Calfrac Announces First Quarter Results

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CALGARY, May 1, 2019 /CNW/ - **Calfrac Well Services Ltd. ("Calfrac" or "the Company") (TSX-CFW)** announces its financial and operating results for the three months ended March 31, 2019.

HIGHLIGHTS

On January 1, 2019, Calfrac applied IFRS 16 using the modified retrospective approach under which comparative information has not been restated and continues to be reported under IAS 17 and related interpretations. Please refer to note 1 of the financial statements for additional information on the impact to the Company's financial information.

Three Months Ended March 31,	**2019**	2018	Change
(C$000s, except per share and unit data)	***($)***	*($)*	*(%)*
(unaudited)			
Financial			
Revenue	**475,012**	582,838	(19)
Operating income (loss)[1]	**43,623**	67,974	(36)
Per share – basic	**0.30**	0.47	(36)
Per share – diluted	**0.30**	0.46	(35)
Adjusted EBITDA[1]	**44,086**	72,953	(40)
Per share – basic	**0.31**	0.51	(39)
Per share – diluted	**0.30**	0.50	(40)
Net income (loss) attributable to the shareholders of Calfrac before foreign exchange gains or losses[2]	**(35,105)**	1,905	NM
Per share – basic	**(0.24)**	0.01	NM
Per share – diluted	**(0.24)**	0.01	NM
Net income (loss) attributable to the shareholders of Calfrac	**(36,334)**	3,234	NM
Per share – basic	**(0.25)**	0.02	NM
Per share – diluted	**(0.25)**	0.02	NM
Working capital (end of period)	**276,785**	360,654	(23)
Total equity (end of period)	**481,675**	546,018	(12)
Weighted average common shares outstanding (000s)			
Basic	**144,404**	143,722	—
Diluted	**146,239**	146,624	—

[1] Refer to "Non-GAAP Measures" on pages 16 and 17 for further information.

[2] Net income (loss) attributable to the shareholders of Calfrac before foreign exchange (FX) gains or losses is defined as net income (loss) attributable to the shareholders of Calfrac before FX gains or losses on an after-tax basis. Management believes that this is a useful supplemental measure as it provides an indication of the financial results generated by Calfrac without the impact of FX fluctuations, which are not fully controllable by the Company. This measure does not have any standardized meaning prescribed under IFRS and, accordingly, may not be comparable to similar measures used by other companies.

CEO MESSAGE

Calfrac's President and Chief Executive Officer, Fernando Aguilar commented on the results: "Despite very challenging weather conditions across a number of operating areas, Calfrac delivered results underlined by the strength of our North American platform while showing again the potential of our operations in Argentina. I'd like to extend my thanks to all our employees for their ongoing dedication to executing on our Brand Promise - Do it Better, Do it Safely, Do it on Time."

During the quarter, Calfrac:

- generated $72.7 million in operating cash flow, enabling a further reduction in its credit facility borrowings by $20.0 million;

- secured incremental contracted work volumes in Argentina with a major client in that region; and
- commenced work to extend the Company's revolving credit facility, which was executed subsequent to
the quarter.

Update on Canadian Divisional Management
Near the end of the first quarter, Calfrac implemented a change in the management of its Canadian Division. Tom Medvedic, the former President of Calfrac's Canadian Division, left the Company in March to pursue a new career opportunity in the pipeline infrastructure industry. Tom joined Calfrac in 2004 and occupied a number of senior management roles at the Company, including Chief Financial Officer, Vice President, Corporate Development and, most recently, as President of Calfrac's Canadian Division.

"On behalf of everyone at Calfrac, I would like to thank Tom for his many years of outstanding service across a number of key senior management roles and for the leadership that he provided during his time at the Company." - Fernando Aguilar, Calfrac President and CEO.

"I would also like to thank Tom for his partnership and efforts over the past 15 years and for being such an integral part of the Calfrac family. His focus on details and an unwavering commitment to safety and service quality have helped make Calfrac the company it is today. " - Doug Ramsay, Calfrac Vice Chairman and Co-Founder.

On Tom's departure, Chad Leier has assumed the role of President of Calfrac's Canadian Division. Chad joined Calfrac in 2005 and has worked in a number of sales and marketing roles in both Canada and the United States, most recently as Vice-President of Sales and Marketing for the Canadian Division.

"Chad's long tenure at Calfrac and strong relationships with our customer base and within our organization position him well to lead the Canadian Division, and he will benefit greatly from the support of the strong divisional and corporate team around him." - Fernando Aguilar, Calfrac President and CEO.

CONSOLIDATED HIGHLIGHTS

Three Months Ended March 31,	**2019**	2018	Change
(C$000s, except operational information) (unaudited)	***($)***	*($)*	*(%)*
Revenue	**475,012**	582,838	(19)
Expenses			
Operating	**412,185**	490,106	(16)
Selling, general and administrative (SG&A)	**19,204**	24,758	(22)
	431,389	514,864	(16)
Operating income[(1)]	**43,623**	67,974	(36)
Operating income (%)	**9.2**	11.7	(21)
Adjusted EBITDA[(1)]	**44,086**	72,953	(40)
Adjusted EBITDA (%)	**9.3**	12.5	(26)
Fracturing revenue per job ($)	**33,093**	36,783	(10)
Number of fracturing jobs	**13,100**	14,752	(11)
Active pumping horsepower, end of period (000s)	**1,344**	1,259	7
Idle pumping horsepower, end of period (000s)	**36**	134	(73)
Total pumping horsepower, end of period (000s)	**1,380**	1,393	(1)
Coiled tubing revenue per job ($)	**30,463**	33,283	(8)
Number of coiled tubing jobs	**843**	729	16
Active coiled tubing units, end of period (#)	**21**	22	(5)
Idle coiled tubing units, end of period (#)	**8**	8	—
Total coiled tubing units, end of period (#)	**29**	30	(3)
Cementing revenue per job ($)	**39,389**	37,728	4
Number of cementing jobs	**118**	69	71
Active cementing units, end of period (#)	**11**	12	(8)
Idle cementing units, end of period (#)	**12**	11	9
Total cementing units, end of period (#)	**23**	23	—

(1) *Refer to "Non-GAAP Measures" on pages 16 and 17 for further information.*

Revenue in the first quarter of 2019 was $475.0 million, a decrease of 19 percent from the same period in 2018. The Company's fracturing job count decreased by 11 percent while consolidated revenue per fracturing job decreased by 10 percent. The number of cementing jobs increased by 71 percent due to higher cementing activity in northern Argentina, while coiled tubing activity was 16 percent higher due to better utilization in Canada and Argentina.

Pricing in Canada and the United States decreased while pricing in Russia was consistent with the first quarter of 2018. In Argentina, the transition to more unconventional activity does not allow for a meaningful pricing comparison to the first quarter in 2018 as the type of job is significantly different than conventional activity.

Adjusted EBITDA of $44.1 million for the first quarter of 2019 decreased from $73.0 million in the comparable period in 2018 primarily due to lower utilization and pricing in Canada and the United States.

Net loss attributable to shareholders of Calfrac was $36.3 million or $0.25 per share diluted compared to income of $3.2 million or $0.02 per share diluted in the same period last year. The first quarter of 2019 included higher depreciation of $23.2 million primarily due to a change in depreciation policy and the adoption of IFRS 16.

