Calfrac Announces Fourth Quarter Results

March 4, 2021 5:00 PM EST

CALGARY, AB, March 4, 2021 /CNW/ - **Calfrac Well Services Ltd. ("Calfrac" or "the Company")** (TSX: CFW) announces its financial and operating results for the three months and year ended December 31, 2020.

HIGHLIGHTS

	Three Months Ended December 31,			Years Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
(C$000s, except per share and unit data) (unaudited)	***($)***	*($)*	*(%)*	***($)***	*($)*	*(%)*
Revenue	**180,722**	317,085	(43)	**705,436**	1,620,955	(56)
Operating income(1)	**15,597**	20,997	(26)	**21,997**	152,744	(86)
Per share – basic(2)	**1.91**	7.25	(74)	**5.21**	52.83	(90)
Per share – diluted(2)	**0.27**	7.22	(96)	**0.41**	52.50	(99)
Adjusted EBITDA(1)	**13,715**	26,882	(49)	**23,809**	159,119	(85)
Per share – basic(2)	**1.68**	9.29	(82)	**5.64**	55.03	(90)
Per share – diluted(2)	**0.24**	9.25	(97)	**0.44**	54.69	(99)
Net income (loss)	**125,897**	(49,400)	NM	**(324,235)**	(156,203)	108
Per share – basic(2)	**15.43**	(17.07)	NM	**(76.78)**	(54.03)	42
Per share – diluted(2)	**2.19**	(17.07)	NM	**(76.78)**	(54.03)	42
Working capital (end of period)				**161,448**	248,772	(35)
Total equity (end of period)				**410,234**	368,623	11
Weighted average common shares outstanding (000s)						
Basic(2)	**8,158**	2,894	182	**4,223**	2,891	46
Diluted(2)	**57,598**	2,907	NM	**54,234**	2,909	NM

(1) *Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.*

(2) *Comparative amounts were adjusted to reflect the Company's fifty-to-one common share consolidated that occurred on December 18, 2020.*

PRESIDENT'S MESSAGE

Calfrac's President and Chief Operating Officer, Lindsay Link commented on the results: "Calfrac's operations delivered solid improvement in the fourth quarter, both in terms of field activity and financial performance. This improvement has built a strong foundation for our 2021 outlook, which is positive in all of our operating areas. We also completed our recapitalization during the quarter, and the significant reduction in both total debt and interest along with incremental liquidity has vastly improved our financial position, and with it, our ability to respond to changing industry conditions. 2020 was a challenging year on all fronts, and it is only due to the hard work and dedication of Team Calfrac that we were able to exit the year in the position we did. Our focus on delivering on our Brand Promise has been unwavering and I am excited to see how we build on our successes in 2021."

During the quarter, Calfrac:

- increased job activity in all areas while maintaining safe and efficient performance;
- secured contracted work volumes with a new client in Argentina for a large fracturing crew; and
- completed the restructuring of its balance sheet.

Also during the quarter, Calfrac's Board of Directors approved the Company's capital budget for 2021 at $55.0 million.

In conjunction with the closing of the Company's Recapitalization Transaction, two new directors were added to Calfrac's board, Messrs. George Armoyan and Anuroop Duggal, both representing significant new investors in Calfrac. Concurrently, Messrs. Kevin Baker and Jamie Blair retired from Calfrac's board with the Company's deep appreciation for their many years of service and best wishes for the future.

FOURTH QUARTER 2020 OVERVIEW

In the fourth quarter of 2020, the Company:

- generated revenue of $180.7 million, a decrease of 43 percent from the fourth quarter in 2019, resulting primarily from lower pricing and activity in Canada and the United States;
- completed the exchange of the Company's remaining US$431.8 million senior unsecured notes, including all accrued and unpaid interest,for common shares of the Company, in addition to the issuance of $60.0 million of 1.5 lien senior secured payment-in-kind convertible notes ("1.5 Lien Notes"). These notes bear interest at 10.0 percent per annum and are due on December 18, 2023;
- reported adjusted EBITDA of $13.7 million versus $26.9 million in the fourth quarter of 2019;
- reported net income of $125.9 million or $2.19 per share diluted, which included a gain on the settlement of debt of $226.3 million and a deferred income tax expense of $54.2 million, compared to a net loss of $49.4 million or $17.07 per share diluted in 2019;
- reported period-end working capital of $161.4 million versus $248.8 million at December 31, 2019, which is consistent with the reduced operating footprint in Canada and the United States; and
- incurred capital expenditures of $6.5 million primarily to support the Company's United States fracturing operations.

Subsequent to the end of fourth quarter of 2020, the Company announced the modification of its prior disclosure on one matter relating to voting procedures for the Plan of Arrangement, where Calfrac recently became aware that one institutional shareholder of the Company purchased approximately $1.0 million of 1.5 Lien Notes pursuant to the pro rata offering made to qualified holders of Calfrac's senior unsecured notes. As disclosed in the Company's March 1, 2021 press release, Calfrac and the institutional shareholder intend to rescind the subscription and cancel the applicable 1.5 Lien Notes following which the institutional shareholder will be returned its initial purchase price. Calfrac has advised applicable regulators and announced its intention to make an application to the Court of Queen's Bench of Alberta in relation to this matter.

CONSOLIDATED HIGHLIGHTS

Three Months Ended December 31,	**2020**	2019	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**180,722**	317,085	(43)
Expenses			
Operating	**154,582**	281,278	(45)
Selling, general and administrative (SG&A)	**10,543**	14,810	(29)
	165,125	296,088	(44)
Operating income[1]	**15,597**	20,997	(26)
Operating income (%)	**8.6**	6.6	30
Adjusted EBITDA[1]	**13,715**	26,882	(49)
Adjusted EBITDA (%)	**7.6**	8.5	(11)
Fracturing revenue per job ($)	**33,022**	29,039	14
Number of fracturing jobs	**4,887**	10,104	(52)
Active pumping horsepower, end of period (000s)	**901**	1,269	(29)
Idle pumping horsepower, end of period (000s)	**444**	141	215
Total pumping horsepower, end of period (000s)	**1,345**	1,410	(5)
Coiled tubing revenue per job ($)	**33,754**	27,018	25
Number of coiled tubing jobs	**354**	609	(42)
Active coiled tubing units, end of period (#)	**17**	20	(15)
Idle coiled tubing units, end of period (#)	**10**	8	25
Total coiled tubing units, end of period (#)	**27**	28	(4)
Cementing revenue per job ($)	**43,697**	47,379	(8)
Number of cementing jobs	**85**	128	(34)
Active cementing units, end of period (#)	**12**	13	(8)
Idle cementing units, end of period (#)	**4**	6	(33)
Total cementing units, end of period (#)	**16**	19	(16)

[1] *Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.*

Revenue in the fourth quarter of 2020 was $180.7 million, a decrease of 43 percent from the same period in 2019. The lower revenue was mainly due to the fracturing job count decreasing by 52 percent, resulting primarily from lower activity in North America. Cementing activity in Argentina was also

lower by 34 percent, while consolidated coiled tubing activity decreased by 42 percent as a result of lower activity in Canada, Argentina and Russia. Fracturing revenue per job increased by 14 percent due to changes in job mix in Canada.

Since the end of 2019, Calfrac has decreased its active fracturing footprint by over 50 percent, as well as its operating and corporate cost structure, in order to respond to the decline in fracturing activity in Canada and the United States. The Company's immediate and market relevant cost reduction efforts ensured that its operating footprint was aligned with the 52 percent decline in job count experienced in the fourth quarter in 2020, and has positioned the Company to generate positive operating income despite significantly lower revenue in the quarter.

Adjusted EBITDA of $13.7 million for the fourth quarter of 2020 decreased from $26.9 million in the comparable period in 2019, primarily as a result of the sharp decline in activity and pricing in the United States. This was partially offset by better utilization for its operating fleets in Russia and cost reduction measures implemented across the Company during 2020.

Net income was $125.9 million or $2.19 per share diluted, which included a gain on the settlement of debt of $226.3 million and a deferred income tax expense of $54.2 million, compared to a net loss of $49.4 million or $17.07 per share diluted in the same period last year.

Three Months Ended	**December 31, 2020**	September 30, 2020	Change
(C$000s, except operational information) (unaudited)	***($)***	*($)*	*(%)*
Revenue	**180,722**	127,776	41
Expenses			
Operating	**154,582**	109,708	41
SG&A	**10,543**	10,059	5
	165,125	119,767	38
Operating income (loss)[1]	**15,597**	8,009	95
Operating income (loss) (%)	**8.6**	6.3	37
Adjusted EBITDA[1]	**13,715**	8,467	62
Adjusted EBITDA (%)	**7.6**	6.6	15
Fracturing revenue per job ($)	**33,022**	33,382	(1)
Number of fracturing jobs	**4,887**	3,527	39
Active pumping horsepower, end of period (000s)	**901**	840	7
Idle pumping horsepower, end of period (000s)	**444**	505	(12)
Total pumping horsepower, end of period (000s)	**1,345**	1,345	—
Coiled tubing revenue per job ($)	**33,754**	22,795	48
Number of coiled tubing jobs	**354**	364	(3)
Active coiled tubing units, end of period (#)	**17**	15	13
Idle coiled tubing units, end of period (#)	**10**	12	(17)
Total coiled tubing units, end of period (#)	**27**	27	—
Cementing revenue per job ($)	**43,697**	51,000	(14)
Number of cementing jobs	**85**	27	215
Active cementing units, end of period (#)	**12**	12	—
Idle cementing units, end of period (#)	**4**	4	—
Total cementing units, end of period (#)	**16**	16	—

[1] *Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.*

Fourth-quarter revenue in 2020 of $180.7 million represented an increase of 41 percent from the third quarter of 2020, primarily due to improved fracturing activity in all of the areas where Calfrac operates. Revenue per fracturing job was 1 percent lower compared with the third quarter of 2020 due to the impact of lower pricing and job mix in the United States and a lower rouble in Russia, offset by job mix in Canada and Argentina.

In Canada, revenue increased by 19 percent from the third quarter to $53.3 million in the fourth quarter due to a rebound in customer activity resulting from improved oil and natural gas prices. Operating income as a percentage of revenue was 17 percent, compared to 15 percent in the third quarter. Third-quarter operating income included a non-cash termination charge of $2.1 million in order to exit a take-or-pay product purchase commitment.

In the United States, revenue in the fourth quarter of 2020 was $67.3 million, or 45 percent higher than the third quarter. The improvement was primarily activity driven, as producers restarted programs before year-end, which allowed the Company to reactivate three incremental fleets later in the fourth quarter. Operating income was $1.0 million in the fourth quarter compared to $2.8 million in the third quarter of 2020. Operating results included $3.9 million of R&M expenses and other costs associated with the reactivation of crews for which a full quarter of revenue was not achieved.

In Russia, revenue of $26.9 million in the fourth quarter of 2020 was 6 percent lower than the third quarter due to a weaker Rouble. Operating income decreased by $1.6 million, due primarily to higher operating costs associated with winter operations in Western Siberia.

In Argentina, revenue in the fourth quarter of 2020 increased to $33.1 million from $8.1 million in the third quarter. The higher revenue base resulted in operating income of $5.5 million, compared to an operating loss of $3.9 million in the third quarter. The improvement in revenue and operating income was primarily attributed to the resumption of normal operations in the Vaca Muerta shale play, post government mandated COVID-19 shutdowns.

Adjusted EBITDA of $13.7 million for the fourth quarter of 2020 increased from $8.5 million in the third quarter of 2020, primarily due to improved utilization in Argentina.

BUSINESS UPDATE AND OUTLOOK

Calfrac's operating results during the fourth quarter were driven by improved activity in all operating regions, including a significant increase in activity in Argentina as it returned to more typical activity levels after a government-mandated shutdown of operations during the second and third quarters.

CANADA

In Canada, activity remained strong throughout the quarter leading to a sequential increase in revenue and operating income. In particular, activity levels in December were only marginally impacted due to weather and Christmas holidays. This high utilization and the Company's continued focus on cost management, combined with the impact of the government wage subsidy program, resulted in a year-over-year and sequential improvement in profitability.

Calfrac's Canadian division has increased its operating footprint to four fracturing crews and four coiled tubing units for the first quarter of 2021 in order to service increased demand from its major clients. It is not expected that this footprint will continue throughout the year, and Calfrac plans to revert

back to three fracturing crews when work volumes subside. Excluding the impact of wage subsidies on reported results, pricing in the Canadian market remains below the level required to add fracturing capacity on a permanent basis. Consequently, the Company does not plan to add any further fracturing fleets to service spot market demand until the pricing for its services and the resulting incremental returns improve from current levels.

Second-quarter activity is expected to decrease from the first quarter due to the seasonal spring break-up, but the Company is anticipating that its core clients will remain active throughout 2021, which is expected to drive modest growth over 2020. For the first time in a number of years, the prices for light oil and natural gas in Canada are generating acceptable returns for producers. These improved economics may drive a further increase in demand for the Company's services as the year progresses.

UNITED STATES
During the fourth quarter, Calfrac's operations in the United States accelerated more rapidly than had been anticipated as producers restarted programs before year-end. Activity gains were focused primarily in North Dakota and Texas, areas that are expected to represent the majority of Calfrac's operating activity in 2021. Calfrac is currently staffed to operate seven fracturing fleets in the United States, the result of the accelerated restart of two incremental fleets later in the fourth quarter in addition to the planned restart of one fleet in November.

While commodity prices have improved in the early part of 2021, producers remained committed to maximizing free cash flow generation versus a growth-focused strategy. As a result, Calfrac plans to only add incremental fracturing capacity when both the economic return and the duration of the client's work programs meet the Company's internal requirements. Many industry observers expect that activity may increase throughout 2021, but significantly below the levels that were experienced in 2018 and 2019. As a result, Calfrac does not currently plan on adding further equipment to its operating footprint, and will continue to explore opportunities to improve utilization and financial returns.

RUSSIA
Calfrac's financial performance in Russia during the fourth quarter was very strong, although the shift to winter operating conditions did reduce activity levels in December. This decrease in equipment utilization is expected to continue throughout most of the first quarter until the winter weather abates. Calfrac is currently operating five fracturing fleets in Western Siberia along with four coiled tubing crews. Demand for the Company's services in Russia has increased and there may be future opportunities to reactivate additional equipment as the year progresses.

ARGENTINA
In Argentina, Calfrac's operations improved significantly in the fourth quarter as activity rebounded to pre-shutdown levels, aided by the restart of operations of the Company's shale fracturing fleet in the Vaca Muerta shale play in November. The recent introduction of a government program designed to incentivize domestic natural gas production is also anticipated to drive further activity improvement in Neuquén during 2021. Calfrac's current contracted work volumes for the year combined with recent changes in the competitive landscape in Argentina provide additional support for year-over-year growth in Argentina's operating and financial performance.

