



**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2017 AND 2016**

**UNAUDITED**

# CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Balance Sheets  
(Unaudited)

000's of dollars		March 31, 2017	December 31, 2016
	Note		
<b>Assets</b>			
Current assets:			
Cash		\$2,266	\$2,473
Trade and other receivables	4	96,990	46,843
Inventories		11,687	12,278
Prepayments		2,419	3,354
Current tax assets		16,922	17,359
<b>Total current assets</b>		<b>130,284</b>	<b>82,307</b>
Non-current assets:			
Property and equipment	7	322,110	324,620
Investment		458	458
Intangible assets		27,712	29,218
Goodwill		21,431	21,431
<b>Total non-current assets</b>		<b>371,711</b>	<b>375,727</b>
<b>Total assets</b>		<b>\$501,995</b>	<b>\$458,034</b>
<b>Liabilities and Equity</b>			
Current liabilities:			
Trade and other payables	8	\$77,527	\$52,307
Finance leases	9	1,454	1,733
<b>Total current liabilities</b>		<b>78,981</b>	<b>54,040</b>
Non-current liabilities:			
Bank indebtedness	9	35,000	25,000
Finance leases	9	3,517	3,480
Deferred tax liabilities		33,365	31,161
<b>Total non-current liabilities</b>		<b>71,882</b>	<b>59,641</b>
Equity:			
Share capital	10	368,717	366,196
Contributed surplus		25,470	22,854
Deficit		(43,055)	(44,697)
<b>Total equity</b>		<b>351,132</b>	<b>344,353</b>
<b>Total liabilities and equity</b>		<b>\$501,995</b>	<b>\$458,034</b>

The notes are an integral part of these condensed consolidated interim financial statements.

## CANYON SERVICES GROUP INC.

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

000's of dollars, except per share amounts	Note	2017	2016
Revenue		\$144,823	\$71,269
Depreciation - cost of services	5	(11,682)	(13,128)
Other - cost of services	5	(114,137)	(69,386)
Gross profit (loss)		19,004	(11,245)
Depreciation - administrative expenses	6	(466)	(539)
Share-based payment transactions - administrative expenses	6,11	(4,987)	(4,860)
Other - administrative expenses		(7,248)	(5,556)
Amortization expense		(1,506)	(1,447)
Results from operating activities		4,797	(23,647)
Finance costs		(814)	(589)
Foreign exchange loss		(40)	(565)
Gain on sale of property and equipment		33	167
Reversal (write-off) of equipment and onerous contracts	12	307	(1,187)
Income (loss) before income tax		4,283	(25,821)
Income tax (expense) recovery:			
Current		(437)	5,010
Deferred		(2,204)	217
		(2,641)	5,227
Income (loss) and comprehensive income (loss)		\$1,642	(\$20,594)
Income (loss) per share:			
Basic	10	\$0.02	(\$0.29)
Diluted	10	\$0.02	(\$0.29)

The notes are an integral part of these condensed consolidated interim financial statements.

## CANYON SERVICES GROUP INC.

Condensed Consolidated Interim Statements of Changes in Equity  
(Unaudited)

000's of dollars and shares						
	Note	Number of shares	Share capital	Contributed surplus	Retained earnings (deficit)	Total equity
Balance at December 31, 2015		69,124	\$300,616	\$18,819	\$27,502	\$346,937
Loss for the period			-	-	(20,594)	(20,594)
Transactions with owners, recorded directly in equity:						
Proceeds from common shares issued		15,813	63,250	-	-	63,250
Share issuance costs (net of tax of \$929)		-	(2,666)	-	-	(2,666)
Reclassification on exercise of share options and incentive-based units		824	3,308	(3,308)	-	-
Share-based payment transactions	11	-	-	4,860	-	4,860
Balance at March 31, 2016		85,761	\$364,508	\$20,371	\$6,908	\$391,787
Balance at December 31, 2016		86,049	\$366,196	\$22,854	(\$44,697)	\$344,353
Income for the period			-	-	1,642	1,642
Transactions with owners, recorded directly in equity:						
Issue on exercise of stock options		28	178	(28)	-	150
Reclassification on exercise of incentive-based units		349	2,343	(2,343)	-	-
Share-based payment transactions	11	-	-	4,987	-	4,987
Balance at March 31, 2017		86,426	\$368,717	\$25,470	(\$43,055)	\$351,132

The notes are an integral part of these condensed consolidated interim financial statements.