Three Months Ended	**March 31,**	December 31,	Change

	2019	2018	
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**475,012**	498,858	(5)
Expenses			
Operating	**412,185**	416,886	(1)
SG&A	**19,204**	19,980	(4)
	431,389	436,866	(1)
Operating income(1)	**43,623**	61,992	(30)
Operating income (%)	**9.2**	12.4	(26)
Adjusted EBITDA(1)	**44,086**	62,914	(30)
Adjusted EBITDA (%)	**9.3**	12.6	(26)
Fracturing revenue per job ($)	**33,093**	38,264	(14)
Number of fracturing jobs	**13,100**	12,068	9
Active pumping horsepower, end of period (000s)	**1,344**	1,328	1
Idle pumping horsepower, end of period (000s)	**36**	42	(14)
Total pumping horsepower, end of period (000s)	**1,380**	1,370	1
Coiled tubing revenue per job ($)	**30,463**	29,567	3
Number of coiled tubing jobs	**843**	715	18
Active coiled tubing units, end of period (#)	**21**	22	(5)
Idle coiled tubing units, end of period (#)	**8**	7	14
Total coiled tubing units, end of period (#)	**29**	29	—
Cementing revenue per job ($)	**39,389**	46,403	(15)
Number of cementing jobs	**118**	130	(9)
Active cementing units, end of period (#)	**11**	11	—
Idle cementing units, end of period (#)	**12**	12	—
Total cementing units, end of period (#)	**23**	23	—

(1) *Refer to "Non-GAAP Measures" on pages 16 and 17 for further information.*

Revenue in the first quarter of 2019 was $475.0 million, a decrease of 5 percent from the fourth quarter of 2018, primarily due to lower pricing in North America offset partially by increased fracturing and coiled tubing activity. Revenue in Russia and Argentina was higher sequentially due to increased activity and job sizes. Revenue per fracturing job decreased by 14 percent primarily due to lower pricing and job mix in Canada and the United States.

In Canada, first-quarter revenue decreased by 9 percent from the fourth quarter to $131.4 million despite a 14 percent increase in the number of fracturing jobs completed, primarily due to lower average pricing and the completion of smaller jobs. Operating income as a percentage of revenue was 10 percent versus 11 percent in the fourth quarter.

In the United States, revenue in the first quarter of 2019 decreased by 7 percent from the fourth quarter to $259.1 million, mainly as a result of lower pricing as activity was fairly consistent on a sequential basis. The U.S. division's operating income margin decreased to 15 percent in the first quarter from 18 percent in the fourth quarter of 2018.

In Russia, revenue of $29.1 million in the first quarter of 2019 was 17 percent higher than the fourth quarter due to a seasonal increase in fracturing and coiled tubing activity. The operating loss position in the first quarter was primarily due to higher costs associated with extremely cold weather during parts of the quarter while the closing of one facility also impacted profitability.

In Argentina, revenue in the first quarter of 2019 increased by 12 percent from the fourth quarter to $55.4 million, while operating income improved to $4.9 million from $4.4 million in the fourth quarter. The improvement was due to higher activity in Neuquén as better operational efficiencies were achieved in the first quarter.

BUSINESS UPDATE AND OUTLOOK

Calfrac's first-quarter results are a result of strong execution across the platform, impacted by weather-related delays in Canada, the United States and Russia.

CANADA

In Canada, the first quarter unfolded largely as planned despite periods of extreme cold weather in February, which impacted the pace of operations during the quarter. Although some industry players reported delays in delivering sand to location, Calfrac's internal supply chain network delivered an exceptional result with little to no time lost in its operations.

Although commodity prices have strengthened during the first quarter, Calfrac believes producers will remain cautious in their outlook for the second half of 2019. Based on lower drilling activity in the first quarter, Calfrac expects near-term utilization to continue to be lower than levels experienced in 2018. In response, Calfrac has idled one incremental fleet in its Canadian operations and has adjusted second quarter field labour schedules to prudently manage its operating costs while maintaining experienced field personnel.

Calfrac expects activity to increase from current levels through the remainder of second quarter and has secured a number of large pad fracturing operations that provide consistent activity levels. Calfrac has not offered any seasonal discounts for second-quarter work as current pricing remains below levels needed to deliver acceptable returns on investment.

Calfrac remains committed to the Canadian market and its long-standing client base, and will focus on delivering exceptional execution and ongoing innovation, while managing its footprint and costs in the best long-term interests of the Company.

UNITED STATES

Activity during the first quarter was expected to be consistent with the prior quarter but extended periods of cold weather in North Dakota and Pennsylvania delayed work for significant portions of February. Temperatures in North Dakota were approximately 20 degrees colder than normal and resulted in utilization levels materially lower than typical. Utilization during the first quarter in the Company's operating districts in the southern United States was as expected.

Due to pricing erosion in the fourth quarter, the Company experienced limited customer turnover into the beginning of the year and expects some further turnover in the months ahead. Calfrac will continue to focus on clients whose long-term focus on safety, productivity and returns aligns with the

Company's strategy.

Based on steady rig activity, improved commodity prices and a growing inventory of uncompleted wells, the Company's outlook in the United States remains strong as oil takeaway capacity additions in the Permian Basin are expected to increase completion activity in that basin during the second half of the year. Calfrac's strong presence throughout multiple basins in the United States and across several top-tier producers should lead to strong utilization over the short-run, and the Company will monitor producer plans for opportunities to further optimize its operational and financial performance in the United States.

RUSSIA

Calfrac's operations in Russia delivered a sequential improvement in revenue but the higher costs of winter operations and the costs associated with the closing of one district facility during the first quarter impacted profitability. Contracted work volumes are anticipated to result in improved levels of utilization and profitability during the second quarter and the remainder of 2019.

ARGENTINA

Calfrac's operations in Argentina again delivered strong year-on-year improvement in operating and financial results due to higher activity and utilization.

Calfrac's outlook for Argentina in 2019 remains positive due to the recent addition of a substantial fracturing contract in the Neuquén district which is expected to commence during the second half of 2019. This higher level of utilization is expected to improve profitability throughout the upcoming quarters.

CORPORATE

Despite a sequential decline in overall activity, Calfrac generated positive free cash flow during the first quarter and reduced its credit facility borrowings by $20.0 million to $100.0 million. Prudent management of capital spending as well as a release of cash from working capital enabled the incremental debt reduction. The Company is continuing to pursue efficiencies in its capital program and remains focused on further debt reduction throughout 2019.

FINANCIAL OVERVIEW – THREE MONTHS ENDED MARCH 31, 2019 VERSUS 2018

CANADA

Three Months Ended March 31,	**2019**	2018	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**131,395**	189,728	(31)
Expenses			
Operating	**114,668**	154,442	(26)
SG&A	**3,001**	3,576	(16)
	117,669	158,018	(26)
Operating income[(1)]	**13,726**	31,710	(57)
Operating income (%)	**10.4**	16.7	(38)
Fracturing revenue per job ($)	**15,466**	19,326	(20)
Number of fracturing jobs	**7,474**	8,930	(16)
Active pumping horsepower, end of period (000s)	**301**	322	(7)
Idle pumping horsepower, end of period (000s)	**5**	51	(90)
Total pumping horsepower, end of period (000s)	**306**	373	(18)
Coiled tubing revenue per job ($)	**24,585**	26,255	(6)
Number of coiled tubing jobs	**602**	495	22
Active coiled tubing units, end of period (#)	**11**	10	10
Idle coiled tubing units, end of period (#)	**3**	5	(40)
Total coiled tubing units, end of period (#)	**14**	15	(7)

(1) *Refer to "Non-GAAP Measures" on pages 16 and 17 for further information.*

REVENUE

Revenue from Calfrac's Canadian operations during the first quarter of 2019 was $131.4 million versus $189.7 million in the same period of 2018 primarily due to lower activity and pricing. In the first quarter of 2019, the number of fracturing jobs was 16 percent lower than the comparable period in 2018 due to lower activity in the Viking and Cardium oil plays, combined with delays caused by extremely cold weather in February. Revenue per job decreased 20 percent due to a combination of lower pricing and job mix. The number of coiled tubing jobs increased by 22 percent from the first quarter in 2018 mainly due to a larger operating scale combined with higher utilization throughout the quarter.

OPERATING INCOME

Operating income in Canada during the first quarter of 2019 was $13.7 million compared to $31.7 million in the same period of 2018. The decrease in operating income was due to lower utilization and pricing experienced during the quarter. The Company made the decision to suspend operations for one fleet at the beginning of the quarter based on weaker demand for its fracturing services and reduced its fixed cost structure accordingly. Despite certain reductions in costs for logistics and materials, overall pricing was lower on a net basis quarter-over-quarter. The reported operating income was impacted by the adoption of IFRS 16 at the beginning of 2019 which resulted in $2.2 million of lease payments no longer being recognized as operating costs during the first quarter of 2019. In addition, the $0.6 million decrease in SG&A expenses compared to the first quarter in 2018 was primarily due to a lower bonus accrual being recorded in the first quarter of 2018.