CORPORATE
After completing a lengthy and complex recapitalization process during the fourth quarter, Calfrac's corporate focus for 2021 is to continue to support the Company's operations while prudently managing all aspects of its cost structure. The Company continues to leverage its new Enterprise Resource Planning (ERP) system that was implemented during the second quarter of 2020 and is committed to evaluating other initiatives to drive further operating efficiencies, including technologies that reduce the cost and environmental impact of its operations. As such, Calfrac has dedicated approximately $5.0 million of its 2021 capital budget of $55.0 million to add dual fuel capability to certain of its existing fracturing pumps in North America.

FINANCIAL OVERVIEW – THREE MONTHS ENDED DECEMBER 31, 2020 VERSUS 2019

CANADA

Three Months Ended December 31,	**2020**	2019	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**53,347**	73,009	(27)
Expenses			
Operating	**42,403**	67,171	(37)
SG&A	**1,870**	2,414	(23)
	44,273	69,585	(36)
Operating income[1]	**9,074**	3,424	165
Operating income (%)	**17.0**	4.7	262
Fracturing revenue per job ($)	**28,525**	15,348	86
Number of fracturing jobs	**1,697**	4,160	(59)
Active pumping horsepower, end of period (000s)	**202**	236	(14)
Idle pumping horsepower, end of period (000s)	**73**	36	103
Total pumping horsepower, end of period (000s)	**275**	272	1
Coiled tubing revenue per job ($)	**19,894**	21,741	(8)
Number of coiled tubing jobs	**242**	405	(40)
Active coiled tubing units, end of period (#)	**8**	11	(27)
Idle coiled tubing units, end of period (#)	**5**	3	67
Total coiled tubing units, end of period (#)	**13**	14	(7)

[1] *Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.*

REVENUE
Revenue from Calfrac's Canadian operations during the fourth quarter of 2020 was $53.3 million compared to $73.0 million in the same period of 2019. The lower revenue was mainly related to a smaller operating footprint as operator activity was relatively strong in October and December with a slight pullback in activity experienced in November. In the fourth quarter of 2020, the number of fracturing jobs was 59 percent lower than the comparable period in 2019 as a higher proportion of customer activity was in the Montney shale play, which has larger average job sizes but a lower number of stages compared to the Viking oil play, which was more active during the fourth quarter of 2019. Revenue per job increased by 86 percent, mainly due to job mix, combined with a shift in customer mix, as the majority of activity completed in the quarter was focused on larger pad style jobs. The number of coiled tubing jobs decreased by 40 percent from the fourth quarter in 2019 as the number of coiled tubing crews was reduced, while revenue per job decreased by 8 percent due to job mix.

OPERATING INCOME
Operating income in Canada during the fourth quarter of 2020 was $9.1 million compared to $3.4 million in the same period of 2019. Despite a 27

percent decrease in revenue, the Company's operating income was 17 percent compared to 5 percent in the comparable quarter. The improved operating income was due to a combination of strong equipment utilization through the majority of the quarter, the continuation of cost savings initiatives, primarily related to headcount reductions, and the $2.8 million Canadian Emergency Wage Subsidy that was received and recorded as a reduction of operating costs during the quarter. In addition, a $0.7 million bad-debt provision was recorded during the quarter, while the comparable quarter in 2019 included $0.7 million in restructuring costs.

UNITED STATES

Three Months Ended December 31,	**2020**	2019	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**67,283**	187,770	(64)
Expenses			
Operating	**63,689**	160,012	(60)
SG&A	**2,590**	4,164	(38)
	66,279	164,176	(60)
Operating income[1]	**1,004**	23,593	(96)
Operating income (%)	**1.5**	12.6	(88)
Fracturing revenue per job ($)	**26,838**	34,402	(22)
Number of fracturing jobs	**2,507**	5,435	(54)
Active pumping horsepower, end of period (000s)	**516**	830	(38)
Idle pumping horsepower, end of period (000s)	**354**	93	281
Total pumping horsepower, end of period (000s)	**870**	923	(6)
Active coiled tubing units, end of period (#)	**—**	—	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**1**	1	—
Active cementing units, end of period (#)	**—**	—	—
Idle cementing units, end of period (#)	**3**	5	(40)
Total cementing units, end of period (#)	**3**	5	(40)
US$/C$ average exchange rate[2]	**1.3030**	1.3200	(1)

[1] *Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.*

[2] *Source: Bank of Canada.*

REVENUE

Revenue from Calfrac's United States operations decreased to $67.3 million during the fourth quarter of 2020 from $187.8 million in the comparable quarter of 2019. The significant decrease in revenue can be attributed to a combination of a 54 percent reduction in the number of fracturing jobs completed and a 22 percent decrease in revenue per job period-over-period. Activity was lower in all operating regions compared to the same period in 2019 and the Company responded by reducing its operating footprint during 2020 from a peak of 14 fleets in the first quarter, down to four fleets to start the fourth quarter. The Company was able reactivate three fleets during the fourth quarter, in response to customer requirements, although these additional fleets did not generate revenue for the full quarter. Pricing in all operating areas continued to be challenged during the fourth quarter despite an improvement in oil prices during the quarter.

OPERATING INCOME

The Company's United States operations generated operating income of $1.0 million during the fourth quarter of 2020 compared to $23.6 million in the same period in 2019. The decrease in operating income was due to the significant reduction in revenue compared to the fourth quarter of 2019 as the Company reduced its operating footprint in response to the deterioration in the market. The lower operating income as a percentage of revenue was the result of lower pricing during the quarter along with $3.9 million in costs associated with the reactivation of crews for which a full quarter of revenue was not achieved. SG&A expenses decreased by 38 percent, primarily due to headcount and compensation reductions that were enacted in 2020. In addition, the operating results for the fourth quarter of 2019 included a $10.2 million reduction to operating expenses related to a change in the capitalization of major components policy. This reflected the fiscal year total of which approximately $8.2 million related to prior quarters. The fourth quarter of 2019 recorded $0.8 million in restructuring costs.

RUSSIA

Three Months Ended December 31,	**2020**	2019	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**26,949**	24,244	11
Expenses			
Operating	**21,843**	25,688	(15)
SG&A	**660**	702	(6)
	22,503	26,390	(15)
Operating income (loss)[1]	**4,446**	(2,146)	NM
Operating income (loss) (%)	**16.5**	(8.9)	NM
Fracturing revenue per job ($)	**74,317**	83,972	(11)
Number of fracturing jobs	**324**	263	23
Active pumping horsepower, end of period (000s)	**65**	65	—
Idle pumping horsepower, end of period (000s)	**12**	12	—
Total pumping horsepower, end of period (000s)	**77**	77	—
Coiled tubing revenue per job ($)	**47,838**	46,940	2
Number of coiled tubing jobs	**60**	46	30
Active coiled tubing units, end of period (#)	**4**	3	33
Idle coiled tubing units, end of period (#)	**3**	4	(25)
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate[2]	**0.0171**	0.0207	(17)

[1] *Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.*

[2] *Source: Bank of Canada.*

REVENUE

Revenue from Calfrac's Russian operations increased by 11 percent during the fourth quarter of 2020 to $26.9 million from $24.2 million in the corresponding three-month period of 2019. The increase in revenue was attributable to a 23 percent increase in fracturing activity as a higher percentage of multi-stage wells were completed in the Erginskoye field in Western Siberia. Revenue per fracturing job decreased by 11 percent due to a 17 percent decline in the Russian rouble, offset partially by the completion of larger jobs. Coiled tubing activity increased by 30 percent, primarily due to the Company operating one additional coiled tubing unit as compared to the same period in 2019. Despite the decline in the Russian rouble, revenue per coiled tubing job was 2 percent higher than the comparable quarter, primarily due to a higher percentage of milling jobs completed in the Erginskoye field, which increased the average duration of jobs.

OPERATING INCOME (LOSS)

The Company's Russian division generated operating income of $4.4 million during the fourth quarter of 2020, versus an operating loss of $2.1 million in the comparable quarter in 2019. The improved operating performance was primarily due to better utilization of its operating fleets, combined with the continuation of cost reductions, primarily related to reduced headcount and cost savings on the price of fuel.

ARGENTINA

Three Months Ended December 31,	**2020**	2019	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**33,143**	32,062	3
Expenses			
Operating	**26,344**	26,819	(2)
SG&A	**1,323**	(577)	NM
	27,667	26,242	5
Operating (loss) income[1]	**5,476**	5,820	(6)
Operating (loss) income (%)	**16.5**	18.2	(9)
Fracturing revenue per job ($)	**60,188**	83,330	(28)
Number of fracturing jobs	**359**	246	46
Active pumping horsepower, end of period (000s)	**118**	138	(14)
Idle pumping horsepower, end of period (000s)	**5**	—	NM
Total pumping horsepower, end of period (000s)	**123**	138	(11)
Coiled tubing revenue per job ($)	**82,005**	34,743	136
Number of coiled tubing jobs	**52**	158	(67)
Active coiled tubing units, end of period (#)	**5**	6	(17)
Idle coiled tubing units, end of period (#)	**1**	—	NM
Total coiled tubing units, end of period (#)	**6**	6	—
Cementing revenue per job ($)	**43,697**	47,379	(8)
Number of cementing jobs	**85**	128	(34)
Active cementing units, end of period (#)	**12**	13	(8)
Idle cementing units, end of period (#)	**1**	1	—
Total cementing units, end of period (#)	**13**	14	(7)
US$/C$ average exchange rate[2]	**1.3030**	1.3200	(1)

[1] Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.

[2] Source: Bank of Canada.

REVENUE

Calfrac's Argentinean operations generated total revenue of $33.1 million during the fourth quarter of 2020 compared to $32.1 million in the comparable quarter in 2019. Operations increased significantly during the fourth quarter following the recommencement of activity in the Neuquén region, which resulted in revenue being comparable with the fourth quarter of 2019. The Company resumed fracturing activity in the Vaca Muerta shale play with activity being consistent with fourth-quarter 2019 levels. The 46 percent increase in the number of completed fracturing jobs and the 28 percent decrease in fracturing revenue per job was primarily due to changes in job mix. Cementing activity decreased by 34 percent from the comparable quarter in 2019, primarily due to a slower restart of operations in southern Argentina. Coiled tubing activity decreased by 67 percent primarily due to changes in job mix, but was offset partially by higher subcontractor revenue due to a change in customer mix.

OPERATING INCOME

The Company's operations in Argentina generated an operating income of $5.5 million during the fourth quarter of 2020, consistent with the comparable quarter of 2019. The Company was able to significantly improve its operating income from the third quarter of 2020 due to a recommencement of fracturing activity in the Vaca Muerta shale play following the government-mandated shutdown of oilfield activity in response to the COVID-19 pandemic. SG&A expenses were $1.9 million higher than the comparable quarter in 2019 primarily due to the reversal of a US$2.3 million stamp tax accrual related to terminated customer contracts that was recorded in 2019. Excluding this one time item, SG&A expenses were lower than the fourth quarter of 2019 primarily due to a reduction in headcount.

CORPORATE

Three Months Ended December 31,	**2020**	2019	Change
(C$000s)	***($)***	*($)*	*(%)*
(unaudited)			
Expenses			
Operating	**303**	1,588	(81)
SG&A	**4,100**	8,107	(49)
	4,403	9,695	(55)
Operating loss[1]	**(4,403)**	(9,695)	(55)
% of Revenue	**2.4**	3.1	(23)

[1] Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.

OPERATING LOSS

Corporate expenses for the fourth quarter of 2020 were $4.4 million compared to $9.7 million in the fourth quarter of 2019. The decrease was primarily due to lower personnel costs resulting from headcount and compensation reductions, combined with $0.4 million in government subsidies received

during the fourth quarter of 2020. The Company's stock-based compensation expense was $1.0 million lower than the fourth quarter in 2019 primarily due to a lower average share price during 2020. Additionally, the fourth quarter of 2019 included $1.9 million of restructuring costs, while no provision was recorded in the same period of 2020.

DEPRECIATION

For the three months ended December 31, 2020, depreciation expense decreased by $38.1 million to $30.8 million from $68.9 million in the corresponding quarter in 2019. During the first six months of 2020, the Company recorded PP&E impairment charges of $227.2 million which resulted in the reduction of depreciation expense during the fourth quarter. The year-over-year decrease in capital expenditures relating to major component purchases, which have a shorter useful life and a corresponding higher rate of depreciation, also contributed to the decrease in fourth-quarter depreciation expense. The fourth quarter in 2019 included $8.8 million of additional depreciation resulting from changes in capitalization thresholds in that quarter.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss of $5.7 million during the fourth quarter of 2020, versus a gain of $0.1 million in the comparative three-month period of 2019. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada, net monetary assets or liabilities that were held in pesos in Argentina, and liabilities held in Canadian dollars in Russia. The foreign exchange loss during the fourth quarter was primarily due to the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar strengthened relative to the U.S. dollar.

INTEREST

The Company's net interest expense of $24.9 million for the fourth quarter of 2020 was $3.4 million higher than the comparable period in 2019. The increase in interest expense was primarily due to the write-off of $7.4 million in deferred finance costs associated with the senior unsecured notes that were settled in conjunction with the Recapitalization Transaction. This increase was partially offset by lower cash interest expense resulting from the debt exchange that was completed during the first quarter in 2020, which reduced debt by approximately $130.0 million and the Recapitalization Transaction that was completed on December 18, 2020.

INCOME TAXES

The Company recorded an income tax expense of $54.8 million during the fourth quarter of 2020 compared to a recovery of $23.4 million in the comparable period of 2019. The deferred tax expense of $54.2 million was recorded due to the utilization of tax basis in the United States as a result of the Recapitalization Transaction. The current income tax expense of $0.6 million was due to current tax obligations in Russia and certain state taxes in the United States as well as withholding taxes recorded in Canada.

