
Depreciation and amortization	3,928	44%	24%	3,168	25%
Share-based payments expense	91	1%	100%	-	-%

Adjusted EBITDA ⁽¹⁾	\$1,303	15%	(61%)	\$3,321	26%
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Note (1): See *Non-GAAP Measures*.

Revenue

The Fluid Management Services division, contributed \$9.0 million (2014: \$12.9 million) of revenue to Canyon in Q4 2015, a 30% decrease from Q4 2014. *Industry Conditions* caused increased competitive pressures from smaller service providers which led to pricing declines of 15% to 30% for water containment services and significantly higher pricing declines for containment services relative to Q4 2014.

Cost of services

The following table provides a summary of cost of services:

000's (Unaudited)	Three Months Ended December 31,		
	2015	% change	2014
Materials, products, transportation & repair costs	\$3,957	(15%)	\$4,681
Employee benefits costs	2,150	(34%)	3,274
Depreciation of property & equipment	2,251	35%	1,665
Total cost of services	\$8,358	(13%)	\$9,620

- Materials, products, transportation and repair costs decreased by 15% in Q4 2015 when compared to Q4 2014, 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.
- Employee benefits expense decreased by 34% in Q4 2015 due to a reduction in wage rates as well as a decrease in staffing to match reduced industry activity levels.
- The increase in depreciation expense for the division is primarily due to equipment additions in late 2014 and the inclusion of equipment pertaining to the acquisition of the fluid hauling business in September 2015.

Administrative expenses (G&A)

The following table provides a summary of G&A:

000's (Unaudited)	Three Months Ended December 31,		
	2015	% change	2014
Employee benefits expense	\$660	(21%)	\$837
Share-based payments expense	91	100%	-
Other administrative expense	1,111	51%	736
Total administrative expenses	\$1,862	18%	\$1,573

Employee benefits expense decreased by 21% mainly attributable to the wage rate and staffing reductions. This was partially offset by the increase in staff related to the Acquisition in September 2015. Other administrative expenses increased due to additional rent expense from an additional yard included in the Acquisition, and costs related to the negotiation and settlement of the earn out agreement related to the Acquisition.

Adjusted EBITDA

Q4 2015 adjusted EBITDA totaled \$1.3 million, or 15% of revenues, a decrease of 61% from \$3.3 million in Q4 2014. The primary cause of the decrease is *Industry Conditions* resulting in lower activity and customer pricing.

CORPORATE (Quarterly)

000's (Unaudited)	Three Months Ended December 31,	
	2015	2014
	% change	
Revenue	\$-	\$-
Administrative expenses	(2,505)	(2,572)
Results from operating activities	(2,505)	(2,572)
Add non-cash items:		
Share-based payments expense	452	636
Adjusted EBITDA ⁽¹⁾	(\$2,053)	(\$1,936)

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

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

Administrative expenses (G&A)

G&A for the three months ended December 31, 2015 totaled \$2.5 million (2014: \$2.6 million) and includes employee benefits expense, share-based payments, and other head office administrative expenses.

Other Items – Quarterly Consolidated Statement of Operations

Finance costs

Finance costs include interest on bank indebtedness and finance lease obligations and totaled \$0.7 million in Q4 2015 (2014: \$0.5 million). Finance costs include interest on loans, finance lease obligations and automobile loans. The increase in finance costs is due to an increase in loans and borrowings compared to the prior year comparable quarter.

Foreign exchange gain (loss)

In Q4 2015 the Company recorded a foreign exchange loss of \$0.5 million (2014: gain of \$0.2 million). The Company purchases U.S. sourced proppants which require payment in USD. Payments are 30 to 45 days after purchase which cause foreign exchange gains and losses on outstanding USD accounts payable. The increase in foreign exchange loss in Q4 2015 over Q4 2014 is due to the weakening of the Canadian dollar relative to the USD.

Impairment

At the end of each reporting period, Canyon conducts a review of the carrying value for each of its cash generating units (“CGU”) for indicators of impairment. As a result of *Industry Conditions*, the Company tested its Fluid Management Services CGU in Q4 2015 for impairment and determined a goodwill write-down of \$9.5 million was required in the Fluid Management Services CGU. Also included in impairment

expense is \$1.2 million on specific equipment that was partially constructed but not completed. The Company has no further plans to complete fabrication on the equipment.