UNITED STATES

Three Months Ended March 31,	**2019**	2018	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**259,125**	315,980	(18)
Expenses			
Operating	**216,714**	257,606	(16)
SG&A	**4,667**	5,125	(9)

	221,381	262,731	(16)
Operating income[1]	**37,744**	53,249	(29)
Operating income (%)	**14.6**	16.9	(14)
Fracturing revenue per job ($)	**50,806**	59,348	(14)
Number of fracturing jobs	**5,095**	5,309	(4)
Active pumping horsepower, end of period (000s)	**858**	752	14
Idle pumping horsepower, end of period (000s)	**31**	83	(63)
Total pumping horsepower, end of period (000s)	**889**	835	6
Active coiled tubing units, end of period (#)	**—**	—	—
Idle coiled tubing units, end of period (#)	**2**	1	100
Total coiled tubing units, end of period (#)	**2**	1	100
Active cementing units, end of period (#)	**—**	—	—
Idle cementing units, end of period (#)	**10**	9	11
Total cementing units, end of period (#)	**10**	9	11
US$/C$ average exchange rate[2]	**1.3295**	1.2647	5

(1) Refer to "Non-GAAP Measures" on pages 16 and 17 for further information.
(2) Source: Bank of Canada.

REVENUE
Revenue from Calfrac's United States operations decreased to $259.1 million during the first quarter of 2019 from $316.0 million in the comparable quarter of 2018 due to lower pricing and a 4 percent decrease in the number of fracturing jobs completed period-over-period. Activity in North Dakota and Pennsylvania was impacted by weather-related delays during the first quarter of 2019 while activity in Colorado was also down relative to the same period in 2018. These declines were partially offset by an increase in activity in Pennsylvania due to a larger operating scale while activity in Texas was flat year-over year. The 14 percent decrease in revenue per job year-over-year was primarily due to lower pricing and the impact of job mix. The 5 percent appreciation in the U.S. dollar versus the Canadian dollar partially offset the decrease in revenue.

OPERATING INCOME
The Company's United States operations generated operating income of $37.7 million during the first quarter of 2019 compared to $53.2 million in the same period in 2018. The year-over-year decline in operating results was primarily due to lower realized pricing and decreased utilization on a larger operating footprint and fixed cost structure. Overall activity was 4 percent lower, however, the Company operated two additional crews compared to the same quarter in 2018. Activity in North Dakota and Pennsylvania was negatively impacted by extended periods of cold weather within the quarter while Texas and Colorado experienced more scheduling gaps than in the same period in 2018. Operating results in the first quarter of 2019 did not include any fleet reactivation costs, while $5.0 million was incurred in the comparable quarter in 2018. The reported operating income was impacted by the adoption of IFRS 16 at the beginning of 2019, which resulted in $3.5 million of lease payments no longer being recognized as operating costs during the first quarter of 2019. SG&A expenses decreased by 9 percent in the first quarter of 2019 primarily due to a lower bonus accrual recorded in the first quarter in 2019.

RUSSIA

Three Months Ended March 31,	**2019**	2018	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**29,078**	31,235	(7)
Expenses			
Operating	**30,866**	31,317	(1)
SG&A	**988**	876	13
	31,854	32,193	(1)
Operating loss[1]	**(2,776)**	(958)	NM
Operating loss (%)	**(9.5)**	(3.1)	NM
Fracturing revenue per job ($)	**89,290**	87,710	2
Number of fracturing jobs	**290**	305	(5)
Pumping horsepower, end of period (000s)	**77**	77	—
Coiled tubing revenue per job ($)	**43,618**	37,678	16
Number of coiled tubing jobs	**73**	119	(39)
Active coiled tubing units, end of period (#)	**5**	6	(17)
Idle coiled tubing units, end of period (#)	**2**	1	100
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate[2]	**0.0202**	0.0222	(9)

(1) Refer to "Non-GAAP Measures" on pages 16 and 17 for further information.
(2) Source: Bank of Canada.

REVENUE
Revenue from Calfrac's Russian operations decreased by 7 percent during the first quarter of 2019 to $29.1 million from $31.2 million in the corresponding three-month period of 2018. The decrease in revenue was attributable to a decrease in fracturing activity in Noyabrsk and Usinsk, offset partially by higher activity in Khanty-Mansiysk. Revenue per fracturing job increased by 2 percent primarily due to job mix. Coiled tubing activity decreased by 39 percent, primarily due to cold weather-related delays combined with lower utilization than expected with one of Calfrac's customers. The 9 percent depreciation of the Russian rouble in the first quarter of 2019 versus the same period in 2018 also contributed to the decrease in reported revenue.

OPERATING LOSS
The Company's Russian division generated an operating loss of $2.8 million during the first quarter of 2019 versus a loss of $1.0 million in the comparable quarter in 2018. The increased operating loss was primarily due to lower equipment utilization resulting from extremely cold temperatures experienced for portions of January and February combined with higher equipment repair expenses. In addition, the Company closed its operations in Noyabrsk during the quarter and incurred mobilization costs to transfer equipment to Khanty-Mansiysk to work for an existing customer in that region.

SG&A expenses were $0.1 million higher than the comparable quarter in 2018 due to higher personnel costs.

ARGENTINA

Three Months Ended March 31,	**2019**	2018	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**55,414**	45,895	21
Expenses			
Operating	**48,486**	45,563	6
SG&A	**2,073**	3,350	(38)
	50,559	48,913	3
Operating income (loss)[1]	**4,855**	(3,018)	NM
Operating income (loss) (%)	**8.8**	(6.6)	NM
Active pumping horsepower, end of period (000s)	**108**	108	—
Idle pumping horsepower, end of period (000s)	**—**	—	—
Total pumping horsepower, end of period (000s)	**108**	108	—
Active cementing units, end of period (#)	**11**	12	(8)
Idle cementing units, end of period (#)	**2**	2	—
Total cementing units, end of period (#)	**13**	14	(7)
Active coiled tubing units, end of period (#)	**5**	6	(17)
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	7	(14)
US$/C$ average exchange rate[2]	**1.3295**	1.2647	5

(1) Refer to "Non-GAAP Measures" on pages 16 and 17 for further information.

(2) Source: Bank of Canada and Bloomberg.

REVENUE

Calfrac's Argentinean operations generated total revenue of $55.4 million during the first quarter of 2019 versus $45.9 million in the comparable three-month period in 2018. Revenue in Argentina was 21 percent higher than the comparable quarter primarily due to a 16 percent increase in the number of fracturing jobs completed. The Company's fracturing revenue per job was consistent with the same period in 2018. Coiled tubing revenue increased from the first quarter in 2018 due to higher activity in northern Argentina while cementing revenue also improved as the Company did not experience similar labour-related disruptions in 2019 as it did in 2018.

OPERATING INCOME (LOSS)

The Company's operations in Argentina generated operating income of $4.9 million during the first quarter of 2019 compared to a loss of $3.0 million during the first quarter in 2018. The Company achieved positive operating income through a combination of improved utilization and crew efficiencies during the quarter as it continued to transition to unconventional operations in Argentina. SG&A expenses were $1.3 million lower during the first quarter in 2019 compared to the first quarter in 2018. This was mainly due to $1.6 million of one-time costs recorded during the first quarter of 2018.

CORPORATE

Three Months Ended March 31,	**2019**	2018	Change
(C$000s)	***($)***	*($)*	*(%)*
(unaudited)			
Expenses			
Operating	**1,451**	1,178	23
SG&A	**8,475**	11,831	(28)
	9,926	13,009	(24)
Operating loss[1]	**(9,926)**	(13,009)	(24)
% of Revenue	**2.1**	2.2	(5)

(1) Refer to "Non-GAAP Measures" on pages 16 and 17 for further information.

OPERATING LOSS

Corporate expenses for the first quarter of 2019 were $9.9 million compared to $13.0 million in the first quarter of 2018. The decrease was primarily due to lower stock-based compensation expense of $2.8 million versus the same period in 2018. The reduction in stock-based compensation was mainly due to a lower number of restricted share units outstanding. The implementation of IFRS 16 also resulted in lower reported corporate expenses as lease payments related to corporate office space are no longer recorded in SG&A.