IMPAIRMENT

The Company tested each of its CGUs for potential impairment at December 31, 2020 and determined that there was no impairment. The impairment losses by CGU recorded during the three months ended December 31, 2020 and the comparative period are as follows:

	Three Months Ended Dec. 31,	
	2020	2019
(C$000s)	***($)***	*($)*
Canada	**—**	1,921
United States	**—**	244
	—	2,165

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Mar 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sep. 30, 2020	**Dec. 31, 2020**
(C$000s, except per share and operating data)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
(unaudited)								
Financial								
Revenue	475,012	429,638	399,220	317,085	305,515	91,423	127,776	**180,722**
Operating income (loss)[1]	43,623	41,103	47,021	20,997	5,698	(7,307)	8,009	**15,597**
Per share – basic[2]	15.10	14.23	16.25	7.25	1.97	(2.52)	2.76	**1.91**
Per share – diluted[2]	14.92	14.07	16.18	7.22	1.96	(2.52)	2.75	**0.27**
Adjusted EBITDA[1]	44,086	45,123	43,028	26,882	6,812	(5,185)	8,467	**13,715**
Per share – basic[2]	15.26	15.62	14.87	9.29	2.35	(1.79)	2.91	**1.68**
Per share – diluted[2]	15.07	15.45	14.80	9.25	2.34	(1.79)	2.91	**0.24**
Net income (loss)	(36,334)	(41,045)	(29,424)	(49,400)	(122,857)	(277,275)	(50,000)	**125,897**
Per share – basic[2]	(12.58)	(14.21)	(10.17)	(17.07)	(42.38)	(95.61)	(17.20)	**15.43**
Per share – diluted[2]	(12.58)	(14.21)	(10.17)	(17.07)	(42.38)	(95.61)	(17.20)	**2.19**
Capital expenditures	28,218	37,784	38,885	34,418	29,283	6,068	2.792	**6,487**
Working capital (end of period)	276,785	291,056	257,189	248,772	233,125	157,165	127.989	**161,448**
Total equity (end of period)	481,675	443,361	414,195	368,623	239,099	(34,195)	(81.033)	**410,234**
Operating (end of period)								
Active pumping horsepower (000s)	1,344	1,346	1,337	1,269	1,242	780	840	**901**
Idle pumping horsepower (000s)	36	59	72	141	174	572	505	**444**
Total pumping horsepower (000s)	1,380	1,405	1,409	1,410	1,416	1,352	1,345	**1,345**
Active coiled tubing units (#)	21	21	21	20	20	16	15	**17**
Idle coiled tubing units (#)	8	8	8	8	7	11	12	**10**
Total coiled tubing units (#)	29	29	29	28	27	27	27	**27**
Active cementing units (#)	11	14	14	13	13	13	12	**12**
Idle cementing units (#)	12	9	9	6	3	3	4	**4**
Total cementing units (#)	23	23	23	19	16	16	16	**16**

[1] Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.

[2] Comparative amounts were adjusted to reflect the Company's fifty-to-one common share consolidated that occurred on December 18, 2020.

SEASONALITY OF OPERATIONS

The Company's North American business is seasonal. The lowest activity is typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up weather conditions and access to well sites in Canada and North Dakota is reduced.

FOREIGN EXCHANGE FLUCTUATIONS

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in the exchange rates for United States, Russian and Argentinean currency.

FINANCIAL OVERVIEW – YEARS ENDED DECEMBER 31, 2020 VERSUS 2019

CANADA

Years Ended December 31,	**2020**	2019	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**230,448**	397,583	(42)
Expenses			
Operating	**188,656**	345,315	(45)
Selling, general and administrative (SG&A)	**7,924**	11,579	(32)
	196,580	356,894	(45)
Operating income[1]	**33,868**	40,689	(17)
Operating income (%)	**14.7**	10.2	44
Fracturing revenue per job ($)	**19,844**	16,573	20
Number of fracturing jobs	**10,508**	21,046	(50)
Active pumping horsepower, end of period (000s)	**202**	236	(14)
Idle pumping horsepower, end of period (000s)	**73**	36	103
Total pumping horsepower, end of period (000s)	**275**	272	1
Coiled tubing revenue per job ($)	**19,563**	19,839	(1)
Number of coiled tubing jobs	**1,092**	2,339	(53)
Active coiled tubing units, end of period (#)	**8**	11	(27)
Idle coiled tubing units, end of period (#)	**5**	3	67
Total coiled tubing units, end of period (#)	**13**	14	(7)

[1] *Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.*

REVENUE

Revenue from Calfrac's Canadian operations during 2020 was $230.4 million versus $397.6 million in 2019. In 2020, the number of fracturing jobs decreased by 50 percent due to a smaller operating footprint after the first quarter of 2020 and an overall decrease in market activity. Revenue per fracturing job increased by 20 percent from 2019 primarily due to job mix as larger average job sizes were completed. Despite revenue per job staying consistent, coiled tubing activity decreased by 53 percent which resulted in lower year-over-year coiled tubing revenue.

OPERATING INCOME

The Company's Canadian division generated operating income of $33.9 million compared to $40.7 million in 2019. The decrease was due to the significantly lower revenue base and a non-cash termination charge of $2.1 million to exit a take-or-pay product purchase commitment. Despite the lower revenue base, the Company achieved a 15 percent operating income margin due to its continued focus on controlling operating costs combined with $10.9 million of Canadian Emergency Wage Subsidy that was received in response to the ongoing COVID-19 pandemic. This increase was partially offset by $1.6 million in restructuring costs recorded in 2020 compared to $0.7 million of restructuring expenses that were recorded in 2019. The $3.7 million reduction in SG&A expenses compared to 2019 was primarily due to lower headcount, compensation reductions and limitations on discretionary spending. In addition, a bad-debt provision of $1.4 million was recorded in 2020 versus a $1.3 million provision that was recorded in 2019.

UNITED STATES

Years Ended December 31,	**2020**	2019	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**306,090**	930,404	(67)
Expenses			
Operating	**289,243**	786,864	(63)
SG&A	**12,818**	17,335	(26)
	302,061	804,199	(62)
Operating income[1]	**4,029**	126,205	(97)
Operating income (%)	**1.3**	13.6	(90)
Fracturing revenue per job ($)	**29,282**	42,832	(32)
Number of fracturing jobs	**10,453**	21,687	(52)
Active pumping horsepower, end of period (000s)	**516**	830	(38)
Idle pumping horsepower, end of period (000s)	**354**	93	281
Total pumping horsepower, end of period (000s)	**870**	923	(6)
Active coiled tubing units, end of period (#)	**—**	—	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**1**	1	—
Active cementing units, end of period (#)	**—**	—	—
Idle cementing units, end of period (#)	**3**	5	(40)
Total cementing units, end of period (#)	**3**	5	(40)
US$/C$ average exchange rate[2]	**1.3415**	1.3269	1

[1] *Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.*

[2] *Source: Bank of Canada.*

REVENUE

Revenue from Calfrac's United States operations decreased to $306.1 million in 2020 from $930.4 million in 2019 primarily due to lower fracturing activity and pricing. The Company's fracturing activity in the United States decreased during 2020 by 52 percent as customers curtailed spending in all of Calfrac's operating regions in response to low commodity prices. Revenue per job decreased 32 percent due to lower pricing, combined with changes in job mix.

OPERATING INCOME

The Company's United States division generated operating income of $4.0 million during 2020 compared to $126.2 million in 2019. The 97 percent decrease was primarily the result of the significant decline in the Company's revenue base as customers reduced their drilling and completions activity in response to the reduction in commodity prices. The Company began 2020 with 10 active fracturing fleets in the United States and increased its operating scale to a peak of 14 fleets before reducing to four crewed fleets in the second quarter. The Company exited the fourth quarter with seven active fleets versus operating an average of 14 fleets during 2019. Operating results also included $3.9 million of reactivation costs, primarily in the fourth quarter. SG&A expenses decreased by 26 percent, primarily due to lower personnel costs resulting from headcount and compensation reductions. The Company recorded $2.4 million of restructuring costs during 2020 compared to $0.8 million in 2019.

RUSSIA

Years Ended December 31,	**2020**	2019	Change
(C$000s, except operational and exchange rate information) (unaudited)	***($)***	*($)*	*(%)*
Revenue	**100,407**	105,807	(5)
Expenses			
Operating	**86,441**	107,597	(20)
SG&A	**3,033**	3,215	(6)
	89,474	110,812	(19)
Operating income (loss)[1]	**10,933**	(5,005)	NM
Operating income (loss) (%)	**10.9**	(4.7)	NM
Fracturing revenue per job ($)	**80,733**	86,397	(7)
Number of fracturing jobs	**1,119**	1,094	2
Active pumping horsepower, end of period (000s)	**65**	65	—
Idle pumping horsepower, end of period (000s)	**12**	12	—
Total pumping horsepower, end of period (000s)	**77**	77	—
Coiled tubing revenue per job ($)	**46,824**	44,619	5
Number of coiled tubing jobs	**215**	253	(15)
Active coiled tubing units, end of period (#)	**4**	3	33
Idle coiled tubing units, end of period (#)	**3**	4	(25)
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate[2]	**0.0186**	0.0205	(9)

[1] *Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.*

[2] *Source: Bank of Canada.*

REVENUE

Revenue from Calfrac's Russian operations in 2020 of $100.4 million was 5 percent lower than in 2019. The slight decrease in revenue, which is generated in roubles, was mostly related to the 9 percent decline of the Russian rouble in 2020 versus 2019 combined with a 15 percent reduction in coiled tubing activity due to lower utilization with Calfrac's main customer. Fracturing activity increased by 2 percent as the Company began operations in the Erginskoye field in Western Siberia at the end of the second quarter. Revenue per fracturing job was 7 percent lower than in 2019 due to the 9 percent depreciation of the Russian rouble, partially offset by job mix as the Company completed more multi-stage wells during 2020 as compared to 2019.

OPERATING INCOME (LOSS)

The Company's Russian division generated operating income of $10.9 million during 2020 compared to a loss of $5.0 million in 2019. Utilization in the first quarter of 2020 was negatively impacted by warmer than normal weather which restricted access to job locations. The second, third and fourth quarters experienced improved profitability due to better utilization, combined with cost reduction measures that were implemented throughout 2020, and lower fuel costs. The operating results for 2020 also included $0.4 million in restructuring expenses.

ARGENTINA

Years Ended December 31,	**2020**	2019	Change
(C$000s, except operational and exchange rate information) (unaudited)	***($)***	*($)*	*(%)*
Revenue	**68,491**	187,161	(63)
Expenses			
Operating	**68,050**	153,479	(56)
SG&A	**6,918**	7,554	(8)
	74,968	161,033	(53)
Operating (loss) income[1]	**(6,477)**	26,128	NM
Operating (loss) income (%)	**(9.5)**	14.0	NM
Fracturing revenue per job ($)	**58,612**	120,514	(51)
Number of fracturing jobs	**680**	974	(30)
Active pumping horsepower, end of period (000s)	**118**	138	(14)
Idle pumping horsepower, end of period (000s)	**5**	—	NM
Total pumping horsepower, end of period (000s)	**123**	138	(11)
Coiled tubing revenue per job ($)	**75,499**	38,668	95
Number of coiled tubing jobs	**162**	676	(76)
Active coiled tubing units, end of period (#)	**5**	6	(17)
Idle coiled tubing units, end of period (#)	**1**	—	NM
Total coiled tubing units, end of period (#)	**6**	6	—
Cementing revenue per job ($)	**53,529**	43,778	22
Number of cementing jobs	**240**	522	(54)
Active cementing units, end of period (#)	**12**	13	(8)

Idle cementing units, end of period (#)	**1**	1	—
Total cementing units, end of period (#)	**13**	14	(7)
US$/C$ average exchange rate[(2)]	**1.3415**	1.3269	1

(1) Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.

(2) Source: Bank of Canada.

REVENUE

Calfrac's Argentinean operations generated total revenue of $68.5 million during 2020 versus $187.2 million in 2019. The 63 percent decline in revenue was primarily due to the shutdown of the oilfield industry in Argentina due to the COVID-19 pandemic, which affected all of the Company's operating regions and service lines. Activity in the first quarter of 2020 was higher than the fourth quarter of 2019 despite some schedule gaps in the Vaca Muerta region. However, the Argentinean government mandated a complete shutdown of all oilfield activity in mid-March in response to the COVID-19 pandemic. Although this shutdown continued throughout most of the second quarter, some activity resumed in southern Argentina during June and continued into the third and fourth quarters. In the fourth quarter, fracturing activity recommenced in the Vaca Muerta shale play as customers gradually resumed completions activity.

OPERATING (LOSS) INCOME

The Company's operations in Argentina incurred an operating loss of $6.5 million during 2020 compared to operating income of $26.1 million in 2019. The loss was attributable to the unprecedented revenue disruption caused by the government-mandated shutdown of all oilfield activity in response to the COVID-19 pandemic during the second and third quarters of 2020. The Company generated operating income in the fourth quarter of 2020 as equipment utilization improved. The 8 percent decline in SG&A expenses was primarily due to headcount reductions and other cost savings initiatives. The reduction in SG&A expenses would have been 30 percent excluding a US$2.3 million stamp tax accrual reversal that was recorded in the fourth quarter of 2019.

CORPORATE

Years Ended December 31,	**2020**	2019	Change
(C$000s)	***($)***	*($)*	*(%)*
(unaudited)			
Expenses			
Operating	**2,167**	5,081	(57)
SG&A	**18,189**	30,192	(40)
	20,356	35,273	(42)
Operating loss[(1)]	**(20,356)**	(35,273)	(42)
% of Revenue	**2.9**	2.2	32

(1) Refer to "Non-GAAP Measures" on pages 24 and 25 for further information.

OPERATING LOSS

Corporate expenses during 2020 were $20.4 million compared to $35.3 million in 2019. The decrease was primarily due to lower personnel costs resulting from headcount and compensation reductions, combined with $1.6 million in government subsidies that were received in 2020. The reduction in personnel costs was partially offset by $0.8 million of severance costs that were recorded in 2020 as compared to $4.4 million of retirement and severance payments in 2019. In addition, the Company's stock-based compensation expense was $3.6 million lower than 2019. This decrease was primarily due to a lower average share price during 2020, offset partially by the cancellation of all outstanding stock options in conjunction with the Recapitalization Transaction that closed in December 2020.

DEPRECIATION

Depreciation expense during 2020 decreased by $89.2 million to $172.0 million from $261.2 million in 2019. The decrease was primarily due to the impact of the $227.2 million of property, plant and equipment (PP&E) impairment charges that were recorded during the first six months of 2020, combined with lower sustaining capital expenditures. The remaining reduction in depreciation was the result of the Company decreasing its useful life estimates and salvage values effective January 1, 2019 for certain components of its fracturing equipment. This resulted in a one-time depreciation charge of $9.5 million during the first quarter in 2019 relating to assets in use at the end of the previous quarter.

FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange loss of $15.5 million during 2020 versus a loss of $6.3 million in the comparable period in 2019. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada, net monetary assets or liabilities that were held in pesos in Argentina, and liabilities held in Canadian dollars in Russia. The Company's foreign exchange loss in 2020 was largely attributable to net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during this period, combined with liabilities held in Canadian dollars in Russia due to the decline in the Russian rouble versus the Canadian dollar.