# CANYON SERVICES GROUP INC.

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

000's of dollars	Note	2017	2016
Cash flows from operating activities:			
Income (loss) for the period		\$1,642	(\$20,594)
Adjustments for:			
Depreciation and amortization		13,654	15,114
Share-based payment transactions	11	4,987	4,860
Gain on sale of property and equipment		(33)	(167)
Equity investment (income)		-	(65)
Write-off (reversal) of equipment and onerous contracts	12	(307)	1,187
Finance costs		814	589
Unrealized loss on derivative instrument		-	291
Income tax expense (recovery)		2,641	(5,227)
Funds provided by (used in) operations		23,398	(4,012)
Change in inventories		591	4,122
Change in trade and other receivables		(50,147)	21,974
Change in prepayments		935	16
Change in trade and other payables		26,821	(17,433)
Change in non-cash working capital related to operating activities		(21,800)	8,679
Cash generated from operating activities		1,598	4,667
Income taxes recovered		-	675
Net cash from operating activities		1,598	5,342
Cash flows from investing activities:			
Proceeds from sale of property and equipment		122	417
Acquisition of property and equipment	7	(9,316)	(1,278)
Change in non-cash working capital related to investing activities		(1,294)	(1,166)
Net cash (used in) investing activities		(10,488)	(2,027)
Cash flows from financing activities:			
Proceeds from issue of shares		-	59,655
Interest paid		(814)	(589)
Advances (repayments) of bank indebtedness	9	10,000	(60,000)
Proceeds from exercise of share options		150	-
Payment of finance lease liabilities		(653)	(1,025)
Dividends paid		-	(2,074)
Net cash from (used in) financing activities		8,683	(4,033)
Net (decrease) in cash and cash equivalents		(207)	(718)
Cash and cash equivalents as at beginning of period		2,473	3,059
Cash and cash equivalents at March 31		\$2,266	\$2,341

The notes are an integral part of these condensed consolidated interim financial statements.

# CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited)

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## 1. Reporting entity

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

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

On March 22, 2017, the Company entered into an arrangement agreement with Trican Well Service Ltd. (“Trican”) pursuant to which Trican has agreed to acquire all of the issued and outstanding common shares of Canyon (the “Canyon Shares”) on the basis of 1.70 common shares of Trican (the “Trican Shares”) for each outstanding Canyon Share (the “Transaction”). Under the terms of the arrangement agreement, the Transaction will be effected by way of a plan of arrangement under the Business Corporations Act (Alberta). The Transaction is expected to be completed in the second half of 2017 and is subject to TSX and Alberta Court of Queen’s Bench approval, regulatory approvals and the satisfaction of other customary closing conditions. If the relevant regulatory approvals are obtained sooner, the Transaction may be completed earlier.

## 2. Basis of preparation

### Statement of compliance

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, and do not include all the information required for full annual financial statements. As such, they should be read in conjunction with the 2016 annual financial statements.

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on May 4, 2017.

# CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements  
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## **Significant accounting policies**

The accounting policies applied in these interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2016.

## **Use of estimates and judgments**

In preparing these interim financial statements, management has made judgments, estimates, and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016.

## **3. Seasonality of operations**

The Company's business is seasonal in nature with the periods of greatest activity being in the first, third and fourth quarter, and the least activity tending to be in the second quarter because of spring break-up. Spring break-up typically occurs for periods of up to eight weeks between March and June. The Company's operating activities can also be affected by extended periods of adverse weather which can result in restrictions to the movement of heavy equipment. As a result, March through June is traditionally the Company's least active time and as such, the operating results of the Company will vary on a quarterly basis.

## **4. Financial risk management overview**

The Company has exposure to the following risks:

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

The Company did not change its policy for managing and mitigating financial risk during the three months ended March 31, 2017 and as such, only certain updates from the 2016 annual financial statement disclosures are included within these Condensed Consolidated Interim Financial Statements.