DEPRECIATION

For the three months ended March 31, 2019, depreciation expense increased by $23.2 million to $61.5 million from $38.3 million in the corresponding quarter of 2018. The increase was primarily due to the Company decreasing its useful life estimate and salvage value, 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 relating to assets in use at the end of the prior quarter. The resulting accelerated depreciation rate on these components combined with additions during the quarter increased depreciation expense by a further $7.1 million. In addition, the adoption of IFRS 16 at the beginning of 2019 resulted in a $5.0 million increase to depreciation expense. The 5 percent appreciation in the U.S. dollar relative to the Canadian dollar also contributed to the increase in reported depreciation expense.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss of $0.5 million during the first quarter of 2019 versus a loss of $0.7 million in the comparative three-month period of 2018. 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 for the first quarter of 2019 was largely attributable to U.S. dollar-denominated assets held in Canada as the U.S. dollar depreciated against the Canadian dollar during the quarter.

INTEREST
The Company's net interest expense of $21.2 million for the first quarter of 2019 was $0.5 million higher than the comparable period of 2018 despite a reduction in overall debt levels. The higher interest rate on its US$650.0 million 8.50 percent senior notes during the first quarter compared to its US$600.0 million 7.50 percent senior notes that were repaid during the second quarter of 2018 resulted in an increase in reported interest expense. The stronger U.S. dollar during the first quarter in 2019 compared to the same period in 2018 also contributed to the higher reported interest expense related to its senior notes. Additionally, the adoption of IFRS 16 resulted in a further $0.6 million in interest expense. These increases were partially offset by the impact of replacing its $200.0 million second lien term loan that carried an interest rate of 9.0 percent with lower interest rate credit facility borrowings.

INCOME TAXES
The Company recorded an income tax recovery of $13.4 million during the first quarter of 2019 compared to a recovery of $0.6 million in the comparable period of 2018. The recovery position was the result of pre-tax losses during the quarter in Canada and the United States. The effective recovery rate was 27 percent during the first quarter of 2019.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended Mar 31,	
	2019	2018
(C$000s)	***($)***	*($)*
(unaudited)		
Cash provided by (used in):		
Operating activities	**72,748**	(8,233)
Financing activities	**(26,538)**	29,283
Investing activities	**(35,825)**	(47,307)
Effect of exchange rate changes on cash and cash equivalents	**(2,122)**	3,704
Increase (decrease) in cash and cash equivalents	**8,263**	(22,553)

OPERATING ACTIVITIES
The Company's cash provided by operating activities for the three months ended March 31, 2019 was $72.7 million versus cash used of $8.2 million in the first quarter of 2018. The significant improvement in cash provided by operations was primarily due to working capital providing $31.9 million versus using $72.8 million in the same period of 2018. This was partially offset by weaker operating results in Canada and the United States in the first quarter of 2019. At March 31, 2019, Calfrac's working capital was approximately $276.8 million compared to $329.9 million at December 31, 2018.

FINANCING ACTIVITIES
Net cash used by financing activities for the three months ended March 31, 2019 was $26.5 million compared to cash provided of $29.3 million in the comparable period in 2018. During the three months ended March 31, 2019, the Company had net repayments under its credit facilities of $20.0 million, lease principal payments of $5.4 million and debt issuance costs of $1.2 million.

On May 31, 2018, the Company repaid in full the remaining $196.5 million principal amount of its second lien senior secured term loan facility with Alberta Investment Management Corporation (AIMCo). The term loan, which had a maturity date of September 20, 2020 provided Calfrac the right to prepay the loan prior to June 10, 2018 with a nominal prepayment premium.

On May 30, 2018, Calfrac closed a private offering of US$650.0 million aggregate principal amount of its 8.50 percent senior notes due 2026. Fixed interest on the notes is payable on June 15 and December 15 of each year. The notes will mature on June 15, 2026. The Company used a portion of the net proceeds from the offering of the notes to repay all of its outstanding 7.50 percent senior notes due 2020.

Subsequent to the end of the first quarter, Calfrac amended and extended its credit facilities while maintaining its total facility capacity at $375.0 million. The facilities consist of an operating facility of $40.0 million and a syndicated facility of $335.0 million. The Company's credit facilities were extended by a term of two years and mature on June 1, 2022 and can be extended by one or more years at the Company's request and lenders' acceptance. The Company also may 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 0.50 percent to prime plus 2.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 3.50 percent above the respective base rates. The accordion feature of the syndicated facility remains at $100.0 million, and is available to the Company during the term of the agreement. The Company incurs interest at the high end of the ranges outlined above 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 would apply including the following: (a) acquisitions will be subject to majority lender consent; and (b) distributions will be restricted other than those relating to the Company's share unit plans, and no increase in the rate of dividends will be permitted. As at March 31, 2019, the Company's net Total Debt to Adjusted EBITDA ratio was 3.10:1.00.

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 $150.0 million.

At March 31, 2019, the Company had used $0.9 million of its credit facilities for letters of credit and had $100.0 million of borrowings under its credit facilities, leaving $274.1 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 March 31, 2019, when calculated on a proforma basis for the amendments made subsequent to the quarter, resulted in a liquidity amount of $246.3 million.

The Company's credit facilities contain certain financial covenants as shown below.

Working capital ratio not to fall below	**1.15x**

Funded Debt to Adjusted EBITDA not to exceed[(1)(2)]	**3.00x**
Funded Debt to Capitalization not to exceed[(1)(3)]	**0.30x**

[(1)] Funded Debt is defined as Total Debt excluding all outstanding senior unsecured 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, non-controlling interest, and gains and losses that are extraordinary or non-recurring.

[(3)] Capitalization is Total Debt plus equity attributable to the shareholders of Calfrac.

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.

As shown in the table below, at March 31, 2019, the Company was in compliance with the financial covenants associated with its credit facilities.

As at March 31,	Covenant 2019	**Actual 2019**
Working capital ratio not to fall below	1.15x	**2.25x**
Funded Debt to Adjusted EBITDA not to exceed	3.00x	**0.15x**
Funded Debt to Capitalization not to exceed	0.30x	**0.03x**

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. 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 indenture governing the senior unsecured notes, which is available on SEDAR, contains 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 indenture, in circumstances where:

i. the Company is in default under the indenture or the making of such payment would result in a default;
ii. the Company is not meeting the Fixed Charge Coverage Ratio[(1)] under the indenture of at least 2:1 for the most recent four fiscal quarters, with the restricted payments regime commencing once internal financial statements are available which show that the ratio is not met on a pro forma basis for the most recently ended four fiscal quarter period; or
iii. there is insufficient room for such payment within a builder basket included in the indenture.

[(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 indenture as net income (loss) attributable to the shareholders of Calfrac 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. As at March 31, 2019 this basket was not utilized. The indenture also restricts 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, including the incurrence of additional debt under credit facilities up to the greater of $375.0 million or 30 percent of the Company's consolidated tangible assets.

As at March 31, 2019, the Company's Fixed Charge Coverage Ratio of 3.51:1 was higher than the required 2:1 ratio so the aforementioned prohibitions will not be applicable as long as the Company remains above this ratio.

INVESTING ACTIVITIES

Calfrac's net cash used for investing activities was $35.8 million for the three months ended March 31, 2019 versus $47.3 million in the comparable period in 2018. Cash outflows relating to capital expenditures were $28.2 million during the first quarter in 2019 compared to $51.3 million in 2018. Capital expenditures were primarily to support the Company's North American fracturing operations.

As announced in December 2018, Calfrac's Board of Directors have approved a capital budget of $149.0 million, which includes $126.0 million of maintenance capital, $11.0 million of refurbishment capital and $12.0 million related to corporate initiatives. In addition, approximately $6.0 million remaining from Calfrac's 2018 capital program is expected to be spent in 2019.

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 three months ended March 31, 2019 was a loss of $2.1 million versus a gain of $3.7 million during the comparable period in 2018. These gains and 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 2019 and beyond.

At March 31, 2019, the Company had cash and cash equivalents of $60.2 million.

OUTSTANDING SHARE DATA
The Company is authorized to issue an unlimited number of common shares. Employees have been granted both performance share units as well as options to purchase common shares under the Company's shareholder-approved equity compensation plans. The number of shares reserved for issuance under the performance share unit plan and stock option plan is equal to 10 percent of the Company's issued and outstanding common shares. As at April 26, 2019, the Company had issued and outstanding 144,586,072 common shares, 732,253 equity-based performance share units and 10,690,819 options to purchase common shares.