IMPAIRMENT

The Company tested each of its cash generating units (CGUs) for potential impairment at March 31, 2020, at June 30, 2020 and again at December 31, 2020. A complete summary of the impairment charges recorded during 2020 are as follows:

	Years Ended Dec. 31,	
	2020	2019
(C$000s)	***($)***	*($)*
Canada	**132,483**	1,921
United States	**15,380**	244
Argentina	**52,466**	—
Russia	**26,879**	—
	227,208	2,165

In addition, the Company also carried out a comprehensive review of its inventory to identify individual items that were permanently idle or obsolete, with potential for impairment in value. This resulted in an inventory write-down of $27.9 million (year ended December 31, 2019 – $3.7 million). The inventory write-down by CGU is as follows:

	Years Ended Dec. 31,	
	2020	2019
(C$000s)	***($)***	*($)*
Canada	**6,200**	656

United States	**10,668**	2,108
Argentina	**11,000**	980
	27,868	3,744

INTEREST
The Company's interest expense of $91.3 million in 2020 includes $47.3 million of accrued interest that was forgiven as part of the Recapitalization Transaction (see Note 2). Reported interest expense was $5.4 million higher than in 2019 due to the write-off of $4.4 million and $7.4 million of deferred finance costs related to the portion of senior unsecured notes exchanged during the first quarter in 2020 and the settlement of senior unsecured notes in the fourth quarter in 2020, respectively. This was offset partially by lower cash interest expenses resulting from the debt exchange that was completed during the first quarter in 2020, which reduced debt by approximately $130.0 million.

INCOME TAXES
The Company recorded an income tax expense of $168.6 million in 2020 compared to a $52.2 million tax recovery in 2019. The expense position was primarily the result of the de-recognition of the Company's deferred tax asset during the first quarter of 2020 and the recording of a deferred tax liability of$54.2 million during the fourth quarter of 2020 as a result of the Recapitalization Transaction. This liability was recorded due to the utilization of tax basis in the United States.

LIQUIDITY AND CAPITAL RESOURCES

	Years Ended Dec. 31,	
	2020	2019
(C$000s)	***($)***	*($)*
(unaudited)		
Cash provided by (used in):		
Operating activities	**24,520**	132,024
Financing activities	**8,602**	4,021
Investing activities	**(42,518)**	(138,892)
Effect of exchange rate changes on cash and cash equivalents	**(3,336)**	(6,492)
Decrease in cash and cash equivalents	**(12,732)**	(9,339)

OPERATING ACTIVITIES
The Company's cash provided by operating activities for the year ended December 31, 2020 was $24.5 million versus cash provided of $132.0 million during the same period in 2019. The decrease in cash provided by operations was primarily due to lower activity and pricing, combined with a lower inflow of cash from working capital during the year. Working capital provided $4.6 million of cash in 2020 compared to $62.7 million in 2019. At December 31, 2020, Calfrac's working capital was $161.4 million compared to $248.8 million at December 31, 2019.

FINANCING ACTIVITIES
Net cash provided by financing activities for the year ended December 31, 2020 was $8.6 million compared to net cash provided of $4.0 million in 2019. During the year ended December 31, 2020, the Company issued $60.0 million of 1.5 Lien Notes, repaid $28.9 million on a net basis under its credit facilities, incurred expenses of $7.6 million related to the issuance of 1.5 Lien Notes, paid lease principal payments of $14.1 million and repurchased common shares for a total of $0.9 million.

On December 18, 2020, Calfrac completed the Recapitalization Transaction and the new financing of $60.0 million 1.5 Lien Notes. The completion of the Recapitalization Transaction significantly reduced the Company's total debt, will reduce annual interest expense and provide additional liquidity to fund ongoing operations.

In conjunction with the completion of the Recapitalization Transaction, the Company amended its revolving credit facility agreement to reduce its total facility capacity from $375.0 million to 290.0 million and, as part of the amended agreement, the Company's Funded Debt to Adjusted EBITDA covenant is waived for the quarters ended December 31, 2020 through June 30, 2021 and is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021 ("Covenant Relief Period") and 3.00x for each quarter end thereafter. The Covenant Relief Period terminates on the earlier of December 31, 2021 and any prior quarter end for which Calfrac has requested early termination and has provided a compliance certificate to its lenders certifying compliance with all financial covenants and where the Funded Debt to Adjusted EBITDA ratio is less than 3.00x at such quarter end. The facilities consist of an operating facility of $30.9 million and a syndicated facility of $259.1 million. The Company's credit facilities mature on June 1, 2022, and can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.00 percent to prime plus 3.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.00 percent to 4.50 percent above the respective base rates. The Company incurs interest at the high end of the ranges outlined above during the Covenant Relief Period or if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00, certain restrictions apply including the following: (a) acquisitions are subject to majority lender consent; (b) distributions are restricted other than those relating to the Company's equity compensation plans; and (c) no increase in the rate of dividends are permitted. As at December 31, 2020, the Company's net Total Debt to Adjusted EBITDA ratio exceeded the 5.00:1.00 threshold.

Advances under the credit facilities are limited by a borrowing base. The borrowing base is calculated based on the sum of the following:

- **i.** Eligible North American accounts receivable, which is based on 75 percent of accounts receivable owing by companies rated BB+ or lower by Standard & Poor's (or a similar rating agency) and 85 percent of accounts receivable from companies rated BBB- or higher;
- **ii.** 100 percent of unencumbered cash of the parent company and its U.S. operating subsidiary, excluding any cash held in a segregated account for the purposes of a potential equity cure; and
- **iii.** 25 percent of the net book value of property, plant and equipment (PP&E) of the parent company and its U.S. operating subsidiary. The value of PP&E excludes assets under construction and is limited to $150.0 million.

At December 31, 2020, the Company had used $0.8 million of its credit facilities for letters of credit and had $130.0 million of borrowings under its credit facilities, leaving $159.2 million in available capacity under its credit facilities. As described above, the Company's credit facilities are subject to a monthly borrowing base, as determined using the previous month's results, which at December 31, 2020 resulted in liquidity of $80.4 million. Under the terms of the Company's amended credit facility agreement, Calfrac must maintain a minimum liquidity amount of $15.0 million during the Covenant Relief Period.

The Company's credit facilities contain certain financial covenants. Weakened market conditions attributable to the COVID-19 pandemic and

continued low price of oil and natural gas have required many oil and gas service companies to seek covenant relief from their lenders. As per the amended credit facility agreement, the Company's Funded Debt to Adjusted EBITDA covenant is waived for the quarters ended December 31, 2020 through June 30, 2021 and is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021 and 3.00x for each quarter end thereafter. As shown in the table below, the Company was in full compliance with its financial covenants associated with its credit facilities as at December 31, 2020.

As at December 31,	Covenant 2020	**Actual 2020**
Working capital ratio not to fall below	1.15x	**2.66x**
Funded Debt to Adjusted EBITDA not to exceed[1][2]	N/A	**14.45x**
Funded Debt to Capitalization not to exceed[1][3]	0.30x	**0.16x**

[1] Funded Debt is defined as Total Debt excluding all outstanding second lien senior notes, 1.5 Lien Notes, and lease obligations. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit. For the purposes of the Total Debt to Adjusted EBITDA ratio, the Funded Debt to Capitalization Ratio and the Funded Debt to Adjusted EBITDA ratio, the amount of Total Debt or Funded Debt, as applicable, is reduced by the amount of cash on hand with lenders (excluding any cash held in a segregated account for the purposes of a potential equity cure).

[2] Adjusted EBITDA is defined as net income or loss for the period adjusted for interest, taxes, depreciation and amortization, non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring.

[3] Capitalization is Total Debt plus equity.

On February 24, 2020, Calfrac executed an exchange offer of US$120.0 million of new 10.875% Second Lien Notes due March 15, 2026 to holders of its existing 8.50% senior unsecured notes ("Unsecured Notes") due June 15, 2026. The Second Lien Notes are secured by a second lien on the same assets that secure obligations under the Company's existing senior secured credit facility and 1.5 Lien Notes. The exchange was completed at an exchange price of US$550 for each US$1,000 of Unsecured Notes, resulting in US$218.2 million being exchanged for US$120.0 million of Second Lien Notes. The exchange resulted in reduced debt of approximately $130.0 million and a reduction in annual debt service costs of approximately $7.3 million.

Proceeds from equity offerings may be applied, as an equity cure, in the calculation of Adjusted EBITDA towards the Funded Debt to Adjusted EBITDA covenant for any of the quarters ending prior to and including June 30, 2022, subject to certain conditions including:

- **i.** the Company is only permitted to use the proceeds of a common share issuance to increase Adjusted EBITDA a maximum of two times;
- **ii.** the Company cannot use the proceeds of a common share issuance to increase Adjusted EBITDA in consecutive quarter ends;
- **iii.** the maximum proceeds of each common share issuance permitted to be attributed to Adjusted EBITDA cannot exceed the greater of 50 percent of Adjusted EBITDA on a trailing four-quarter basis and $25.0 million; and
- **iv.** if proceeds are not used immediately as an equity cure they must be held in a segregated bank account pending an election to use them for such purpose, and if they are removed from such account but not used as an equity cure they will no longer be eligible for such use.

The Company can utilize two equity cures during the term of the credit facilities subject to the conditions described above. To utilize an equity cure, the Company must provide notice of any such election to the lending syndicate at any time prior to the filing of its quarterly financial statements for the applicable quarter on SEDAR. Amounts used as an equity cure prior to June 30, 2022 will increase Adjusted EBITDA over the relevant twelve-month rolling period and will also serve to reduce Funded Debt.

The Company's credit facilities also require majority lender consent for dispositions of property or assets in Canada and the United States if the aggregate market value exceeds $20.0 million ($10.0 million during the Covenant Relief Period). There are no restrictions pertaining to dispositions of property or assets outside of Canada and the United States, except that to the extent that advances under the credit facilities exceed $50.0 million at the time of any such dispositions, Calfrac must use the resulting proceeds to reduce the advances to less than $50.0 million before using the balance for other purposes.

The indentures governing the Second Lien Notes and the 1.5 Lien Notes contain restrictions on the Company's ability to pay dividends, purchase and redeem shares of the Company and make certain restricted investments, that are not defined as Permitted Investments under the indentures, in circumstances where:

- **i.** the Company is in default under either of the indentures or the making of such payment would result in a default;
- **ii.** the Company would not meet the Fixed Charge Coverage Ratio[1] under either of the indentures of at least 2:1 for the most recent four fiscal quarters, after giving pro forma effect to such restricted payment as if it had been made at the beginning of the applicable four fiscal quarter period; or
- **iii.** there is insufficient room for such payment within a builder basket included in the indentures; and in the case of the 1.5 Lien Notes indenture, at least one year has passed since their issue date.

[1] *The Fixed Charge Coverage Ratio is defined as cash flow to interest expense. Cash flow is a non-GAAP measure and does not have a standardized meaning under IFRS and is defined under the indentures as net income (loss) before depreciation, extraordinary gains or losses, unrealized foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, impairment or reversal of impairment of assets, restructuring charges, provision for settlement of litigation, stock-based compensation, interest, and income taxes. Interest expense is adjusted to exclude any non-recurring charges associated with redeeming or retiring any indebtedness prior to its maturity.*

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20.0 million in each of these indentures. As at December 31, 2020 these baskets were not utilized. The indentures also restrict the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness. The indenture governing the 1.5 Lien Notes includes restrictions on certain investments including certain investments in subsidiary entities, however the indenture includes several exceptions to this prohibition, including a general basket of US$10.0 million and baskets related to prepayment and build commitments which aggregate over US$12.0 million. This indenture also contains a restriction that any indebtedness incurred in excess of $290.0 million under the credit facilities basket shall be junior in priority to the 1.5 Lien Notes.

As at December 31, 2020, the Company's Fixed Charge Coverage Ratio of 0.30:1 was below the required 2:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the indentures, and the baskets highlighted in the preceding paragraph provide sufficient flexibility for

the Company to incur additional indebtedness and make anticipated restricted payments which may be required to conduct its operations.

INVESTING ACTIVITIES

Calfrac's net cash used for investing activities was $42.5 million for the year ended December 31, 2020 versus $138.9 million in 2019. Cash outflows relating to capital expenditures were $46.2 million in 2020 compared to $147.4 million in 2019. Calfrac's Board of Directors have approved a 2021 capital budget of approximately $55.0 million, which is comprised primarily of maintenance capital.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the year ended December 31, 2020 was a loss of $3.3 million versus a loss of $6.5 million in 2019. These losses relate to movements of cash and cash equivalents held by the Company in a foreign currency during the period.

With its working capital position, available credit facilities and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2021 and beyond.

At December 31, 2020, the Company had cash on hand of $29.8 million.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. In connection with the approval of the Recapitalization Transaction, shareholders approved an omnibus incentive plan which permits the granting of various types of equity awards, including stock options, share appreciation rights, restricted shares, restricted share units, deferred share units and other share-based awards as determined by the Board of Directors. The number of shares reserved under the omnibus incentive plan is equal to 10 percent of the Company's issued and outstanding common shares. As at March 4, 2021, the Company had not issued any equity awards under the omnibus incentive plan.

ADVISORIES

FORWARD-LOOKING STATEMENTS

In order to provide Calfrac shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of Calfrac's plans and future operations, certain statements contained in this press release, including statements that contain words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "forecast" or similar words suggesting future outcomes, are forward-looking statements.

In particular, forward-looking statements in this press release include, but are not limited to, statements with respect to the Recapitalization Transaction, including its expected benefits to the Company and impacts on its debt, liquidity and financial position, the appeals by Wilks Brothers, LLC, the anticipated rescission of a subscription for 1.5 Lien Notes by an institutional Shareholder and the Company's intention to return the investment and make a related application to the Court of Queen's Bench of Alberta, and the Company's expectations and intentions with respect to the foregoing and other matters relating to the Recapitalization Transaction, expected operating strategies and targets, capital expenditure programs, future financial resources, anticipated equipment utilization levels, future oil and natural gas well activity in each of the Company's operating jurisdictions, results of acquisitions, the impact of environmental regulations and economic reforms and sanctions on the Company's business, future costs or potential liabilities, projections of market prices and costs, supply and demand for oilfield services, expectations regarding the Company's ability to maintain its competitive position, anticipated benefits of the Company's competitive position, expectations regarding the Company's financing activities and restrictions, including with regard to its credit agreement and the indentures pursuant to which its 1.5 Lien Notes and Second Lien Notes were issued, and its ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events (including exposure and positioning under existing legal proceedings), expectations regarding trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth strategy and prospects, and the impact of changes in accounting policies and standards on the Company and its financial statements. These statements are derived from certain assumptions and analyses made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the economic and political environment in which the Company operates, the Company's expectations for its current and prospective customers' capital budgets and geographical areas of focus, the Company's existing contracts and the status of current negotiations with key customers and suppliers, the effectiveness of cost reduction measures instituted by the Company and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include: the Company's ability to continue to manage the effect of the COVID-19 pandemic on its operations; actions taken by Wilks Brothers, LLC, decisions by securities regulators and/or the courts; restrictions resulting from compliance with or breach of debt covenants and risk of acceleration of indebtedness, including under the Company's credit facilities, 1.5 Lien Notes indenture and/or Second Lien Notes indenture; failure to reach any additional agreements with the Company's lenders; the impact of events of defaults in respect of other material contracts of the Company, including but not limited to, cross-defaults resulting in acceleration of amounts payable thereunder or the termination of such agreements; failure to receive any applicable regulatory, court, third party and other stakeholder approvals or decisions in respect of the Recapitalization Transaction and the court orders granting enforcement thereof; global economic conditions, the level of exploration, development and production for oil and natural gas in Canada, the United States, Argentina and Russia; the demand for fracturing and other stimulation services for the completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; the availability of capital on satisfactory terms; direct and indirect exposure to volatile credit markets, including credit rating risk; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; excess oilfield equipment levels; regional competition; currency exchange rate risk; risks associated with foreign operations; dependence on, and concentration of, major customers; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; liabilities relating to legal and/or administrative proceedings; operating restrictions and compliance costs associated with legislative and regulatory initiatives relating to hydraulic fracturing and the protection of workers and the environment; changes in legislation and the regulatory environment; failure to maintain the Company's safety standards and record; liabilities and risks associated with prior operations; the ability to integrate technological advances and match advances from competitors; intellectual property risk; third party credit risk; failure to realize anticipated benefits of acquisitions and dispositions. Further information about these and other risks and uncertainties may be found under "Business Risks" below.