### **(a) Credit risk**

#### *Trade and Other Receivables*

During the period ended March 31, 2017, five customers, each accounting for more than 10% of revenue, totaled 56% of the Company's revenue (year ended December 31, 2016: two customers, 21%) which was primarily allocated to the pressure pumping segment. As at March 31, 2017, five customers accounted for 57% (December 31, 2016: five customers accounted for 52%) of the Company's accounts receivable, and five customers accounted for 56% (December 31, 2016: five customers accounted for 42%) of the Company's revenue.

# CANYON SERVICES GROUP INC.

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

000's of dollars	March 31, 2017	December 31, 2016
Current (0-30 days from invoice date)	\$57,566	\$30,168
31-60 days from invoice date	24,950	9,735
Over 60 days from invoice date	15,830	7,699
Sub-total	98,346	47,602
Less: Allowance for doubtful accounts	(1,356)	(759)
Total	\$96,990	\$46,843

## (b) Liquidity risk

As at March 31, 2017, the Company had a working capital balance of \$51.3 million (December 31, 2016: \$28.3 million) and, subject to certain conditions (see note 9), also had available on its credit facility approximately \$65 million (December 31, 2016: \$75 million available). At March 31, 2017, the Company was committed to various commitments (see note 12) which require the Company to have available various sources of capital and/or require the Company to generate future operating cash flow to meet the obligations associated with these commitments.

The Company's availability under its existing credit facilities (see note 9), or availability under alternate similar credit facilities, is dependent on its ability to maintain compliance with certain financial covenants (see note 9). Current credit facility availability and operating cash flows are 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 decline of the oil and gas services business in Canada.

## (c) Market risk

### *Currency risk*

The Company is exposed to currency risk on purchases that are denominated in United States Dollars (USD). At March 31, 2017 and December 31, 2016 the exposure to USD was primarily as a result of USD denominated accounts payable of USD\$8.2 million and USD\$5.7 million, respectively.

To manage the currency risk on outstanding USD accounts payables balances and on anticipated USD purchases, the Company may enter into derivative contracts. At March 31, 2017 and December 31, 2016, there were no derivative contracts outstanding.

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Notes to the Condensed Consolidated Interim Financial Statements  
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## 5. Cost of services

000's of dollars	Three Months Ended March 31,	
	2017	2016
Employee benefits expense	\$27,252	\$20,881
Depreciation of equipment	11,682	13,128
Materials and inventory	64,721	34,460
Operating expense	22,164	14,045
	<u>\$125,819</u>	<u>\$82,514</u>

## 6. Administrative expenses

000's of dollars	Three Months Ended March 31,	
	2017	2016
Employee benefits expense	\$3,808	\$3,385
Depreciation of equipment	466	539
Share-based payment transactions	4,987	4,860
Other administrative expenses	3,440	2,171
	<u>\$12,701</u>	<u>\$10,955</u>

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Notes to the Condensed Consolidated Interim Financial Statements  
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## 7. Property and equipment

000's of dollars						
	Land	Office, Shop and Yard	Field Equipment	Automotive	Office Equipment and Leaseholds	Total
<b>Cost:</b>						
Balance at January 1, 2016	\$13,200	\$25,375	\$402,590	\$108,650	\$10,113	\$559,928
Additions:						
Owned	-	-	15,225	86	419	15,730
Finance leases	-	-	-	543	-	543
Disposals	-	-	(7,897)	(3,930)	(34)	(11,861)
<b>Balance at December 31, 2016</b>	<b>\$13,200</b>	<b>\$25,375</b>	<b>\$409,918</b>	<b>\$105,349</b>	<b>\$10,498</b>	<b>\$564,340</b>
<b>Additions:</b>						
Owned	-	-	9,104	17	195	9,316
Finance leases	-	-	-	411	-	411
Disposals	-	-	(2,197)	(271)	(136)	(2,604)
<b>Balance at March 31, 2017</b>	<b>\$13,200</b>	<b>\$25,375</b>	<b>\$416,825</b>	<b>\$105,506</b>	<b>\$10,557</b>	<b>\$571,463</b>
<b>Accumulated depreciation:</b>						
Balance at January 1, 2016	\$-	\$6,219	\$137,773	\$48,022	\$5,878	\$197,892
Depreciation for the year	-	1,061	38,656	10,431	1,186	51,334
Asset write off	-	-	222	-	232	454
Disposals	-	-	(7,777)	(2,160)	(23)	(9,960)
<b>Balance at December 31, 2016</b>	<b>\$-</b>	<b>\$7,280</b>	<b>\$168,874</b>	<b>\$56,293</b>	<b>\$7,273</b>	<b>\$239,720</b>
Depreciation for the period	-	252	9,379	2,278	239	12,148
Disposals	-	-	(2,238)	(175)	(102)	(2,515)
<b>Balance at March 31, 2017</b>	<b>\$-</b>	<b>\$7,532</b>	<b>\$176,015</b>	<b>\$58,396</b>	<b>\$7,410</b>	<b>\$249,353</b>
<b>Carrying amounts:</b>						
At December 31, 2016	\$13,200	\$18,095	\$241,044	\$49,056	\$3,225	\$324,620
<b>At March 31, 2017</b>	<b>\$13,200</b>	<b>\$17,843</b>	<b>\$240,810</b>	<b>\$47,110</b>	<b>\$3,147</b>	<b>\$322,110</b>