SUMMARY OF QUARTERLY RESULTS

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Three Months Ended	Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018	Sep. 30, 2018	Dec. 31, 2018	**Mar 31, 2019**
(C$000s, except per share and operating data)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
(unaudited)								
Financial								
Revenue	325,344	448,090	485,456	582,838	544,602	630,128	498,858	**475,012**
Operating income(1)	36,740	78,196	44,789	67,974	66,528	115,331	61,992	**43,623**
Per share – basic	0.27	0.57	0.32	0.47	0.46	0.80	0.43	**0.30**
Per share – diluted	0.27	0.57	0.31	0.46	0.45	0.79	0.42	**0.30**
Adjusted EBITDA(1)	39,913	81,113	49,213	72,953	81,910	111,631	62,914	**44,086**
Per share – basic	0.29	0.59	0.35	0.51	0.57	0.77	0.44	**0.31**
Per share – diluted	0.29	0.59	0.34	0.50	0.56	0.76	0.43	**0.30**
Net income (loss) attributable to the shareholders of Calfrac	(20,349)	7,822	38,013	3,234	(32,838)	14,878	(3,462)	**(36,334)**
Per share – basic	(0.15)	0.06	0.27	0.02	(0.23)	0.10	(0.02)	**(0.25)**
Per share – diluted	(0.15)	0.06	0.26	0.02	(0.23)	0.10	(0.02)	**(0.25)**
Capital expenditures	22,358	22,093	34,518	51,334	42,404	34,542	31,484	**28,218**
Working capital (end of period)	293,411	334,606	327,049	360,654	361,613	386,843	329,871	**276,785**
Total equity (end of period)	463,180	477,188	543,645	546,018	507,607	516,899	513,820	**481,675**
Operating (end of period)								
Active pumping horsepower (000s)	874	1,057	1,115	1,259	1,313	1,344	1,328	**1,344**
Idle pumping horsepower (000s)	443	338	280	134	80	49	42	**36**
Total pumping horsepower (000s)	1,317	1,395	1,395	1,393	1,393	1,393	1,370	**1,380**
Active coiled tubing units (#)	21	21	21	22	22	22	22	**21**
Idle coiled tubing units (#)	11	11	9	8	8	8	7	**8**
Total coiled tubing units (#)	32	32	30	30	30	30	29	**29**
Active cementing units (#)	12	12	12	12	11	11	11	**11**
Idle cementing units (#)	13	13	11	11	12	12	12	**12**
Total cementing units (#)	25	25	23	23	23	23	23	**23**

(1) With the adoption of IFRS 16, the accounting treatment for operating leases when Calfrac is the lessee, changed effective January 1, 2019. Calfrac adopted IFRS 16 using the modified retrospective approach and the comparative information was not restated. As a result, the Company's 2019 Operating Income and Adjusted EBITDA are not comparable to periods prior to January 1, 2019. Refer to "Non-GAAP Measures" on pages 16 and 17 for further information.

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 (refer to "Business Risks - Seasonality" in the 2018 Annual Report).

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 (refer to "Business Risks - Fluctuations in Foreign Exchange Rates" in the 2018 Annual Report).

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 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 indenture pursuant to which its senior notes were issued, and its ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events (including exposure 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 effect unconventional gas projects have had on supply and demand fundamentals for natural gas 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: excess oilfield equipment levels; regional competition; the availability of capital on satisfactory terms; restrictions resulting from compliance with debt covenants and risk of acceleration of indebtedness; direct and indirect exposure to volatile credit markets, including credit rating risk; currency exchange rate risk; risks associated with foreign operations; 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; 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 and risks associated with prior operations; failure to maintain the Company's safety standards and record; failure to realize anticipated benefits of acquisitions and dispositions; the ability to integrate technological advances and match advances from competitors; intellectual property risks; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; and the effect of accounting pronouncements issued periodically. 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, which are specifically incorporated by reference herein. The Annual Information Form is 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 411 - 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E3, or at www.calfrac.com, or by facsimile at 403-266-7381.

NON-GAAP MEASURES

With the adoption of IFRS 16, the accounting treatment for operating leases when Calfrac is the lessee, changed effective January 1, 2019. Calfrac adopted IFRS 16 using the modified retrospective approach and the comparative information was not restated. As a result, the Company's 2019 operating income and adjusted EBITDA are not comparable to periods prior to January 1, 2019.

Certain supplementary measures presented in this MD&A 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, 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. In addition, management believes this measure allows investors to more accurately compare the Company's performance with its peers by providing an indication of its financial results prior to consideration of the age or size of its asset base, or the investment and accounting policies associated with its assets. Operating income (loss) for the period was calculated as follows:

Three Months Ended March 31,	**2019**	2018
(C$000s)	***($)***	*($)*
(unaudited)		
Net (loss) income	**(36,334)**	1,096
Add back (deduct):		
Depreciation	**61,528**	38,281
Foreign exchange losses	**513**	678
Loss on disposal of property, plant and equipment	**10,135**	7,773
Interest	**21,230**	20,754
Income taxes	**(13,449)**	(608)
Operating income	**43,623**	67,974

Adjusted EBITDA is defined as net income or loss for the period less interest, taxes, depreciation and amortization, unrealized foreign exchange losses (gains), non-cash stock-based compensation, non-controlling interest, and gains and losses that are extraordinary or non-recurring. Adjusted EBITDA is presented because it gives an indication of the results from the Company's principal business activities prior to consideration of how its activities are financed and the impact of foreign exchange, taxation and depreciation and amortization charges. Adjusted EBITDA for the period was calculated as follows:

Three Months Ended March 31,	**2019**	2018
(C$000s)		
(unaudited)		
Net (loss) income	**(36,334)**	1,096
Add back (deduct):		
Depreciation	**61,528**	38,281
Unrealized foreign exchange losses	**144**	1,041
Loss on disposal of property, plant and equipment	**10,135**	7,773
Impairment of inventory	—	579
Restructuring charges	**20**	768
Stock-based compensation	**812**	1,131
Losses attributable to non-controlling interest	—	2,138
Interest	**21,230**	20,754
Income taxes	**(13,449)**	(608)
Adjusted EBITDA	**44,086**	72,953

(1) For bank covenant purposes, EBITDA includes an additional $5.8 million of lease payments that would have been recorded as operating expenses prior to the adoption of IFRS 16.

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.

FIRST QUARTER CONFERENCE CALL

Calfrac will be conducting a conference call for interested analysts, brokers, investors and news media representatives to review its 2019 first-quarter results at 10:00 a.m. (Mountain Time) on Wednesday, May 1, 2019. 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 3958399). A webcast of the conference call may be accessed via the Company's website at www.calfrac.com.

CONSOLIDATED BALANCE SHEETS

	March 31, 2019	December 31, 2018
(C$000s) (unaudited)	***($)***	*($)*
ASSETS		
Current assets		
Cash and cash equivalents	**60,164**	51,901
Accounts receivable	**310,013**	349,431
Income taxes recoverable	**95**	582
Inventories	**142,601**	150,123
Prepaid expenses and deposits	**14,892**	17,527
	527,765	569,564
Non-current assets		
Property, plant and equipment	**1,066,932**	1,116,677
Right-of-use assets (note 5)	**39,439**	—
Deferred income tax assets	**105,172**	96,416
Total assets	**1,739,308**	1,782,657
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**234,439**	239,507
Current portion of lease obligations (note 5)	**16,541**	186
	250,980	239,693
Non-current liabilities		
Long-term debt (note 2)	**952,384**	989,614
Lease obligations (note 5)	**22,515**	552
Deferred income tax liabilities	**31,754**	38,978
Total liabilities	**1,257,633**	1,268,837
Equity attributable to the shareholders of Calfrac		
Capital stock (note 3)	**509,015**	508,276
Contributed surplus	**40,550**	40,453
Loan receivable for purchase of common shares	**(2,500)**	(2,500)
Accumulated deficit	**(65,305)**	(28,971)
Accumulated other comprehensive loss	**(85)**	(3,438)
Total equity	**481,675**	513,820
Total liabilities and equity	**1,739,308**	1,782,657