Income tax recovery

For Q4 2015, the actual calculated tax rate did not equal the expected combined income tax rate of 26% primarily due to income before income tax including expenses that are not deductible for tax purposes, including: (1) goodwill impairment charge; and (2) the non-deductible share-based payment expenses.

CONSOLIDATED STATEMENTS OF OPERATIONS (Annual)

000's except per share amounts	Year Ended December 31,	
	2015	2014
Revenue	\$403,998	\$591,022
Cost of services	(400,451)	(486,261)
Gross profit	3,547	104,761
Administrative expenses	(33,288)	(33,547)
Amortization expense	(6,023)	(3,041)
Results from operating activities	(35,764)	68,173
Finance costs	(2,699)	(1,512)
Foreign exchange loss	(2,606)	(746)
Gain on sale of property and equipment	415	315
Gain on business combination	543	-
Impairment	(29,615)	-
Income (loss) before income tax	(69,726)	66,230
Income tax (expense) recovery	7,663	(17,136)
Income (loss) and comprehensive income (loss)	(\$62,063)	\$49,094
Adjusted EBITDA ⁽¹⁾	\$31,330	\$121,478
Adjusted income (loss) and comprehensive income (loss) ⁽¹⁾	(\$20,461)	\$56,120
Adjusted income (loss) per share: ⁽¹⁾		
Basic	(\$0.30)	\$0.85
Diluted	(\$0.30)	\$0.84

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

For discussion of annual consolidated statements of operations, including adjusted EBITDA, Income (loss) and comprehensive income (loss), see *Industry Conditions and Overall Performance and Results of Operations*.

PRESSURE PUMPING SERVICES FINANCIAL REVIEW (Annual)

000's	Year Ended December 31,			
	2015		2014	
	% of revenue	% change		% of revenue
Revenue	\$360,153	(36%)	\$561,899	
Cost of services	(366,244)	(102%)	(467,006)	(83%)
Gross profit	(6,091)	(2%)	94,893	17%
Administrative expenses	(20,092)	(6%)	(21,417)	(4%)
Amortization expense	(19)	-%	-	-%
Results from operating activities	(26,202)	(7%)	73,476	13%
Add non-cash items:				
Depreciation and amortization	46,549	13%	43,338	8%
Share-based payments expense	4,158	1%	2,175	-%
Adjusted EBITDA ⁽¹⁾	\$24,505	7%	\$118,989	21%

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

Revenue

Pressure pumping revenues for the year ended December 31, 2015 decreased by 36% to \$360.2 million compared to \$561.9 million in 2014. Jobs completed decreased by 16% to 2,479 for 2015 from 2,942 jobs completed in 2014. The percentage decrease in revenues was more dramatic than the percentage decrease in the job count due to a job mix weighted to lower-revenue cementing and nitrogen jobs which, combined, increased by 28% year over year. Hydraulic fracturing jobs which accounted for about 90% of total pressure pumping revenues in 2015, decreased by 27% in the year. The *Industry Conditions* were the primary driver for the decrease in larger revenue generating hydraulic fracturing jobs as is evidenced by the average hydraulic fracturing revenue per job decreasing by 23% to \$208,446 for 2015 compared to \$269,894 for 2014 as larger job sizes partially offset the significant pricing declines.

Cost of services

The following table provides a summary of cost of services:

000's	Year Ended December 31,		
	2015	% change	2014
Materials, products, transportation and repair costs	\$240,519	(24%)	\$318,155
Employee benefits costs	81,478	(24%)	107,433
Depreciation of property and equipment	44,247	7%	41,418
Total cost of services	\$366,244	(22%)	\$467,006

- Materials, products, transportation and repair costs decreased by 24% for the year ended December 31, 2015 compared to the year ended December 31, 2014. These costs did not decrease in proportion with revenue in part due to: 1) timing of decrease in revenues versus the timing of price concessions negotiated with suppliers; 2) supplier concessions were not received in proportion to customer pricing decreases as a result of *Industry Conditions*; and 3) certain of the input costs purchased in USD were negatively affected by the appreciation in the USD.

- Employee benefits expense has decreased by 24% for 2015 compared to 2014. In 2014, staff levels increased over the second half of the year to handle the increase in 24 hour operations and higher activity. These higher staff levels were maintained through to the end of Q1 2015 as Canyon was busy to mid-March. At the end of Q1 2015, the Pressure Pumping Services reduced permanent staffing levels by 22% to match lower activity levels.
- The increase in depreciation of property and equipment for 2015 compared to 2014 is due to the addition of equipment to Canyon's fleet in the second half of 2014 combined with accelerated depreciation relating to the replacement of certain pump components. This was partially offset by a change in the expected useful life of coiled tubing, nitrogen and cementing equipment which reduced the depreciation expense of these assets.