### *Property and equipment under construction*

As at March 31, 2017, costs incurred on field and automotive equipment and facilities under construction totaled \$15,439 (December 31, 2016: \$7,895). These items are not yet in service therefore, are not being depreciated.

As at March 31, 2017, costs incurred on field and automotive equipment and facilities that are available for use, but not yet in service, therefore not being depreciated, totaled \$203 (December 31, 2016: \$329).

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## *Leased equipment*

Property and equipment includes leased assets as the Company leases equipment under a number of finance lease agreements. The leased equipment secures lease obligations. As at March 31, 2017, the net carrying amount of the leased equipment was \$4,874 (December 31, 2016: \$4,958).

## *Impairment*

At the end of each reporting period, the Company conducts a review of its carrying value for each of its cash-generating units (“CGU”) for indicators of impairment. The Company did not identify any indicators of impairment therefore, no impairment test was completed.

## 8. Trade and other payables

000's of dollars	March 31, 2017	December 31, 2016
Trade payables	\$34,239	\$26,287
Accrued expenses	43,288	26,020
	<u>\$77,527</u>	<u>\$52,307</u>

## 9. Bank indebtedness and finance leases

This note provides information about the contractual terms of the Company’s interest-bearing loans and borrowings, which are measured at amortized cost.

000's of dollars	Nominal Interest Rate	Year of Maturity	March 31, 2017	December 31, 2016
Current liabilities:				
Finance lease liabilities	0.0-7.6%	2017-2018	1,454	1,733
			<u>\$1,454</u>	<u>\$1,733</u>
Non-current liabilities:				
Drawing on credit facility	3.2-6.2%	2018	\$35,000	\$25,000
Finance lease liabilities	0.0-7.6%	2018-2020	3,517	3,480
			<u>\$38,517</u>	<u>\$28,480</u>

As at March 31, 2017, the Company had \$35,000 outstanding under its credit facility (December 31, 2016: \$25,000).

The amount of the credit facility (the “Facility”) totals \$100,000 with an accordion feature that allows for the expansion of the Facility by up to \$50,000. The accordion feature is available upon request by the Company, subject to approval by the lenders. The Facility has a term of three years, extendible annually, and bears interest, payable monthly, at the bank’s prime lending rate plus 50 basis points to 350 basis points, dependent on certain financial ratios of the Company. Security for the Facility is provided by a general security over all of the Company’s assets.

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Notes to the Condensed Consolidated Interim Financial Statements  
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The Company is required to maintain certain financial covenants including a debt to tangible capitalization ratio, which shall not exceed 0.30 to 1.00, and a debt service coverage ratio, which shall not be less than 1.00 to 1.00, both measured at the end of each fiscal quarter.