Contingencies (note 7)
See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended March 31,	2019	2018
(C$000s, except per share data) (unaudited)	***($)***	*($)*
Revenue	**475,012**	582,838
Cost of sales	**473,713**	528,387
Gross profit	**1,299**	54,451
Expenses		
Selling, general and administrative	**19,204**	24,758
Foreign exchange losses	**513**	678
Loss on disposal of property, plant and equipment	**10,135**	7,773
Interest	**21,230**	20,754
	51,082	53,963
(Loss) income before income tax	**(49,783)**	488
Income tax expense (recovery)		
Current	**1,645**	250
Deferred	**(15,094)**	(858)
	(13,449)	(608)
Net (loss) income	**(36,334)**	1,096
Net (loss) income attributable to:		
Shareholders of Calfrac	**(36,334)**	3,234
Non-controlling interest	**—**	(2,138)
	(36,334)	1,096
(Loss) earnings per share (note 3)		
Basic	**(0.25)**	0.02
Diluted	**(0.25)**	0.02

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Three Months Ended March 31,	2019	2018
(C$000s) (unaudited)	***($)***	*($)*
Net (loss) income	**(36,334)**	1,096
Other comprehensive (loss) income		
Items that may be subsequently reclassified to profit or loss:		
Change in foreign currency translation adjustment	**3,353**	(323)
Comprehensive (loss) income	**(32,981)**	773
Comprehensive (loss) income attributable to:		
Shareholders of Calfrac	**(32,981)**	2,902
Non-controlling interest	**—**	(2,129)
	(32,981)	773

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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	Equity Attributable to the Shareholders of Calfrac						
	Share Capital	Contributed Surplus	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total	Non Controlling Interest
(C$000s) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Balance – Jan. 1, 2019	**508,276**	**40,453**	**(2,500)**	**(3,438)**	**(28,971)**	**513,820**	**—**
Net loss	—	—	—	—	(36,334)	(36,334)	—
Other comprehensive income (loss):							
Cumulative translation adjustment	—	—	—	3,353	—	3,353	—
Comprehensive income (loss)	—	—	—	3,353	(36,334)	(32,981)	—
Stock options:							
Stock-based compensation recognized (note 4)	—	611	—	—	—	611	—
Proceeds from issuance of shares (note 3)	32	(7)	—	—	–	25	—
Performance share units:							
Stock-based compensation recognized (note 4)	—	200	—	—	—	200	—
Shares issued (note 3)	707	(707)				—	
Balance – Mar. 31, 2019	**509,015**	**40,550**	**(2,500)**	**(85)**	**(65,305)**	**481,675**	**—**
Balance – Jan. 1, 2018	501,456	35,094	(2,500)	2,728	21,268	558,046	(14,401)
Net income (loss)	—	—	—	—	3,234	3,234	(2,138)
Other comprehensive income (loss):							

Cumulative translation adjustment	—	—	—	(332)	—	(332)	9
Comprehensive income (loss)	—	—	—	(332)	3,234	2,902	(2,129)
Stock options:							
Stock-based compensation recognized (note 4)	—	1,056	—	—	—	1,056	—
Proceeds from issuance of shares	627	(158)	—	—	—	469	—
Performance share units:							
Stock-based compensation recognized (note 4)	—	75	—	—	—	75	—
Balance – Mar. 31, 2018	502,083	36,067	(2,500)	2,396	24,502	562,548	(16,530)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31,	**2019**	2018
(C$000s) (unaudited)	***($)***	*($)*
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net (loss) income	**(36,334)**	1,096
Adjusted for the following:		
Depreciation	**61,528**	38,281
Stock-based compensation	**812**	1,131
Unrealized foreign exchange losses	**144**	1,041
Loss on disposal of property, plant and equipment	**10,135**	7,773
Interest	**21,230**	20,754
Interest paid	**(1,573)**	(4,614)
Deferred income taxes	**(15,094)**	(858)
Changes in items of working capital	**31,900**	(72,837)
Cash flows provided by (used in) operating activities	**72,748**	(8,233)
FINANCING ACTIVITIES		
Issuance of long-term debt, net of debt issuance costs	**(1,192)**	29,481
Long-term debt repayments	**(20,000)**	(624)
Lease obligation principal repayments	**(5,371)**	(43)
Proceeds on issuance of common shares	**25**	469
Cash flows (used in) provided by financing activities	**(26,538)**	29,283
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(33,013)**	(49,221)
Proceeds on disposal of property, plant and equipment	**(2,812)**	1,921
Other	**—**	(7)
Cash flows used in investing activities	**(35,825)**	(47,307)
Effect of exchange rate changes on cash and cash equivalents	**(2,122)**	3,704
Increase (decrease) in cash and cash equivalents	**8,263**	(22,553)
Cash and cash equivalents, beginning of period	**51,901**	52,749
Cash and cash equivalents, end of period	**60,164**	30,196

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2019 and 2018

(Amounts in text and tables are in thousands of Canadian dollars, except share data and certain other exceptions as indicated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements.

For purposes of calculating income taxes during interim periods, the Company utilizes estimated annualized income tax rates. Current income tax expense is only recognized when taxable income is such that current income tax becomes payable.

(a) Changes in Accounting Policies and Disclosure

The IASB issued IFRS 16 *Leases*, which requires that lessees recognize lease liabilities and right-of-use (ROU) assets related to its lease commitments on the balance sheet. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

In accordance with the transition provisions in IFRS 16, the Company elected to adopt the new standard using the modified retrospective approach by recognizing the cumulative effect of initially applying the new standard on January 1, 2019 using the simplified right-of-use asset measurement method. Comparatives for the prior reporting period are not restated, as permitted under the specific transitional provisions in the standard. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The associated ROU asset is measured at the lease liability amount on January 1, 2019, resulting in no adjustment to the opening balance of retained earnings.

The Company elected to use the following practical expedients permitted under the new standard:

- Leases with a remaining lease term of twelve months or less as at January 1, 2019 are

considered short-term leases. As such, payments for such leases will be expensed as incurred.
- Leases of low dollar value based on the value of the asset when it is new, regardless of the age of the asset, will be expensed as incurred.

Several key judgments and estimates were made such as assessing whether an arrangement contains a lease, determining the lease term, calculating the incremental borrowing rate and whether to account for the lease and any non-lease components as a single lease component.

The Company is subject to financial covenants relating to working capital, leverage and the generation of cash flow in respect of its operating and revolving credit facilities. The adoption of IFRS 16 has no impact on the Company's reported bank covenants as the effects of the new standard are excluded from the covenant calculations.

See note 5 for further information on leases.

(b) Changes in Accounting Estimates

Depreciation of the Company's property, plant and equipment incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, thereby affecting the value of the Company's property, plant and equipment.

Effective January 1, 2019, the Company revised its useful life depreciation estimate and salvage value for certain of its components relating to field equipment. This change was adopted as a change in accounting estimate on a prospective basis, which resulted in a one-time depreciation charge of $9,540 to the statement of operations for the three months ended March 31, 2019.

2. LONG-TERM DEBT

	March 31, 2019	December 31, 2018
(C$000s)	***($)***	*($)*
US$650,000 senior unsecured notes due June 15, 2026, bearing interest at 8.50% payable semi-annually	**868,595**	886,730
$347,500 extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company	**100,000**	120,000
Less: unamortized debt issuance costs	**(16,211)**	(17,116)
	952,384	989,614

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at March 31, 2019, was $670,321 (December 31, 2018 – $661,492). The carrying value of the revolving term loan facility approximates its fair value as the interest rate is not significantly different from current interest rates for similar loans.

On May 30, 2018, the Company closed a private offering of US$650,000 aggregate principal amount of its 8.50 percent senior notes due 2026. Fixed interest on the notes is payable on June 15 and December 15 of each year. The notes will mature on June 15, 2026, and provide the Company with the option to redeem up to 10 percent of the aggregate principal amount of the notes at a redemption price of 108.50 percent of the principal amount with the proceeds of asset sales at any time prior to December 15, 2019. The Company used a portion of the net proceeds from the offering of the notes to repay all of its outstanding 7.50 percent senior notes due 2020. The early repayment of these notes resulted in a make-whole interest payment of $10,403 and the write-off of the remaining $5,023 unamortized deferred finance costs, recorded during 2018.