Consequently, all of the forward-looking statements made in this press release are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. These statements speak only as of the respective date of this press release or the document incorporated by reference herein. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable securities laws.

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth in the Company's most recently filed Annual Information Form and those risk and

uncertainties identified under the heading "Risk Factors" and elsewhere in the Management Information Circular dated August 17, 2020, as supplemented by the Material Change Report dated September 25, 2020, with respect to the Recapitalization Transaction (collectively, the "Recapitalization Transaction Circular"), which are specifically incorporated by reference herein.

The Annual Information Form and Recapitalization Transaction Circular are available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com. Copies of the Annual Information Form may also be obtained on request without charge from Calfrac at Suite 500, 407 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E5, or at www.calfrac.com, or by facsimile at 403-266-7381.

NON-GAAP MEASURES

Certain supplementary measures presented in this press release do not have any standardized meaning under IFRS and, because IFRS have been incorporated as Canadian generally accepted accounting principles (GAAP), these supplementary measures are also non-GAAP measures. These measures have been described and presented in order to provide shareholders and potential investors with additional information regarding the Company's financial results, liquidity and ability to generate funds to finance its operations. These measures may not be comparable to similar measures presented by other entities, and are explained below.

Operating income (loss) is defined as net income (loss) before depreciation, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, gains or losses on exchange or settlement of debt, impairment of inventory, impairment of property, plant and equipment, interest, and income taxes. Management believes that operating income is a useful supplemental measure as it provides an indication of the financial results generated by Calfrac's business segments prior to consideration of how these segments are financed or taxed. Operating income for the period was calculated as follows:

	Three Months Ended Dec.31,		**Years Ended Dec. 31,**	
	2020	2019	**2020**	2019
(C$000s)	***($)***	*($)*	***($)***	*($)*
(unaudited)				
Net income (loss)	**125,897**	(49,400)	**(324,235)**	(156,203)
Add back (deduct):				
Depreciation	**30,843**	68,932	**172,021**	261,227
Foreign exchange losses (gains)	**5,733**	(128)	**15,477**	6,341
(Gain) loss on disposal of property, plant and equipment	**(260)**	(1,886)	**24**	1,870
Impairment of property, plant and equipment	**—**	2,165	**227,208**	2,165
Impairment of inventory	**—**	3,160	**27,868**	3,744
Impairment of other assets	—	—	**507**	—
Gain on exchange of debt	—	—	**(130,444)**	—
Interest	**24,913**	21,512	**91,267**	85,826
Income taxes	**54,790**	(23,358)	**168,623**	(52,226)
Operating income	**15,597**	20,997	**21,997**	152,744

Adjusted EBITDA is defined in the Company's credit facilities for covenant purposes as net income or loss for the period adjusted for interest, income taxes, depreciation and amortization, unrealized foreign exchange losses (gains), non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring. Adjusted EBITDA is presented because it is used in the calculation of the Company's bank covenants. Adjusted EBITDA for the period was calculated as follows:

	Three Months Ended Dec.31,		**Years Ended Dec. 31,**	
	2020	2019	**2020**	2019
(C$000s)			***($)***	*($)*
(unaudited)				
Net income (loss)	**125,897**	(49,400)	**(324,235)**	(156,203)
Add back (deduct):				
Depreciation	**30,843**	68,932	**172,021**	261,227
Unrealized foreign exchange losses	**3,435**	859	**8,319**	2,041
(Gain) loss on disposal of property, plant and equipment	**(260)**	(1,886)	**24**	1,870
Impairment of property, plant and equipment	**—**	2,165	**227,208**	2,165
Impairment of inventory	**—**	3,160	**27,868**	3,744
Impairment of other assets	**—**	—	**507**	—
Gain on settlement of debt	**(226,319)**	—	**(226,319)**	—
Gain on exchange of debt	**—**	—	**(130,444)**	—
Non-cash purchase commitment termination settlement	**2,082**	—	**2,082**	—
Restructuring charges	**4**	3,564	**5,377**	6,049
Stock-based compensation	**412**	1,334	**1,511**	4,626
Interest	**24,913**	21,512	**91,267**	85,826
Income taxes	**54,790**	(23,358)	**168,623**	(52,226)
Adjusted EBITDA(1)	**13,715**	26,882	**23,809**	159,119

(1)For bank covenant purposes, EBITDA includes the deduction of an additional $15.6 million of lease payments for the year ended December 31, 2020 (year ended December 31, 2019 – $21.9 million) that would have been recorded as operating expenses prior to the adoption of IFRS 16 on January 1, 2019.

ADDITIONAL INFORMATION

Further information regarding Calfrac Well Services Ltd., including the most recently filed Annual Information Form, can be accessed on the Company's website at www.calfrac.com or under the Company's public filings found at www.sedar.com.

FOURTH QUARTER CONFERENCE CALL

Calfrac will be conducting a conference call for interested analysts, brokers, investors and news media representatives to review its 2020 fourth quarter results at 10:00 a.m. (Mountain Time) on Thursday, March 4, 2021. The conference call dial-in number is 1-888-231-8191 or 647-427-7450. The seven-day replay numbers are 1-855-859-2056 or 416-849-0833 (once connected, enter 9692079). A webcast of the conference call may be accessed via the Company's website at www.calfrac.com.

CONSOLIDATED BALANCE SHEETS

As at December 31,	2020	2019
(C$000s)	***($)***	*($)*
ASSETS		
Current assets		
Cash and cash equivalents	**29,830**	42,562
Accounts receivable	**139,486**	216,647
Income taxes recoverable	**1,530**	1,608
Inventories	**83,294**	127,620
Prepaid expenses and deposits	**17,050**	17,489
	271,190	405,926
Non-current assets		
Property, plant and equipment (note 1)	**618,488**	969,944
Right-of-use assets	**22,785**	29,760
Deferred income tax assets	**—**	120,292
Total assets	**912,463**	1,525,922
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**101,784**	143,225
Current portion of lease obligations	**7,958**	13,929
	109,742	157,154
Non-current liabilities		
Long-term debt (note 3)	**324,633**	976,693
Lease obligations	**14,013**	16,990
Deferred income tax liabilities	**53,841**	6,462
Total liabilities	**502,229**	1,157,299
Capital stock (note 4)	**800,184**	509,235
Conversion rights on convertible notes (note 3)	**4,873**	—
Contributed surplus	**65,986**	44,316
Warrants (notes 2 and 5)	**40,797**	—
Loan receivable for purchase of common shares	**(2,500)**	(2,500)
Accumulated deficit	**(509,409)**	(185,174)
Accumulated other comprehensive income	**10,303**	2,746
Total equity	**410,234**	368,623
Total liabilities and equity	**912,463**	1,525,922

Contingencies (note 7)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended Dec. 31,		**Years Ended Dec. 31,**	
	2020	2019	**2020**	2019
(C$000s, except per share data)	***($)***	*($)*	***($)***	*($)*
Revenue	**180,722**	317,085	**705,436**	1,620,955
Cost of sales	**185,423**	350,211	**806,577**	1,659,564
Gross loss	**(4,701)**	(33,126)	**(101,141)**	(38,609)
Expenses				
Selling, general and administrative	**10,545**	14,809	**48,883**	69,874
Foreign exchange losses (gains)	**5,733**	(128)	**15,477**	6,341
(Gain) loss on disposal of property, plant and equipment	**(260)**	(1,886)	**24**	1,870
Impairment of property, plant and equipment (note 1)	**—**	2,165	**227,208**	2,165
Impairment of inventory	**—**	3,160	**27,868**	3,744
Impairment of other assets	**—**	—	**507**	—
Gain on settlement of debt (note 2)	**(226,319)**	—	**(226,319)**	—
Gain on exchange of debt (note 3)	**—**	—	**(130,444)**	—
Interest	**24,913**	21,512	**91,267**	85,826
	(185,388)	39,632	**54,471**	169,820
Income (loss) before income tax	**180,687**	(72,758)	**(155,612)**	(208,429)
Income tax expense (recovery)				
Current	**627**	(599)	**855**	3,014
Deferred	**54,163**	(22,759)	**167,768**	(55,240)
	54,790	(23,358)	**168,623**	(52,226)
Net income (loss)	**125,897**	(49,400)	**(324,235)**	(156,203)
Earnings (loss) per share (note 4)				
Basic	**15.43**	(17.07)	**(76.78)**	(54.03)
Diluted	**2.19**	(17.07)	**(76.78)**	(54.03)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended Dec. 31,		**Years Ended Dec. 31,**	
	2020	2019	**2020**	2019
(C$000s)	***($)***	*($)*	***($)***	*($)*
Net income (loss)	**125,897**	(49,400)	**(324,235)**	(156,203)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustment	**8,180**	2,494	**7,557**	6,184
Comprehensive income (loss)	**134,077**	(46,906)	**(316,678)**	(150,019)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(C$000s)	Share Capital ($)	Conversion Rights on Convertible Notes	Contributed Surplus ($)	Warrants ($)	Loan Receivable for Purchase of Common Shares ($)	Accumulated Other Comprehensive Income (Loss) ($)	Accumulated Deficit ($)	Total Equity ($)
Balance – Jan. 1, 2020	**509,235**	**—**	**44,316**	**—**	**(2,500)**	**2,746**	**(185,174)**	**368,623**
Net loss	—		—	—	—	—	(324,235)	**(324,235)**
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	—	—	7,557	—	**7,557**
Comprehensive income (loss)	—	—	—	—	—	7,557	(324,235)	**(316,678)**
Stock options:								
Stock-based compensation recognized	—	—	1,747	—	—	—	—	**1,747**
Performance share units:								
Stock-based compensation recognized	—	—	856	—	—	—	—	**856**
Shares issued (note 4)	1,275	—	(1,275)	—	—	—	—	—
Shares issued for settlement of debt (note 2)	301,427	—	—	—	—	—	—	**301,427**
Equity portion of 1.5 Lien Notes, net of share issue costs	(616)	4,873	—	—	—	—	—	**4,257**
Shares issued for commitment fee on 1.5 Lien Notes	10,131	—	—	—	—	—	—	**10,131**
Fair value of warrants issued	—	—	—	40,797	—	—	—	**40,797**
Shares repurchased	(21,268)	—	20,342	—	—	—	—	**(926)**
Balance – Dec. 31, 2020	**800,184**	**4,873**	**65,986**	**40,797**	**(2,500)**	**10,303**	**(509,409)**	**410,234**
Balance – Jan. 1, 2019	508,276	—	40,453	—	(2,500)	(3,438)	(28,971)	513,820
Net loss	—	—	—	—	—	—	(156,203)	(156,203)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	—	—	6,184	—	6,184
Comprehensive income (loss)	—	—	—	—	—	6,184	(156,203)	(150,019)
Stock options:								
Stock-based compensation recognized	—	—	3,030	—	—	—	—	3,030
Proceeds from issuance of shares (note 4)	252	—	(56)	—	—	—	—	196
Performance share units:								
Stock-based compensation recognized	—	—	1,596	—	—	—	—	1,596
Shares issued (note 4)	707	—	(707)	—	—	—	—	—
Balance – Dec. 31, 2019	**509,235**	**—**	**44,316**	**—**	**(2,500)**	**2,746**	**(185,174)**	**368,623**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2020	2019	**2020**	2019
(C$000s)	**($)**	($)	**($)**	($)
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net income (loss)	**125,897**	(49,400)	**(324,235)**	(156,203)
Adjusted for the following:				
Depreciation	**30,843**	68,932	**172,021**	261,227
Stock-based compensation	**412**	1,334	**1,511**	4,626
Unrealized foreign exchange losses	**3,435**	859	**8,319**	2,041
(Gain) loss on disposal of property, plant and equipment	**(260)**	(1,886)	**24**	1,870
Impairment of property, plant and equipment (note 1)	**—**	2,165	**227,208**	2,165
Impairment of inventory	**—**	3,160	**27,868**	3,744
Impairment of other assets	**—**	—	**507**	—
Non-cash gain on settlement of debt (note 2)	**(198,847)**	—	**(198,847)**	—
Non-cash gain on exchange of debt (note 3)	**—**	—	**(130,444)**	—
Interest	**24,913**	21,512	**91,267**	85,826
Interest paid	**(3,127)**	(37,888)	**(23,004)**	(80,728)
Deferred income taxes	**54,163**	(22,759)	**167,768**	(55,240)
Changes in items of working capital	**(52,327)**	29,763	**4,557**	62,696
Cash flows (used in) provided by operating activities	**(14,898)**	15,792	**24,520**	132,024
FINANCING ACTIVITIES				
Issuance of long-term debt, net of debt issuance costs (note 3)	**84,979**	28,624	**142,319**	83,632
Long-term debt repayments (note 3)	**(70,000)**	(6,580)	**(118,727)**	(59,760)
Lease obligation principal repayments	**(2,291)**	(4,459)	**(14,064)**	(20,047)
Shares repurchased	**(926)**	—	**(926)**	—
Proceeds on issuance of common shares	**—**	—	**—**	196
Cash flows provided by financing activities	**11,762**	17,585	**8,602**	4,021
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(7,038)**	(40,410)	**(46,189)**	(147,370)
Proceeds on disposal of property, plant and equipment	**110**	6,951	**1,701**	7,224
Proceeds on disposal of right-of-use assets	**634**	724	**1,970**	1,254
Cash flows used in investing activities	**(6,294)**	(32,735)	**(42,518)**	(138,892)
Effect of exchange rate changes on cash and cash equivalents	**(872)**	(2,237)	**(3,336)**	(6,492)
Decrease in cash and cash equivalents	**(10,302)**	(1,595)	**(12,732)**	(9,339)

Cash and cash equivalents, beginning of period	**40,132**	44,157	**42,562**	51,901
Cash and cash equivalents, end of period	**29,830**	42,562	**29,830**	42,562

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the years ended December 31, 2020 and 2019
(Amounts in text and tables are in thousands of Canadian dollars, except share data and certain other exceptions as indicated)

1. PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 2020	**Opening Net Book Value**	**Additions**	**Disposals**	**Impairment**	**Depreciation**	**Foreign Exchange Adjustments**	**Closing Net Book Value**
(C$000s)	***($)***	***($)***	***($)***	***($)***	***($)***	***($)***	***($)***
Assets under construction[1]	**38,172**	**(17,767)**	**—**	**(4,486)**	**—**	**(740)**	**15,179**
Field equipment	**836,117**	**50,020**	**(3,830)**	**(221,292)**	**(149,728)**	**(4,997)**	**506,290**
Buildings	**48,238**	**51**	**(54)**	**(1,165)**	**(4,585)**	**4,418**	**46,903**
Land	**39,355**	**—**	**—**	**—**	**—**	**(4,252)**	**35,103**
Shop, office and other equipment	**3,565**	**114**	**(10)**	**(241)**	**(1,161)**	**121**	**2,388**
Computers and computer software	**4,042**	**12,212**	**—**	**(24)**	**(4,118)**	**21**	**12,133**
Leasehold improvements	**455**	**—**	**—**	**—**	**(183)**	**220**	**492**
	969,944	**44,630**	**(3,894)**	**(227,208)**	**(159,775)**	**(5,209)**	**618,488**

[1] Additions for assets under construction are net of transfers into the other categories of property, plant and equipment, when they become available for use.