Administrative expenses (G&A)

The following table provides a summary of G&A:

000's	Year Ended December 31,		
	2015		2014
	Total	% change	Total
Employee benefits expense	\$9,147	(27%)	\$12,555
Share-based payments expense	4,158	91%	2,175
Other administrative expense	4,502	(6%)	4,805
Depreciation of property and equipment	2,285	21%	1,882
Total administrative expenses	\$20,092	(6%)	\$21,417

Administrative expenses decreased by \$1.3 million or 6% in 2015 relative to 2014. This was largely due to the 27% decrease in employee benefits expense which was attributable to wage rate and staffing reductions implemented at the beginning of Q2 2015. Offsetting the decrease in employee benefits expenses was: 1) the \$2.0 million increase in share-based payments expense as a result of an increase in the number of units outstanding and the modification of the Share Option purchase plan as described in Note 16 of the Consolidated Financial Statements for the year ended December 31, 2015; and 2) the \$0.4 million increase in depreciation expense as a result of more equipment being purchased throughout 2014.

Adjusted EBITDA

For the year ended December 31, 2015, adjusted EBITDA decreased by 79% to \$24.5 million from \$119.0 million in the comparable 2014 period. As previously discussed, lower activity levels and customer pricing due to *Industry Conditions* more than offset cost reduction measures implemented in the year.

FLUID MANAGEMENT SERVICES FINANCIAL REVIEW (Annual)

000's	Year Ended December 31,			
	2015		2014 ⁽²⁾	
	% of revenue		% of revenue	
Revenue	\$43,845		\$29,123	
Cost of services	(34,207)	(78%)	(19,255)	(66%)
Gross profit	9,638	22%	9,868	34%
Administrative expenses	(6,307)	(14%)	(3,264)	(11%)
Amortization expense	(6,004)	(14%)	(3,041)	(10%)
Results from operating activities	(\$2,673)	(6%)	\$3,563	12%
Add non-cash items:				
Depreciation and amortization	14,038	32%	5,983	21%
Share-based payments expense	279	1%	-	-%
Adjusted EBITDA ⁽¹⁾	\$11,644	27%	\$9,546	33%

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

Note (2): The Fluid Management Services division consists of results for the six months ended December 31, 2014 as Canyon acquired control on July 1, 2014. Therefore, all 2014 Fluid Management Services financial results are not comparable to the full year results of 2015. Certain financial analysis of Fluid Management Services division is described below.

Revenue

The Fluid Management Services division contributed \$43.8 million of revenue for the year ended December 31, 2015 (six months ended December 31, 2014: \$29.1 million) to the Company's consolidated results. Impacting the full year of operations by the Fluid Management Services division, were poor *Industry Conditions*.

Cost of services

The following table summarizes cost of services for the year ended December 31, 2015 and the six months ended December 31, 2014:

000's	Year Ended December 31,	
	2015	2014
Materials, products, transportation and repair costs	\$15,121	\$9,941
Employee benefits costs	11,052	6,335
Depreciation of property and equipment	8,034	2,979
Total cost of services	\$34,207	\$19,255

Total cost of services of \$34.2 million for 2015 was 78% of fluid management revenues compared to \$19.3 million, or 66% of revenues, for the six month post acquisition period in 2014. The increase in the percentage to 78% of revenues for 2015 is due to the cost reduction strategies implemented throughout the year lagging the severe revenue price decreases caused by *Industry Conditions*.

Administrative expenses (G&A)

The following table is a summary of G&A for the year ended December 31, 2015 and the six months ended December 31, 2014:

000's	Year Ended December 31,	
	2015	2014
Employee benefits expense	\$2,692	\$1,975
Share-based payments expense	279	-
Other administrative expense	3,336	1,289
Total administrative expenses	\$6,307	\$3,264

Total administrative expenses of \$6.3 million in 2015 are for a twelve month period compared to \$3.3 million for a six month period in 2014. The cost savings from wage rollbacks and staffing reductions implemented by the Fluid Management Services division in the year were approximately offset by the administrative expenses attributable to the addition of the fluid hauling business in September 2015.