On May 31, 2018, the Company repaid in full the remaining $196,500 principal amount of its second lien senior secured term loan facility. The term loan, which had a maturity date of September 30, 2020, provided the Company the right to prepay the loan prior to June 10, 2018 with a nominal prepayment premium. The repayment of the second lien senior secured term loan facility resulted in the write-off of the remaining unamortized deferred finance costs of $5,787, recorded during 2018.

Subsequent to March 31, 2019, the Company amended and extended its credit facilities while maintaining its total facility capacity at $375,000. The facilities consist of an operating facility of $40,000 and a revolving term loan facility of $335,000. The Company's credit facilities were extended by a term of two years and mature on June 1, 2022 and can be extended by one or more years at the Company's request and lenders' acceptance. The Company also may 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 0.50 percent to prime plus 2.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 3.50 percent above the respective base rates. The accordion feature of the revolving term loan facility remains at $100,000, and is available to the Company during the term of the agreement. The Company incurs interest at the high end of the ranges outlined above 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 would apply including the following: (a) acquisitions will be subject to majority lender consent; and (b) distributions will be restricted other than those relating to the Company's share unit plans; and no increase in the rate of dividends will be permitted. As at March 31, 2019, the Company's net Total Debt to Adjusted EBITDA ratio was 3.10:1.00.

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 three months ended March 31, 2019 was $20,726 (three months ended March 31, 2018 – $20,690).

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

	2019
(C$000s)	*($)*
Balance, January 1	989,614
Issuance of long-term debt, net of debt issuance costs	(1,192)
Long-term debt repayments	(20,000)

Amortization of debt issuance costs and debt discount	1,768
Foreign exchange adjustments	(17,806)
Balance, March 31	952,384

At March 31, 2019, the Company had utilized $869 of its loan facility for letters of credit and had $100,000 outstanding under its revolving term loan facility, leaving $274,131 in available credit, subject to a monthly borrowing base, as determined using the previous month's results, which at March 31, 2019, when calculated on a proforma basis for the amendments made subsequent to the first quarter, resulted in a liquidity amount of $246,319.

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

3. CAPITAL STOCK
Authorized capital stock consists of an unlimited number of common shares.

	Three Months Ended March 31, 2019		Year Ended December 31, 2018	
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	***($000s)***	*(#)*	*($000s)*
Balance, beginning of period	**144,462,532**	**508,276**	143,755,741	501,456
Issued upon exercise of stock options	**12,425**	**32**	483,974	1,820
Issued upon vesting of performance share units	**104,865**	**707**	—	—
Issued on acquisition	**—**	**—**	222,817	1,250
Balance, end of period	**144,579,822**	**509,015**	144,462,532	504,526
Shares to be issued	**668,449**	**3,750**	668,449	3,750
	145,248,271	**512,765**	145,130,981	508,276

The weighted average number of common shares outstanding for the three months ended March 31, 2019 was 144,404,051 basic and 146,238,510 diluted (three months ended March 31, 2018 – 143,722,349 basic and 146,623,676 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 4, and the shares to be issued.

4. SHARE-BASED PAYMENTS
(a) Stock Options

Three Months Ended March 31,	**2019**		2018	
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	***($)***	*(#)*	*($)*
Balance, January 1	**9,392,095**	**4.70**	9,616,173	5.30
Granted during the period	**1,542,000**	**2.48**	1,356,150	5.78
Exercised for common shares	**(12,425)**	**1.99**	(172,950)	2.71
Forfeited	**(239,401)**	**3.94**	(207,248)	5.06
Expired	**(5,200)**	**18.02**	(95,250)	12.56
Balance, March 31	**10,677,069**	**4.39**	10,496,875	5.34

Stock options vest equally over three to four years and expire five years from the date of grant. The exercise price of outstanding options range from $1.34 to $20.81 with a weighted average remaining life of 2.70 years. When stock options are exercised, the proceeds together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

The weighted average fair value of options granted during 2019, determined using the Black-Scholes valuation method, was $1.02 per option (three months ended March 31, 2018 – $2.54 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

Three Months Ended March 31,	**2019**	2018
Expected life (years)	**3.00**	3.00
Expected volatility	**59.83%**	64.72%
Risk-free interest rate	**1.75%**	1.82%
Expected dividends	**$0.00**	$0.00

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

(b) Share Units

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Three Months Ended March 31,	**2019**			2018		
Continuity of Stock Units	**Deferred Share Units**	**Performance Share Units**	**Restricted Share Units**	Deferred Share Units	Performance Share Units	Restricted Share Units
	(#)	***(#)***	***(#)***	*(#)*	*(#)*	*(#)*
Balance, January 1	**145,000**	**1,108,300**	**3,139,150**	145,000	683,665	4,275,183
Granted during the period	**145,000**	**1,098,368**	**—**	145,000	737,200	—
Exercised	**(145,000)**	**(244,683)**	**(1,998,600)**	(145,000)	—	(876,683)

Forfeited	**—**	**(44,969)**	**(54,700)**	—	(10,000)	(76,300)
Balance, March 31	**145,000**	**1,917,016**	**1,085,850**	145,000	1,410,865	3,322,200

Three Months Ended March 31,	2019	2018
	($)	*($)*
Expense from:		
Stock options	**611**	1,056
Deferred share units	**112**	250
Performance share units	**765**	718
Restricted share units	**783**	3,067
Total stock-based compensation expense	**2,271**	5,091

Stock-based compensation expense is included in selling, general and administrative expenses.

The Company grants deferred share units to its outside directors. These units vest in November of the year 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 March 31, 2019, the liability pertaining to deferred share units was $81 (December 31, 2018 – $354).

The Company grants performance share units to a senior officer. These performance share units contain a cash-based component and an equity-based component. The cash-based component vests over three years based on corporate financial performance thresholds and are settled either in cash (equal to the market value of the underlying shares at the time of vesting) or in Company shares purchased on the open market. The equity-based component vests over three years without any further conditions and are settled in treasury shares issued by the Company. At March 31, 2019, the liability pertaining to performance share units was $1,107 (December 31, 2018 – $761).

In 2018, the Company expanded its performance share unit plan to its employees. These performance share units contain a cash-based component and an equity-based component. The cash-based component vests over three years based on corporate financial performance thresholds and are settled either in cash (equal to the market value of the underlying shares at the time of vesting) or in Company shares purchased on the open market. The equity-based component vests over three years without any further conditions and are settled in treasury shares issued by the Company. At March 31, 2019, the liability pertaining to the cash-based component of performance share units was $231 (December 31, 2018 – $200).

Prior to 2018, the Company granted restricted share units to its employees. These units vest over three years 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 restricted share units is recognized over the vesting period, based on the current market price of the Company's shares. At March 31, 2019, the liability pertaining to restricted share units was $909 (December 31, 2018 – $3,158).

Changes in the Company's obligations under the deferred, performance and restricted 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.

5. LEASES

The Company's leasing activities comprise of: buildings and various field equipment including railcars and motor vehicle leases.

From January 1, 2019, leases are recognized as a right-of-use (ROU) asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability (principal) and interest. The interest is charged to the statement of operations over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company recognizes a ROU asset at cost consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of any restoration costs and any initial direct costs incurred by the lessee. The provision for any restoration costs is recognized as a separate liability as set out in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The Company recognizes a lease liability equal to the present value of the lease payments during the lease term that are not yet paid. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense in the statement of operations. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise I.T. equipment and small items of office equipment.

On initial application of IFRS 16 on January 1, 2019, the Company recorded ROU assets and lease obligations of $44,917 on the balance sheet. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.31 percent.

The following table summarizes the reconciliation between the Company's operating lease commitments as at December 31, 2018 to the lease obligations recognized on January 1, 2019 upon the adoption of IFRS 16.

(C$000s)	*($)*
Operating lease commitments disclosed as at December 31, 2018	34,564
Add: leases disclosed as purchase obligations as at December 31, 2018	14,667
Less: leases that do not meet the definition of a lease under IFRS 16	(9,259)
Less: low-value leases recognized as an expense	(857)
Less: short-term leases recognized as an expense	(540)
Add: residual value guarantees on leases	8,801
Less: discounted using the Company's incremental borrowing rate at January 1, 2019	(3,197)
Add: finance lease obligations recognized as at December 31, 2018	738
Lease liability recognized as at January 1, 2019	**44,917**
Current lease liability	24,318
Non-current lease liability	20,599

Lease liability recognized as at January 1, 2019	44,917

The recognized right-of-use assets relate to the following types of assets:

	March 31, 2019	January 1, 2019
(C$000s)	***($)***	*($)*
Buildings	**9,665**	11,215
Field equipment	**29,774**	33,702
	39,439	44,917

For the three months ended March 31, 2019, depreciation expense on right-of-use assets was $5,037.