As at December 31, 2020	**Cost**	**Accumulated Depreciation**	**Net Book Value**
(C$000s)	***($)***	***($)***	***($)***
Assets under construction	**15,179**	**—**	**15,179**
Field equipment	**2,277,233**	**(1,770,943)**	**506,290**
Buildings	**90,067**	**(43,164)**	**46,903**
Land	**35,103**	**—**	**35,103**
Shop, office and other equipment	**27,832**	**(25,444)**	**2,388**
Computers and computer software	**44,647**	**(32,514)**	**12,133**
Leasehold improvements	**8,713**	**(8,221)**	**492**
	2,498,774	**(1,880,286)**	**618,488**

Year Ended December 31, 2019	**Opening Net Book Value**	**Additions**	**Disposals**	**Impairment**	**Depreciation**	**Foreign Exchange Adjustments**	**Closing Net Book Value**
(C$000s)	***($)***	***($)***	***($)***	***($)***	***($)***	***($)***	***($)***
Assets under construction[1]	**78,780**	**(40,197)**	**—**	**—**	**—**	**(411)**	**38,172**
Field equipment	**929,669**	**175,254**	**(6,672)**	**(2,165)**	**(232,231)**	**(27,738)**	**836,117**
Field equipment under finance lease[2]	**898**	**—**	**(737)**	**—**	**(161)**	**—**	**—**
Buildings	**57,723**	**154**	**(1,708)**	**—**	**(4,807)**	**(3,124)**	**48,238**
Land	**41,966**	**170**	**(1,657)**	**—**	**—**	**(1,124)**	**39,355**
Shop, office and other equipment	**3,621**	**1,510**	**(83)**	**—**	**(1,238)**	**(245)**	**3,565**
Computers and computer software	**3,181**	**2,404**	**—**	**—**	**(1,622)**	**79**	**4,042**
Leasehold improvements	**839**	**10**	**—**	**—**	**(148)**	**(246)**	**455**
	1,116,677	**139,305**	**(10,857)**	**(2,165)**	**(240,207)**	**(32,809)**	**969,944**

[1] Additions for assets under construction are net of transfers into the other categories of property, plant and equipment, when they become available for use.
[2] On January 1, 2019, upon the adoption of IFRS 16 Leases, the Company's finance leases were transferred to "right-of-use assets".

As at December 31, 2019	**Cost**	**Accumulated Depreciation**	**Net Book Value**
(C$000s)	***($)***	***($)***	***($)***
Assets under construction	**38,172**	**—**	**38,172**
Field equipment	**2,231,043**	**(1,394,926)**	**836,117**
Field equipment under finance lease	**1,683**	**(1,683)**	**—**
Buildings	**90,070**	**(41,832)**	**48,238**
Land	**39,355**	**—**	**39,355**
Shop, office and other equipment	**27,728**	**(24,163)**	**3,565**
Computers and computer software	**32,435**	**(28,393)**	**4,042**
Leasehold improvements	**8,713**	**(8,258)**	**455**

	2,469,199	**(1,499,255)**	**969,944**

Property, plant and equipment are tested for impairment in accordance with the Company's accounting policy. Management reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. The Company's financial results continue to be impeded by the global economic slowdown due to events such as the OPEC+ crude oil supply war, the COVID-19 pandemic and the related global response to the COVID-19 demand reductions for crude oil. The Company recognizes this is an indicator of impairment that warrants an assessment on the recoverable amount of its property, plant and equipment as at December 31, 2020.

The Company's cash-generating units (CGUs) are determined to be at the country level, consisting of Canada, the United States, Russia and Argentina.

The recoverable amount of property, plant and equipment is determined using discounted cash flows to be generated from the continuing operations of each CGU. Cash flow assumptions are based on a combination of historical and expected future results, using the following main significant assumptions:

- Expected revenue growth
- Expected operating income growth
- Discount rate

Revenue and operating income growth rates for each CGU are based on a combination of commodity price assumptions, historical results and forecasted activity levels, which incorporates pricing, utilization and cost improvements over the forecast period. The cumulative annual growth rates for revenue over the forecast period from 2021 to 2025 ranged from no growth to 27.5 percent depending on the CGU.

The cash flows are prepared on a five-year basis, using a discount rate ranging from 13.4 percent to 21.5 percent depending on the CGU. Discount rates are derived from the Company's weighted average cost of capital, adjusted for risk factors specific to each CGU. Cash flows beyond that five-year period are extrapolated using a steady 2.0 percent growth rate.

A comparison of the recoverable amounts of each cash-generating unit with their respective carrying amounts resulted in no impairment against property, plant and equipment for the three months ended December 31, 2020. As at March 31, 2020 and June 30, 2020, the Company performed an assessment on the recoverable amount of its property, plant and equipment and recognized a total impairment of $227,208 as a result of those impairment tests for the year ended December 31, 2020 (three months and year ended December 31, 2019 – $2,165).

Management contemplated the effects of the Recapitalization Transaction (see note 2) that occurred in December in conjunction with its December 31, 2020 impairment assessment and concluded that no additional impairment was warranted as a result of this transaction.

A sensitivity analysis on the discount rate and expected future cash flows would have the following impact on the December 31, 2020 impairment test:

	Impairment			
	Canada	United States	Russia	Argentina
(C$000s)	*($)*	*($)*	*($)*	*($)*
10% increase in expected future cash flows	None	None	None	None
10% decrease in expected future cash flows	None	None	None	None
1% decrease in discount rate	None	None	None	None
1% increase in discount rate	None	None	None	None

Assumptions that are valid at the time of preparing the impairment test at December 31, 2020 may change significantly when new information becomes available. Management will continue to monitor and update its assumptions and estimates with respect to property, plant and equipment impairment on an ongoing basis.

The impairment losses by CGU recorded during the three months and year ended December 31, 2020 are as follows:

	Three Months Ended Dec. 31,		**Years Ended Dec. 31,**	
	2020	2019	**2020**	2019
(C$000s)	***($)***	*($)*	***($)***	*($)*
Canada	**—**	1,921	**132,483**	1,921
United States	**—**	244	**15,380**	244
Argentina	**—**	—	**52,466**	—
Russia	**—**	—	**26,879**	—
	—	2,165	**227,208**	2,165

2. RECAPITALIZATION TRANSACTION

On December 18, 2020, the Company completed its previously disclosed Recapitalization Transaction, which was implemented pursuant to a Plan of Arrangement under the Canada Business Corporations Act. The Recapitalization Transaction involved the surrender and cancellation of the Company's US$431,818 Unsecured Notes, including all accrued and unpaid interest, in exchange for common shares of the Company. In addition, the Company issued new $60,000 1.5 lien senior secured 10% payment-in-kind convertible notes ("1.5 Lien Notes") due December 18, 2023 on a private placement basis. The proceeds from the issuance of the 1.5 Lien Notes were used to reduce the amounts owing under its revolving credit facility. All common share figures and share prices below are disclosed on a post-share consolidation basis of 50:1.

The composition of the gain on settlement of debt as reported in the statement of operations is as follows:

	Unsecured Notes	**Warrants**	**1.5 Lien Notes**	**Total**
(C$000s)				***($)***
Settlement of Unsecured Notes against shares issued to noteholders (note 2a)	**(250,867)**	**—**	**—**	**(250,867)**
Forgiveness of accrued interest on Unsecured Notes (note 2a)	**(47,272)**	**—**	**—**	**(47,272)**
Issuance of warrants (note 2b)	**—**	**40,797**	**—**	**40,797**
Transaction and associated costs[1] (notes 2h and 5)	**20,815**	**—**	**—**	**20,815**
Issuance of shares in respect of the commitment fee related to the 1.5 Lien Notes (note 2g)	**—**	**—**	**10,131**	**10,131**
Withholding taxes on shares issued in respect of commitment fee on 1.5 Lien Notes (note 2g)	**—**	**—**	**77**	**77**

Total (gain) loss on settlement of debt[2]	**(277,324)**	**40,797**	**10,208**	**(226,319)**

[1] *Includes $1,266 of other associated costs related to the Plan of Arrangement, of which $1,092 were non-cash expenses.*

[2] *$198,847 of the total gain on settlement of debt was non-cash in nature.*

(a) Unsecured Notes Settlement

The Company's US$431,818 outstanding 8.50% unsecured notes due June 15, 2026 ("Unsecured Notes"), plus all accrued and unpaid interest, were surrendered and cancelled in exchange for 33,491,870 common shares. The common shares were valued for accounting purposes at a price of $9.00 per share, which represents the share price on December 21, 2020, the first trading day immediately following the announcement of the closing of this transaction, and resulted in an accounting gain on the settlement of debt of $277,324. The settlement of the Unsecured Notes also resulted in the write-off of the remaining unamortized deferred finance costs that pertained to these notes which totaled $7,387.

(b) Warrants

Under the Recapitalization Transaction, shareholders were entitled to receive two warrants for each common share held. Pursuant to the Plan of Arrangement, the Company issued 5,824,433 warrants to shareholders of record (i.e. registered shareholders) as of market close on December 17, 2020. Each warrant is exercisable for a period of three years into one common share at a price of $2.50 per common shares subject to customary adjustments and restrictions. The fair value of the warrants of $40,797 was estimated using a Black-Scholes pricing model, and was accounted for as a reduction of the gain on settlement of debt. See note 5 for further information on the warrants.

(c) Shareholder Cash Election

Under the Recapitalization Transaction, shareholders were provided the opportunity to elect for the Company to purchase all or any portion of their common shares for $7.50 per share up to an aggregate maximum of $10,000 in consideration available for shareholder cash elections. On December 18, 2020, 121,231 common shares were purchased for an aggregate cash election amount of $926 including transaction costs. See note 4 for further information on the shareholder cash election.

(d) Common Share Consolidation

Immediately prior to the Unsecured Notes settlement, and after the issuance of warrants and settlement of shareholder cash elections noted above, the Company initiated a 50:1 share consolidation. See note 4 for further information on the share consolidation.

(e) Share-Based Compensation

Pursuant to the Plan of Arrangement, all of the Company's outstanding stock options and cash-based performance share units were terminated and cancelled for no consideration. All of the Company's outstanding equity-based performance shares units vested immediately prior to the effective time of the Plan of Arrangement and aggregate consideration of $174 was paid to the holders thereof on a pro rata basis. See note 5 for further information.

In connection with the approval of the Recapitalization Transaction, shareholders approved an omnibus incentive plan which permits the granting of various types of equity awards, including stock options, share appreciation rights, restricted shares, restricted share units, deferred share units and other share-based awards as determined by the Board of Directors. The number of shares reserved under the omnibus incentive plan is equal to 10 percent of the Company's issued and outstanding common shares.

(f) 1.5 Lien Notes

In conjunction with the Recapitalization Transaction, the Company issued $60,000 of 1.5 lien senior convertible notes due December 18, 2023 ("1.5 Lien Notes") on a private placement basis. The gross proceeds of the 1.5 Lien Notes were used to reduce the Company's revolving credit facility, providing additional liquidity. See note 3 for further information.

(g) Commitment Fee on the 1.5 Lien Notes

In connection with the 1.5 Lien Notes offering, the Company issued 1,125,703 common shares to certain investors that backstopped the issuance of the 1.5 Lien Notes. These common shares were valued for accounting purposes at a price of $9.00 per share which represents the share price on December 21, 2020, the first trading day immediately following the announcement of the closing of this transaction, and were accounted for as an increase to share capital of $10,131 with a corresponding reduction of the gain on the settlement of debt.

(h) Transaction Costs

The Company incurred transaction costs totaling $27,145 in connection with the Recapitalization Transaction. Of that amount, $19,549 was related to the settlement of the Unsecured Notes and was recorded as a reduction of the gain of settlement of debt. The remaining $7,596 was allocated to the issuance of the 1.5 Lien Notes as debt issuance costs or share issue costs, see note 3 for further information.

(i) Court Appeals

On December 11, 2020, Wilks Brothers, LLC and its affiliated funds filed a notice of appeal (the "Chapter 15 Appeal") to the United States District Court for the Southern District of Texas ("U.S. District Court") appealing an order by the United States Bankruptcy Court for the Southern District of Texas under Chapter 15 of the United States Bankruptcy Code entered effective December 1, 2020, recognizing and granting enforcement of the October 30, 2020 order of the Court of Queen's Bench of Alberta approving the Plan of Arrangement pursuant to the Canada Business Corporations Act (the "CBCA Final Order"). On January 8, 2021, the Company and certain of its subsidiaries filed a motion to dismiss the Chapter 15 Appeal as equitably moot, which motion was denied by the U.S. District Court on February 9, 2021. The Company expects briefing on the merits of the Chapter 15 Appeal to be complete on or before April 1, 2021. The U.S. District Court will set a hearing on the Chapter 15 Appeal to occur after the conclusion of briefing, and the timing of such hearing is uncertain. The Company believes it is well-positioned to prevail on the merits of the Chapter 15 Appeal or in having the appeal dismissed.