Amortization Expense

The amortization expense of \$6.0 million (2014: \$3.0 million) relates to the amortization of customer relationships and non-competition agreements pursuant to the Fraction Acquisition.

Adjusted EBITDA

For the year ended December 31, 2015 adjusted EBITDA totaled \$11.6 million (six months ended December 31, 2014: \$9.5 million) in the Fluid Management Services division, or 27% of revenue (six months ended December 31, 2014: 33%). Although the Fluid Management Services division had an incremental six months of operation in 2015, results of operations did not increase proportionately due to negative *Industry Conditions*.

CORPORATE (Annual)

000's	Year Ended December 31,		
	2015		2014
	Total	% change	Total
Revenue	\$-		\$-
Administrative expenses	(6,889)	(22%)	(8,866)
Results from operating activities	(6,889)	(22%)	(8,866)
Add non-cash items:			
Share-based payments expense	2,070	14%	1,809
Adjusted EBITDA ⁽¹⁾	(\$4,819)	(32%)	(\$7,057)

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

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

Administrative expenses (Corporate G&A)

The following table is a summary of Corporate G&A:

000's	Year Ended December 31,		
	2015		2014
	Total	% change	Total
Employee benefits expense	\$3,193	(30%)	\$4,539
Share-based payments expense	2,070	14%	1,809
Other administrative expense	1,626	(35%)	2,518
Total administrative expenses	\$6,889	(22%)	\$8,866

The decrease in Corporate G&A is mainly due to lower employee benefits expense as a result of wage rate and staffing reductions in 2015. In addition, there is \$0.7 million of acquisition costs related to the Fraction Acquisition in 2014 included in other administrative expenses, offset by an increase to share based payments expense due to a higher ratio of SBCU's and options issued in 2015 relative to 2014.

Other Items – Year Ended December 31, 2015 Consolidated Statements of Operations

Finance costs and foreign exchange loss

Finance costs include interest on loans, finance lease obligations and automobile loans and totaled \$2.7 million for the year ended December 31, 2015 (2014: \$1.5 million). The increase in finance costs is primarily attributable to the increase in loans and borrowings used to partially fund the Company's capital program, as well as costs relating to the arrangement of the new Facility.

Bargain purchase on business combination

On September 11, 2015, the Company completed the Acquisition for total consideration of \$9.5 million consisting of the issuance of 0.2 million Canyon common shares at \$5.04 per share, and cash consideration of \$8.5 million. The net identifiable assets of \$10.0 million were greater than the purchase price, resulting in a bargain purchase of \$0.5 million. The bargain purchase on acquisition arose due to depressed commodity prices which allowed the Company to purchase the business for less than fair value.

Impairment

At the end of each reporting period, Canyon conducts a review of its carrying value for each of its CGUs for indicators of impairment. As a result of the *Industry Factors*, the Company tested its Fluid Management Services CGU for impairment and determined a goodwill write-down of \$28.4 million was required in the Fluid Management Services CGU. Also included in impairment expense is \$1.2 million on specific equipment that was partially constructed but not completed. The Company has no further plans to complete fabrication on the equipment.

Income tax recovery

For 2015, the actual calculated tax rate did not equal the expected effective income tax rate of 26% primarily due to income before income tax including expenses that are not deductible for tax purposes, including: 1) goodwill impairment charge; and 2) non-deductible share-based payment expenses. Additionally, the current year effective tax rate is affected by increases to corporate income tax rates which change the value of deferred tax assets and liabilities. The effects of changes in value of deferred tax assets and liabilities are recognized in the period the change in corporate tax rate occurs.

FORWARD-LOOKING STATEMENTS

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

The forward-looking information and statements contained in this document reflect several material factors and expectations and assumptions of the Company including, without limitation: that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; certain commodity price and other cost assumptions; the continued availability of adequate debt and/or equity financing and cash flow to fund 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.

For further information contact:

Brad Fedora
President and CEO

Or

Barry O'Brien
Vice President, Finance and CFO

Canyon Services Group Inc.
2900 Bow Valley Square III
255 – 5 Avenue SW
Calgary, Alberta, T2P 3G6
Phone: 403-290-2491
Fax: 403-355-2211

Canyon Services Group Inc.
2900 Bow Valley Square III
255 – 5 Avenue SW
Calgary, Alberta, T2P 3G6
Phone: 403-290-2478
Fax: 403-355-2211