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, adjust dividends, if any, paid to shareholders, issue new shares or new debt or repay existing debt.

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,	**March 31, 2019**	December 31, 2018
(C$000s)	***($)***	*($)*
Net income	**(63,607)**	(26,177)
Adjusted for the following:		
Depreciation	**183,565**	160,318
Foreign exchange losses	**37,882**	38,047
Loss on disposal of property, plant and equipment	**32,679**	30,317
Impairment of property, plant and equipment	**115**	115
Impairment of inventory	**7,167**	7,167
Interest	**107,106**	106,630
Income taxes	**(17,433)**	(4,592)
Operating income	**287,474**	311,825

Net debt for this purpose is calculated as follows:

As at	**March 31, 2019**	December 31, 2018
(C$000s)	***($)***	*($)*
Long-term debt, net of debt issuance costs and debt discount (note 2)	**952,384**	989,614
Lease obligations	**39,056**	738
Less: cash and cash equivalents	**(60,164)**	(51,901)
Net debt	**931,276**	938,451

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 March 31, 2019, the net debt to operating income ratio was 3.24:1 (December 31, 2018 – 3.01:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended	**March 31, 2019**	December 31, 2018
(C$000s, except ratio)	***($)***	*($)*
Net debt	**931,276**	938,451
Operating income	**287,474**	311,825
Net debt to operating income ratio	**3.24:1**	3.01:1

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. At March 31, 2019 and December 31, 2018, the Company was in compliance with its covenants with respect to its credit facilities.

As at March 31,	Covenant 2019	**Actual 2019**
Working capital ratio not to fall below	**1.15x**	**2.25x**
Funded Debt to Adjusted EBITDA not to exceed(1)(2)	**3.00x**	**0.15x**

Funded Debt to Capitalization not to exceed[(1)(3)]	**0.30x**	**0.03x**

[(1)] Funded Debt is defined as Total Debt excluding all outstanding senior unsecured 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, non-controlling interest, and gains and losses that are extraordinary or non-recurring.

[(3)] Capitalization is Total Debt plus equity attributable to the shareholders of Calfrac.

Adjusted EBITDA is defined as net income or loss for the period less interest, taxes, depreciation and amortization, unrealized foreign exchange losses (gains), non-cash stock-based compensation, non-controlling interest, and gains and losses that are extraordinary or non-recurring. Adjusted EBITDA is presented because it gives an indication of the results from the Company's principal business activities prior to consideration of how its activities are financed and the impact of foreign exchange, taxation and depreciation and amortization charges. Adjusted EBITDA for the period was calculated as follows:

For the Three Months Ended March 31,	**2019**	2018
(C$000s)	***($)***	*($)*
Net (loss) income	**(36,334)**	1,096
Add back (deduct):		
Depreciation	**61,528**	38,281
Unrealized foreign exchange losses	**144**	1,041
Loss on disposal of property, plant and equipment	**10,135**	7,773
Impairment of inventory	—	579
Restructuring charges	**20**	768
Stock-based compensation	**812**	1,131
Losses attributable to non-controlling interest	—	2,138
Interest	**21,230**	20,754
Income taxes	**(13,449)**	(608)
Adjusted EBITDA	**44,086**	72,953

[(1)] For bank covenant purposes, EBITDA includes an additional $5,843 of lease payments 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 indenture governing the senior unsecured notes contains restrictions on the Company's ability to pay dividends, purchase and redeem shares of the Company, and make certain restricted investments in circumstances where

i. the Company is in default under the indenture or the making of such payment would result in a default;
ii. the Company is not meeting the Fixed Charge Coverage Ratio[(1)] under the indenture of at least 2:1 for the most recent four fiscal quarters; or
iii. there is insufficient room for such payment within a builder basket included in the indenture.

[(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 indenture as net income (loss) attributable to the shareholders of Calfrac 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. As at March 31, 2019, this basket was not utilized.

The indenture also restricts the incurrence of 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, including the incurrence of additional debt under credit facilities up to the greater of $375,000 or 30 percent of the Company's consolidated tangible assets.

As at March 31, 2019, the Company's Fixed Charge Coverage Ratio of 3.51:1 was higher than the required 2:1 ratio and the aforementioned prohibitions will not be applicable as long as the Company remains above this ratio.

The Company has measures in place to ensure that it has sufficient liquidity to navigate the cyclical nature of the oilfield services sector and safeguard the Company's ability to continue as a going concern. The Company negotiated amendments to its credit facilities to provide increased financial flexibility. These amendments include an "Equity Cure" feature pursuant to which proceeds from equity offerings may be applied as both an adjustment in the calculation of Adjusted EBITDA and as a reduction of Funded Debt towards the Funded Debt to Adjusted EBITDA ratio 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.

In addition, to the extent that proceeds from an equity offering are used as part of the Equity Cure, such proceeds are included in the calculation of the Company's borrowing base.

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 $10,270 (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 has been 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. Oppositions have been filed on behalf of the Company in respect of each of these orders which oppose the orders on the basis that they were improperly issued and are barred from a statute of limitations perspective. The salaries in arrears sought to be recovered through these orders are part of the $10,270 (6,846 euros) cited above and the interest being sought in respect of these orders is part of the $27,454 (18,300 euros) cited below. Provisional orders granting a temporary suspension of any enforcement proceedings have been granted in respect of all of the orders that have been served. The order served on March 24, 2015 was heard on November 24, 2015 and a decision was issued on November 25, 2016 accepting the Company's opposition on the basis that no lawful service of Judgment No 4528/2008 had taken place until the filing of the opponents' petition and/or the issuance of the payment order. The plaintiffs have filed an appeal against the above decision which was heard on October 16, 2018 and a decision in respect of this appeal is currently pending. A hearing in respect of the order served on November 23, 2015 took place on October 31, 2018 and a decision in respect of such order is currently pending. A hearing in respect of the orders served in December of 2015 scheduled for September 20, 2016 was adjourned until November 21, 2016 and two decisions were issued on January 9, 2017 accepting the Company's oppositions on a statute of limitations basis. The plaintiffs filed appeals against the above decisions which were heard on October 16, 2018 and decisions in respect of such appeals are pending.

NAPC is also the subject of a claim for approximately $4,294 (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 $867 (578 euros), amounted to $27,454 (18,300 euros) as at March 31, 2019.

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.

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	Canada	**United States**	**Russia**	**Argentina**	**Corporate**	**Consolidated**
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Three Months Ended March 31, 2019						
Revenue	**131,395**	**259,125**	**29,078**	**55,414**	**—**	**475,012**
Operating income (loss)(1)	**13,726**	**37,744**	**(2,776)**	**4,855**	**(9,926)**	**43,623**
Segmented assets	**566,199**	**916,136**	**107,339**	**149,634**	**—**	**1,739,308**
Capital expenditures	**3,921**	**19,428**	**2,179**	**2,690**	**—**	**28,218**
Three Months Ended March 31, 2018						
Revenue	189,728	315,980	31,235	45,895	—	582,838
Operating income (loss)(1)	31,710	53,249	(958)	(3,018)	(13,009)	67,974
Segmented assets	649,582	970,698	117,662	168,997	—	1,906,939

Capital expenditures	12,122	37,582	69	1,561	—	51,334

(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, impairment of inventory, impairment of property, plant and equipment, interest, and income taxes.

Three Months Ended March 31,	**2019**	2018
(C$000s)	***($)***	*($)*
Net (loss) income	**(36,334)**	1,096
Add back (deduct):		
Depreciation	**61,528**	38,281
Foreign exchange losses	**513**	678
Loss on disposal of property, plant and equipment	**10,135**	7,773
Interest	**21,230**	20,754
Income taxes	**(13,449)**	(608)
Operating income	**43,623**	67,974

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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