On January 29, 2021, Wilks Brothers, LLC and its affiliated funds filed an application to the Supreme Court of Canada seeking leave to appeal the December 1, 2020 decision of the Court of Appeal of Alberta upholding the CBCA Final Order. The Company's deadline to respond to the leave to appeal application is 30 days after the day on which a file is opened by the Supreme Court of Canada with respect to the leave to appeal application, which file has not yet been opened by the Court. The Company believes it is well-positioned to succeed in having the leave to appeal application dismissed.

3. LONG-TERM DEBT

As at December 31,	**2020**	2019
(C$000s)	***($)***	*($)*
$290,000 extendible revolving term loan facility, secured by the Canadian and U.S. assets of the Company on a first priority basis	**130,000**	147,988
$60,000 1.5 Lien Notes due December 18, 2023, bearing interest at 10.00% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis ahead of the Second Lien Notes	**55,171**	—
US$120,000 Second Lien Notes due March 15, 2026, bearing interest at 10.875% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis	**152,784**	—
US$431,818 Unsecured Notes (December 31, 2019 – US$650,000) due June 15, 2026, bearing interest at 8.50% payable semi-annually	**—**	844,220
Less: unamortized debt issuance costs	**(13,322)**	(15,515)
	324,633	976,693

The Unsecured Notes were settled on December 18, 2020, as decribed below. The fair value of the Unsecured Notes at December 31, 2019 was $342,078. The fair value of the Second Lien Notes (as defined below), as measured based on the closing market price at December 31, 2020 was $106,706 (December 31, 2019 – not applicable). The carrying values of the revolving term loan facility and 1.5 Lien Notes approximate their fair value as the interest rate is not significantly different from current interest rates for similar loans.

a) Unsecured Notes

On December 18, 2020, the Company's US$431,818 outstanding Unsecured Notes, plus all accrued and unpaid interest, were surrendered and cancelled in exchange for 33,491,870 common shares. The settlement of the Unsecured Notes also resulted in the write-off of the remaining unamortized deferred finance costs that pertained to these notes which totaled $7,387. See note 2 for further details.

b) 1.5 Lien Notes

On December 18, 2020, the Company issued $60,000 of 1.5 Lien Notes due December 18, 2023 on a private placement basis. The terms of the 1.5 Lien Notes enable the holders to convert each $1,000 principal amount into approximately 750 common shares at their discretion. Interest is payable in cash semi-annually on March 15 and September 15 of each year. On each interest payment date, the Company may elect to defer and pay in-kind any interest accrued as of such interest payment date by increasing the unpaid principal amount of the 1.5 Lien Notes as at such date (each, a "PIK Interest Payment"). Following each such increase in the principal amount of the 1.5 Lien Notes as a result of any PIK Interest Payment, the 1.5 Lien Notes will bear interest on such increased principal amount from and after the date of each such PIK Interest Payment. Upon repayment of the 1.5 Lien Notes, any interest which has accrued thereon but has not been capitalized as set forth above shall be paid in cash.

The liability portion of the 1.5 Lien Notes was recorded at an initial fair value of $55,127 using a discount rate of 13.4 percent, representing the discount rate of a comparable debt instrument without a conversion feature. The remaining $4,873 is the difference between the initial principal amount and the fair value of the liability component and was recorded as the equity portion of the conversion feature in shareholders' equity. At December 31, 2020, $44 of the discount on the liability portion of the notes was amortized into its carrying value (year ended December 31, 2019 – not applicable). The Company incurred transaction costs of $7,596 associated with the issuance of the 1.5 Lien Notes which was allocated to debt issuance costs and share issuance costs on a proportional basis to the initial fair value of the liability and equity components.

c) Second Lien Notes

On February 24, 2020, the Company completed an exchange offer of US$120,000 of new 10.875% second lien secured notes ("Second Lien Notes") due March 15, 2026 to holders of its existing Unsecured Notes. The exchange was completed at an average exchange price of US$550 per each US$1,000 of Unsecured Notes resulting in US$218,182 being exchanged for US$120,000 of Second Lien Notes, resulting in a non-cash gain on exchange of debt of $130,444. The early settlement of the Unsecured Notes resulted in the write-off of $4,449 of unamortized deferred finance costs.

d) Revolving Credit Facility

On December 18, 2020, the Company amended its credit facilities to reduce its total facility capacity from $375,000 to $290,000. The facilities consist of an operating facility of $30,933 and a syndicated facility of $259,067. As part of the amended agreement, the Company's Funded Debt to Adjusted EBITDA covenant is waived for the quarters ended December 31, 2020 through June 30, 2021 and is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021 ("Covenant Relief Period") and 3.00x for each quarter end thereafter. The Covenant Relief Period terminates on the earlier of December 31, 2021 and any prior quarter end for which Calfrac has requested early termination and has provided a compliance certificate to its lenders certifying compliance with all financial covenants and where the Funded Debt to Adjusted EBITDA ratio is less than 3.00x at such quarter end.

The Company's credit facilities mature on June 1, 2022, and can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.00 percent to prime plus 3.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.00 percent to 4.50 percent above the respective base rates. The Company incurs interest at the high end of the ranges outlined above during the Covenant Relief Period or if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00, certain restrictions apply including the following: (a) acquisitions are subject to majority lender consent; (b) distributions are restricted other than those relating to the Company's equity compensation plans; and (c) no increase in the rate of dividends are permitted. As at December 31, 2020, the Company's net Total Debt to Adjusted EBITDA ratio exceeded the 5.00:1.00 threshold.

Debt issuance costs related to this facility are amortized over its term.

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the year ended December 31, 2020 was $90,332 (year ended December 31, 2019 – $83,665). Included in interest expense during the year ended December 31, 2020 is $47,272 of accrued interest that was forgiven as part of the Recapitalization Transaction (see note 2).

The following table sets out an analysis of long-term debt and the movements in long-term debt for the periods presented:

	2020
(C$000s)	*($)*
Balance, January 1	976,693
Issuance of long-term debt, net of debt issuance costs	142,319
Long-term debt repayments	(118,727)

Non-cash settlement of Unsecured Notes	(549,791)
Non-cash gain on exchange of debt	(130,444)
Amortization of debt issuance costs and debt discount	19,074
Foreign exchange adjustments	(14,491)
Balance, December 31	324,633

The aggregate scheduled principal repayments required in each of the next five years are as follows:

As at December 31, 2020	Amount
(C$000s)	*($)*
2021	—
2022	130,000
2023[1]	60,000
2024	—
2025	—
Thereafter	152,784
	342,784

[1] *Gross principal of $60,000 related to 1.5 Lien Notes.*

At December 31, 2020, the Company had utilized $828 of its loan facility for letters of credit, had $130,000 outstanding under its revolving term loan facility, leaving $159,172 in available credit, subject to a monthly borrowing base, as determined using the previous month's results, which at December 31, 2020, resulted in liquidity of $80,359. Under the terms of the amended credit facility agreement, the Company must maintain a minimum liquidity amount of $15,000 during the Covenant Relief Period.

See note 6 for further details on the covenants in respect of the Company's long-term debt.

4. CAPITAL STOCK

Authorized capital stock consists of an unlimited number of common shares.

Years Ended December 31,	**2020**		2019	
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	***($000s)***	*(#)*	*($000s)*
Balance, beginning of year	**2,897,778**	**506,735**	2,889,251	504,526
Issued upon exercise of stock options	**—**	**—**	1,974	252
Issued upon vesting of performance share units	**5,646**	**1,275**	2,097	707
Issued on acquisition	**8,913**	**2,500**	4,456	1,250
Issued upon settlement of Unsecured Notes (note 2)	**33,491,870**	**301,427**	—	—
Issued for commitment fee on 1.5 Lien Notes (note 2)	**1,125,703**	**10,131**	—	—
Shares repurchased by shareholder cash election (note 2)	**(121,231)**	**(21,268)**	—	—
Cancellation of fractional shares upon 50:1 share consolidation	**(189)**	**—**	—	—
Share issue costs on 1.5 Lien Notes	**—**	**(616)**	—	—
Balance, end of year	**37,408,490**	**800,184**	2,897,778	506,735
Shares to be issued	**—**	**—**	8,913	2,500
	37,408,490	**800,184**	2,906,691	509,235

On December 18, 2020, the Company consolidated its common shares on a basis of 50:1. All common share figures in the financial statements and comparatives have been adjusted to reflect the 50:1 effect, without a corresponding change in dollar amounts. Earnings per share have been adjusted to reflect the impact of the share consolidation.

The weighted average number of common shares outstanding for the three months ended December 31, 2020 was 8,158,367 basic and 57,598,127 diluted (three months ended December 31, 2019 – 2,894,394 basic and 2,906,690 diluted). The weighted average number of common shares outstanding for the year ended December 31, 2020 was 4,223,061 basic and 54,234,401 diluted (year ended December 31, 2019 – 2,891,292 basic and 2,909,495 diluted). The difference between basic and diluted shares is attributable to: the dilutive effect of stock options issued by the Company as disclosed in note 5, warrants issued as part of the Recapitalization Transaction as disclosed in note 2, and the dilutive effect of the conversion of the 1.5 Lien Notes as disclosed in note 3.

As disclosed in note 2, in conjunction with the Recapitalization Transaction, the Company purchased 121,231 common shares at a cost of $926 and, of the amount paid, $21,268 was charged to capital stock and $20,342 to contributed surplus. These common shares were cancelled prior to December 31, 2020.

5. SHARE-BASED PAYMENTS

(a) Stock Options

Years Ended December 31,	**2020**		2019	
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	***($)***	*(#)*	*($)*
Balance, January 1	**244,060**	**158.00**	187,842	235.00
Granted	**1,098**	**31.00**	89,403	84.00
Exercised for common shares	**—**	**—**	(1,974)	99.50
Forfeited	**(57,280)**	**192.00**	(12,611)	235.50
Terminated and cancelled	**(184,536)**	**143.00**	—	—
Expired	**(3,342)**	**366.50**	(18,600)	529.00
Balance, December 31	**—**	**—**	244,060	158.00

On December 18, 2020, as outlined in note 2, the Company terminated its remaining 184,536 outstanding stock options for no consideration. The cancellation of the stock options was accounted for as an acceleration of vesting and the remaining fair value of the options of $780 was recognized in the current period as a reduction of the gain on settlement of debt.

The weighted average fair value of options granted during 2020, determined using the Black-Scholes valuation method, was $13.50 per option (year ended December 31, 2019 – $51.00 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

Years Ended December 31,	**2020**	2019
Expected life (years)	**3.00**	3.00
Expected volatility	**71.18%**	59.16%
Risk-free interest rate	**0.87%**	1.66%
Expected dividends	**$0.00**	$0.00

Expected volatility is estimated by considering historical average share price volatility.

(b) Share Units

Years Ended December 31,	**2020**		2019		
Continuity of Stock Units	**Deferred Share Units**	**Performance Share Units**	Deferred Share Units	Performance Share Units	Restricted Share Units
	(#)	***(#)***	*(#)*	*(#)*	*(#)*
Balance, January 1	**2,900**	**25,891**	2,900	22,166	62,783
Granted	**2,100**	**19,968**	2,900	23,182	—
Exercised	**(1,600)**	**(5,646)**	(2,900)	(11,134)	(39,972)
Forfeited	**(1,000)**	**(8,027)**	—	(8,323)	(22,811)
Settled	**—**	**(17,014)**	—	—	—
Terminated and cancelled	**—**	**(15,172)**	—	—	—
Balance, December 31	**2,400**	**—**	2,900	25,891	—

	Three Months Ended Dec. 31,		**Years Ended Dec. 31,**	
	2020	2019	**2020**	2019
	($)	*($)*	***($)***	*($)*
Expense (recovery) from:				
Stock options	**1,065**	835	**1,747**	3,030
Deferred share units	**(19)**	14	**(157)**	196
Performance share units	**613**	499	**1,030**	1,908
Restricted share units	**—**	—	**—**	(197)
Total stock-based compensation expense	**1,659**	1,348	**2,620**	4,937

Stock-based compensation expense is included in selling, general and administrative expenses. During the year ended December 31, 2020, the stock option and performance share unit expense related to the cancellation and termination of those respective plans, as outlined in note 2, totaling $1,266, was recorded as a reduction of the gain on settlement of debt.

The Company grants deferred share units to its outside directors. These units vest on the first anniversary of the date of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred share units is recognized equally over the vesting period, based on the current market price of the Company's shares. At December 31, 2020, the liability pertaining to deferred share units was $9 (December 31, 2019 – $166).

As disclosed in note 2, all of the Company's outstanding cash-based performance share units were terminated and cancelled for no consideration. All of the Company's outstanding equity-based performance shares units vested immediately prior to the effective time of the Plan of Arrangement and were settled with aggregate consideration of $174 paid to the holders thereof on a pro rata basis. The immediate vesting of the equity-based performance share units was accounted for as an acceleration of vesting and the remaining fair value of the options of $312 along with the cash consideration of $174 was recognized in the current period as a reduction of the gain on settlement of debt.

Changes in the Company's obligations under the deferred share unit plans, which arise from fluctuations in the market value of the Company's shares underlying these compensation programs, are recorded as the share value changes.

(c) Warrants

In conjunction with the Recapitalization Transaction, the Company issued 5,824,433 warrants to shareholders of record (i.e. registered shareholders) as of market close on December 17, 2020. Each warrant is exercisable for a period of three years into one common share at a price of $2.50 per common shares, subject to customary adjustments and restrictions. The fair value of the warrants at issuance was estimated using a Black-Scholes pricing model, in the amount of $40,797, and accounted for as a reduction of the gain on settlement of debt. The Company applied the following Black-Scholes model inputs:

Year Ended December 31,	**2020**
Expected life (years)	**3.00**
Share price at grant date	**$9.00**
Exercise price	**$2.50**
Expected volatility	**73.90 %**
Risk-free interest rate	**1.27 %**
Expected dividends	**$0.00**

As of December 31, 2020, no warrants have been exercised.

6. CAPITAL STRUCTURE

The Company's capital structure is comprised of shareholders' equity and debt. The Company's objectives in managing capital are (i) to maintain flexibility so as to preserve its access to capital markets and its ability to meet its financial obligations, and (ii) to finance growth, including potential

acquisitions.

The Company manages its capital structure and makes adjustments in light of changing market conditions and new opportunities, while remaining cognizant of the cyclical nature of the oilfield services sector. To maintain or adjust its capital structure, the Company may revise its capital spending, issue new shares or new debt or repay existing debt. The Company recently completed its Recapitalization Transaction aimed at addressing its capital structure, see note 2 for further information.