- For purposes of the covenant calculation, the debt to tangible capitalization ratio is calculated as bank indebtedness, plus finance leases, minus cash and cash equivalents (“Total Debt”), to total equity minus goodwill, minus intangible assets plus Total Debt (“Capitalization”). The debt to tangible capitalization ratio as at March 31, 2017 was 0.12 to 1.00.
- The debt service coverage ratio refers to the ratio of earnings before interest, taxes, depreciation, amortization, impairment, severance, provincial sales tax, and share-based payments (“EBITDAS”) of the Company for the four quarters ending March 31, 2017 to interest expense plus all scheduled principal repayments of debt including finance leases for the four quarters ending March 31, 2017. From January 1, 2017 to September 30, 2017, the debt service coverage ratio shall not be less than 1.00 to 1.00, returning to a ratio of 1.25 to 1.00 thereafter. Compliance with the debt service coverage ratio is automatically waived for the period from January 1, 2017 to June 30, 2017 if the Total Debt is less than \$55.0 million. As at March 31, 2017, the Company had Total Debt of \$37,705 therefore, the debt service coverage ratio was automatically waived.
- The debt to tangible capitalization ratio will be replaced by a debt to EBITDAS ratio beginning with the fiscal quarter ending December 31, 2017. The debt to EBITDAS ratio refers to the ratio of EBITDAS for the four quarters ending at the end of the fiscal quarter to Total Debt. The debt to EBITDAS ratio shall not exceed 5.00 to 1.00 from July 1, 2017 to September 30, 2017, 4.00 to 1.00 from October 1, 2017 to December 31, 2017, 3.50 to 1.00 from January 1, 2018 to March 31, 2018 and 3.00 to 1.00 thereafter. Compliance with the debt to EBITDAS ratio for the period from July 1, 2017 to September 30, 2017 is automatically waived if the Total Debt is less than \$55 million.

The Company was in compliance with the terms of the lending agreements as at March 31, 2017.

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Notes to the Condensed Consolidated Interim Financial Statements  
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## 10. Share capital

### Earnings (loss) per share

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

000's of dollars and shares	Three Months Ended March 31,	
	2017	2016
Income (loss) for the period	\$1,642	(\$20,594)
Weighted average shares:		
Basic	86,307	70,197
Dilution effect of share options and incentive based units	2,014	-
Diluted	88,321	70,197
Basic earnings (loss) per share	\$0.02	(\$0.29)
Diluted earnings (loss) per share	\$0.02	(\$0.29)

## 11. Share-based payments

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

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

A summary of the status of the Company's stock option plan as at March 31, 2017 and December 31, 2016 and changes during the periods then ended is presented below:

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Notes to the Condensed Consolidated Interim Financial Statements  
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000's of options	Options Outstanding	Range of Exercise Price	Weighted Average Exercise Price
Outstanding at January 1, 2016	3,203	\$4.79 - \$16.27	\$8.57
Granted	744	\$3.20 - \$5.41	\$5.30
Exercised	(52)	\$5.31 - \$5.31	\$5.31
Cancelled	(1,347)	\$7.24 - \$14.34	\$10.73
Forfeited	(320)	\$5.31 - \$16.27	\$8.64
Expired	(138)	\$11.64 - \$11.79	\$11.64
Outstanding as at December 31, 2016	2,090	\$3.20 - \$14.97	\$5.89
Granted	224	\$7.23 - \$7.23	\$7.23
Exercised	(28)	\$5.31 - \$5.31	\$5.31
Forfeited	(81)	\$5.31 - \$7.24	\$6.63
Outstanding as at March 31, 2017	2,205	\$3.20 - \$14.97	\$6.00
Exercisable as at March 31, 2017	827		\$6.19

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

	March 31, 2017	March 31, 2016
Weighted average fair value	\$2.39	\$0.83
Forfeiture rate (%)	14.0%	13.9%
Volatility (%)	53.8%	50.1%
Risk free interest rate (%)	0.8%	0.5%
Dividend yield (%)	0.0%	2.8%
Option life - weighted average (years)	2.5	2.5

Stock based compensation expense of \$311 has been recorded for the three months ended March 31, 2017 (March 31, 2016: \$580).

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

The Company's SBCU Plan is available to directors, officers, certain employees and consultants of the Company and provides an opportunity to acquire common shares in lieu of cash bonuses. Under the SBCU Plan, the Board of Directors from time to time may grant incentive based units to participants as compensation in respect of services rendered by the participant for a fiscal year. Each incentive based unit will give the participant the right to receive, on or after the vesting date for such incentive based unit upon exercise, one common share for no further consideration or payment by such participant.