The Company monitors its capital structure and financing requirements using, amongst other parameters, the ratio of net debt to operating income. Operating income for this purpose is calculated on a 12-month trailing basis and is defined as follows:

For the Twelve Months Ended December 31,	**2020**	2019
(C$000s)	***($)***	*($)*
Net loss	**(324,235)**	(156,203)
Adjusted for the following:		
Depreciation	**172,021**	261,227
Foreign exchange losses	**15,477**	6,341
Loss on disposal of property, plant and equipment	**24**	1,870
Impairment of property, plant and equipment	**227,208**	2,165
Impairment of inventory	**27,868**	—
Impairment of other assets	**507**	3,744
Gain on settlement of debt	**(226,319)**	—
Gain on exchange of debt	**(130,444)**	—
Interest	**91,267**	85,826
Income taxes	**168,623**	(52,226)
Operating income	**21,997**	152,744

Net debt for this purpose is calculated as follows:

As at December 31,	**2020**	2019
(C$000s)	***($)***	*($)*
Long-term debt, net of debt issuance costs and debt discount	**324,633**	976,693
Lease obligations	**21,971**	30,919
Less: cash and cash equivalents	**(29,830)**	(42,562)
Net debt	**316,774**	965,050

The ratio of net debt to operating income does not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies.

At December 31, 2020, the net debt to operating income ratio was 14.40:1 (December 31, 2019 – 6.32:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended December 31,	**2020**	2019
(C$000s, except ratio)	***($)***	*($)*
Net debt	**316,774**	965,050
Operating income	**21,997**	152,744
Net debt to operating income ratio	**14.40:1**	6.32:1

The Company is subject to certain financial covenants relating to working capital, leverage and the generation of cash flow in respect of its operating and revolving credit facilities. These covenants are monitored on a monthly basis. As per the amended credit facility agreement as disclosed in note 3, the Company's Funded Debt to Adjusted EBITDA covenant is waived for the quarters ended December 31, 2020 to June 30, 2021, and is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021, and 3.00x for each quarter end thereafter. As shown in the table below, the Company was in full compliance with its financial covenants associated with its credit facilities as at December 31, 2020.

	Covenant	**Actual**
As at December 31,	2020	**2020**
Working capital ratio not to fall below	1.15x	**2.66x**
Funded Debt to Adjusted EBITDA not to exceed[1][2]	N/A	**14.45x**
Funded Debt to Capitalization not to exceed[1][3]	0.30x	**0.16x**

[1] Funded Debt is defined as Total Debt excluding all outstanding second lien notes, 1.5 lien notes, and lease obligations. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit. For the purposes of the Total Debt to Adjusted EBITDA ratio, the Funded Debt to Capitalization Ratio and the Funded Debt to Adjusted EBITDA ratio, the amount of Total Debt or Funded Debt, as applicable, is reduced by the amount of cash on hand with lenders (excluding any cash held in a segregated account for the purposes of a potential equity cure).

[2] Adjusted EBITDA is defined as net income or loss for the period adjusted for interest, taxes, depreciation and amortization, non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring.

[3] Capitalization is Total Debt plus equity.

Adjusted EBITDA is defined in the Company's credit facilities for covenant purposes as net income or loss for the period adjusted for interest, income taxes, depreciation and amortization, unrealized foreign exchange losses (gains), non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring. Adjusted EBITDA is presented because it is used in the calculation of the Company's bank covenants. Adjusted EBITDA for the period was calculated as follows:

	Three Months Ended Dec. 31,	**Years Ended Dec. 31,**

	2020	2019	2020	2019
(C$000s)			($)	($)
Net income (loss)	**125,897**	(49,400)	**(324,235)**	(156,203)
Add back (deduct):				
Depreciation	**30,843**	68,932	**172,021**	261,227
Unrealized foreign exchange losses	**3,435**	859	**8,319**	2,041
(Gain) loss on disposal of property, plant and equipment	**(260)**	(1,886)	**24**	1,870
Impairment of property, plant and equipment	**—**	2,165	**227,208**	2,165
Impairment of inventory	**—**	3,160	**27,868**	3,744
Impairment of other assets	**—**	—	**507**	—
Gain on settlement of debt	**(226,319)**	—	**(226,319)**	—
Gain on exchange of debt	**—**	—	**(130,444)**	—
Non-cash purchase commitment termination settlement	**—**	—	**2,082**	—
Restructuring charges	**4**	3,564	**5,377**	6,049
Stock-based compensation	**412**	1,334	**1,511**	4,626
Interest	**24,913**	21,512	**91,267**	85,826
Income taxes	**54,790**	(23,358)	**168,623**	(52,226)
Adjusted EBITDA(1)	**13,715**	26,882	**23,809**	159,119

(1) For bank covenant purposes, EBITDA includes the deduction of an additional $15,646 of lease payments for the year ended December 31, 2020 (year ended December 31, 2019 – $21,893) that would have been recorded as operating expenses prior to the adoption of IFRS 16.

Advances under the credit facilities are limited by a borrowing base. The borrowing base is calculated based on the following:

i. Eligible North American accounts receivable, which is based on 75 percent of accounts receivable owing by companies rated BB+ or lower by Standard & Poor's (or a similar rating agency) and 85 percent of accounts receivable from companies rated BBB- or higher;

ii. 100 percent of unencumbered cash of the parent company and its U.S. operating subsidiary, excluding any cash held in a segregated account for the purposes of a potential equity cure; and

iii. 25 percent of the net book value of property, plant and equipment (PP&E) of the parent company and its U.S. operating subsidiary. The value of PP&E excludes assets under construction and is limited to $150,000.

The indentures governing the Second Lien Notes and 1.5 Lien Notes contain restrictions on the Company's ability to pay dividends, purchase and redeem shares of the Company and make certain restricted investments, that are not defined as Permitted Investments under the indentures, in circumstances where:

i. the Company is in default under either of the indentures or the making of such payment would result in a default;
ii. the Company is not meeting the Fixed Charge Coverage Ratio(1) under either of the indentures of at least 2:1 for the most recent four fiscal quarters, after giving pro forma effect to such restricted payment as if it had been made at the beginning of the applicable four fiscal quarter period; or
iii. there is insufficient room for such payment within a builder basket included in the indentures; and in the case of the 1.5 Lien Note indenture, at least one year has passed since their issue date.

(1) The Fixed Charge Coverage Ratio is defined as cash flow to interest expense. Cash flow is a non-GAAP measure and does not have a standardized meaning under IFRS and is defined under the indentures as net income (loss) before depreciation, extraordinary gains or losses, unrealized foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, impairment or reversal of impairment of assets, restructuring charges, provision for settlement of litigation, stock-based compensation, interest, and income taxes. Interest expense is adjusted to exclude any non-recurring charges associated with redeeming or retiring any indebtedness prior to its maturity.

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20,000 in each of the indentures. As at December 31, 2020, these baskets were not utilized.

The indentures also restrict the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness. The indenture governing the 1.5 Lien Notes includes restrictions on certain investments including certain investments in subsidiary entities, however the indenture includes several exceptions to this prohibition, including a general basket of US$10,000 and baskets related to prepayment and build commitments which aggregate over US$12,000. This indenture also contains a restriction that any indebtedness incurred in excess of $290,000 under the credit facilities basket shall be junior in priority to the 1.5 Lien Notes.

As at December 31, 2020, the Company's Fixed Charge Coverage Ratio of 0.30:1 was below the required 2:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the indentures, and the baskets highlighted in the preceding paragraphs provide sufficient flexibility for the Company to incur additional indebtedness and make anticipated restricted payments which may be required to conduct its operations.

Proceeds from equity offerings may be applied, as an equity cure, in the calculation of Adjusted EBITDA towards the Funded Debt to Adjusted EBITDA covenant for any of the quarters ending prior to and including June 30, 2022, subject to certain conditions including:

i. the Company is only permitted to use the proceeds of a common share issuance to increase Adjusted EBITDA a maximum of two times;
ii. the Company cannot use the proceeds of a common share issuance to increase Adjusted EBITDA in consecutive quarter ends;
iii. the maximum proceeds of each common share issuance permitted to be attributed to Adjusted EBITDA cannot exceed the greater of 50 percent of Adjusted EBITDA on a rolling four-quarter basis and $25,000; and
iv. if proceeds are not used immediately as an equity cure they must be held in a segregated bank account pending an election to use them for such purpose, and if they are removed from such account but not used as an equity cure they will no longer be eligible for such use.

The Company can utilize two equity cures during the term of the credit facilities subject to the conditions described above. To utilize an equity cure, the Company must provide notice of any such election to the lending syndicate at any time prior to the filing of its quarterly financial statements for the applicable quarter on SEDAR. Amounts used as an equity cure prior to June 30, 2022 will increase Adjusted EBITDA over the relevant twelve-month rolling period and will also serve to reduce Funded Debt.

The Company's credit facilities also require majority lender consent for dispositions of property or assets in Canada and the United States if the aggregate market value exceeds $20,000 ($10,000 during the Covenant Relief Period). There are no restrictions pertaining to dispositions of property or assets outside of Canada and the United States, except that to the extent that advances under the credit facilities exceed $50,000 at the time of any such dispositions, the Company must use the resulting proceeds to reduce the advances to less than $50,000 before using the balance for other purposes.

7. CONTINGENCIES

GREEK LITIGATION

As a result of the acquisition and amalgamation with Denison in 2004, the Company assumed certain legal obligations relating to Denison's Greek operations.

In 1998, North Aegean Petroleum Company E.P.E. ("NAPC"), a Greek subsidiary of a consortium in which Denison participated (and which is now a majority-owned subsidiary of the Company), terminated employees in Greece as a result of the cessation of its oil and natural gas operations in that country. Several groups of former employees filed claims against NAPC and the consortium alleging that their termination was invalid and that their severance pay was improperly determined.

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $10,685 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. As a result of Denison's participation in the consortium that was named in the lawsuit, the Company was served with three separate payment orders, one on March 24, 2015 and two others on December 29, 2015. The Company was also served with an enforcement order on November 23, 2015.

Provisional orders granting a temporary suspension of any enforcement proceedings have been granted in respect of all of these orders. Hearings in respect of each of the orders have been held, and in each case, decisions were rendered accepting the Company's position. All of these decisions were appealed, but the favorable judgments have all been confirmed in the Company's favor. The plaintiffs have filed petitions for cassation against three of the appeal judgments, and will have 30 days to file a petition for cassation following the service of the remaining judgment once it has been certified. No hearings have been scheduled for the three pending cassation petitions.

NAPC is also the subject of a claim for approximately $4,467 (2,862 euros) plus associated penalties and interest from the Greek social security agency for social security obligations associated with the salaries in arrears that are the subject of the above-mentioned decision.

The maximum aggregate interest and penalties payable under the claims noted above, as well as three other immaterial claims against NAPC totaling $902 (578 euros), amounted to $30,036 (19,244 euros) as at December 31, 2020.

Management is of the view that it is improbable there will be a material financial impact to the Company as a result of these claims. Consequently, no provision has been recorded in these consolidated financial statements.

8. SEGMENTED INFORMATION

The Company's activities are conducted in four geographical segments: Canada, the United States, Russia and Argentina. All activities are related to hydraulic fracturing, coiled tubing, cementing and other well completion services for the oil and natural gas industry.

The business segments presented reflect the Company's management structure and the way its management reviews business performance. The Company evaluates the performance of its operating segments primarily based on operating income, as defined below.

	Canada	**United States**	**Russia**	**Argentina**	**Corporate**	**Consolidated**
(C$000s)	***($)***	***($)***	***($)***	***($)***	***($)***	***($)***
Three Months Ended December 31, 2020						
Revenue	**53,347**	**67,283**	**26,949**	**33,143**	**—**	**180,722**
Operating income (loss)(1)	**9,074**	**1,004**	**4,446**	**5,476**	**(4,403)**	**15,597**
Segmented assets	**213,418**	**555,494**	**62,336**	**81,215**	**—**	**912,463**
Capital expenditures	**1,964**	**3,763**	**327**	**433**	**—**	**6,487**
Three Months Ended December 31, 2019						
Revenue	73,009	187,770	24,244	32,062	—	317,085
Operating income (loss)(1)	3,424	23,594	(2,146)	5,820	(9,695)	20,997
Segmented assets	486,067	773,137	90,727	175,991	—	1,525,922
Capital expenditures	3,639	24,443	41	6,295	—	34,418

	Canada	**United States**	**Russia**	**Argentina**	**Corporate**	**Consolidated**
(C$000s)	***($)***	***($)***	***($)***	***($)***	***($)***	***($)***
Year Ended December 31, 2020						
Revenue	**230,448**	**306,090**	**100,407**	**68,491**	**—**	**705,436**
Operating income (loss)(1)	**33,868**	**4,029**	**10,933**	**(6,477)**	**(20,356)**	**21,997**
Segmented assets	**213,418**	**555,494**	**62,336**	**81,215**	**—**	**912,463**
Capital expenditures	**10,067**	**31,435**	**1,206**	**1,922**	**—**	**44,630**
Year Ended December 31, 2019						
Revenue	397,583	930,404	105,807	187,161	—	1,620,955
Operating income (loss)(1)	40,689	126,205	(5,005)	26,128	(35,273)	152,744
Segmented assets	486,067	773,137	90,727	175,991	—	1,525,922
Capital expenditures	21,978	85,001	2,933	29,393	—	139,305

(1) *Operating income (loss) is defined as net income (loss) before depreciation, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, gains or losses on exchange or settlement of debt, impairment of inventory, impairment of property, plant and equipment, interest, and income taxes.*

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2020	2019	**2020**	2019
(C$000s)	***($)***	*($)*	***($)***	*($)*
Net income (loss)	**125,897**	(49,400)	**(324,235)**	(156,203)
Add back (deduct):				
Depreciation	**30,843**	68,932	**172,021**	261,227
Foreign exchange losses (gains)	**5,733**	(128)	**15,477**	6,341
(Gain) loss on disposal of property, plant and equipment	**(260)**	(1,886)	**24**	1,870
Impairment of property, plant and equipment	**—**	2,165	**227,208**	2,165
Impairment of inventory	**—**	3,160	**27,868**	3,744
Impairment of other assets	**—**	—	**507**	—
Gain on settlement of debt	**(226,319)**	—	**(226,319)**	—
Gain on exchange of debt	**—**	—	**(130,444)**	—
Interest	**24,913**	21,512	**91,267**	85,826
Income taxes	**54,790**	(23,358)	**168,623**	(52,226)
Operating income	**15,597**	20,997	**21,997**	152,744

Operating income does not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies.

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