The following table summarizes the Share-Based Compensation Units ("SBCU") as at March 31, 2017 and December 31, 2016 and the changes during the periods then ended:

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000's of SBCUs	March 31, 2017	December 31, 2016
SBCUs issued at the beginning of the period	2,212	1,240
Granted	1,124	2,158
Exercised	(349)	(1,060)
Forfeited	(84)	(126)
SBCU's outstanding as at the end of the period	2,903	2,212

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

	March 31, 2017	March 31, 2016
Weighted average fair value	\$7.22	\$3.48
Forfeiture rate (%)	6.4%	6.1%
Volatility (%)	54.8%	53.6%
Risk free interest rate (%)	0.9%	0.4%
Dividend yield (%)	0.0%	2.8%
Option life - weighted average (years)	1.7	1.8

The compensation cost to the Company relating to the SBCUs for the period ended March 31, 2017 was \$4,676 (March 31, 2016: \$4,280).

## 12. Capital commitments and contingencies

As at March 31, 2017 the Company has commitments to purchase property and equipment of approximately \$10,534 (December 31, 2016: \$9,712).

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

The Company is committed to operating leases for various premises. During the period ended March 31, 2017, the Company revised its estimates on one of its premises that had been previously recognized as an onerous contract. As at March 31, 2017, the Company reduced its estimate for the onerous contract by \$307 to reflect the

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income from a sub-lease entered into on the premise. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## 13. Operating segments

The Company's segments are determined by services provided which are its core business of pressure pumping services and fluid management services. Pressure pumping services include hydraulic fracturing, nitrogen fracturing, coiled tubing, chemical stimulation and cementing, which combined, are part of the Pressure Pumping Services Segment. The Fluid Management Services Segment includes fluid management services, water sourcing, water transfer, wellsite storage, fluid heating, flowback transfer, water storage services and fluid transportation services. The Corporate Segment does not represent an operating segment and is included for informational purposes only. Corporate segment administrative expenses consist of salary expenses, share-based payment expenses, and other general costs related to corporate employees, as well as public company costs.

Three Months Ended March 31, 2017	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	\$134,845	\$9,978	\$-	\$144,823
Depreciation - cost of services	(9,272)	(2,410)	-	(11,682)
Other - cost of services	(107,049)	(7,088)	-	(114,137)
Cost of services	(116,321)	(9,498)	-	(125,819)
Gross profit	\$18,524	\$480	\$-	\$19,004
Depreciation - administrative expenses	(466)	-	-	(466)
Share-based payment transactions - administrative expenses	-	-	(4,987)	(4,987)
Other - administrative expenses	(4,242)	(1,637)	(1,369)	(7,248)
Administrative expenses	(4,708)	(1,637)	(6,356)	(12,701)
Amortization expense	(5)	(1,501)	-	(1,506)
Results from operating activities	\$13,811	(\$2,658)	(\$6,356)	\$4,797
Income tax (recovery) expense	\$3,480	(\$839)	\$-	\$2,641
Segment assets as at March 31, 2017	\$412,074	\$89,921	\$-	\$501,995
Segment liabilities as at March 31, 2017	\$139,749	\$11,114	\$-	\$150,863

# CANYON SERVICES GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements  
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Three months ended March 31, 2016	Pressure Pumping Services	Fluid Management Services	Corporate	Total
Revenue	\$62,978	\$8,291	\$-	\$71,269
Depreciation - cost of services	(10,717)	(2,411)	-	(13,128)
Other - cost of services	(63,399)	(5,987)	-	(69,386)
Cost of services	(74,116)	(8,398)	-	(82,514)
Gross loss	(\$11,138)	(\$107)	\$-	(\$11,245)
Depreciation - administrative expenses	(539)	-	-	(539)
Share-based payment transactions - administrative expenses	-	-	(4,860)	(4,860)
Other - administrative expenses	(3,371)	(1,446)	(739)	(5,556)
Administrative expenses	(3,910)	(1,446)	(5,599)	(10,955)
Amortization expense	(5)	(1,442)	-	(1,447)
Results from operating activities	(\$15,053)	(\$2,995)	(\$5,599)	(\$23,647)
Income tax (recovery) expense	(\$3,051)	(\$2,176)	\$-	(\$5,227)
Segment assets as at December 31, 2016	\$369,586	\$88,448	\$-	\$458,034
Segment liabilities as at December 31, 2016	\$103,572	\$10,109	\$-	\$113,681