/C O R R E C T I O N from Source -- Calfrac Well Services Ltd./

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In the news release, Calfrac Announces 2019 Second Quarter Results, issued 01-Aug-2019 by Calfrac Well Services Ltd. over CNW, we are advised by the company that figures in the Statement of Operations and Statement of Cash Flows have been amended, as well as figures in Capital Structure and Segmented Information under Notes to the Consolidated Financial Statements. The complete, corrected release follows:

Calfrac Announces 2019 Second Quarter Results

CALGARY, Aug. 1, 2019 /CNW/ - **Calfrac Well Services Ltd. ("Calfrac" or "the Company") (TSX-CFW)** announces its financial and operating results for the three and six months ended June 30, 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 June 30,			**Six Months Ended June 30,**		
	2019	2018	Change	**2019**	2018	Change
(C$000s, except per share and unit data)	***($)***	*($)*	*(%)*	***($)***	*($)*	*(%)*
(unaudited)						
Revenue	**429,638**	544,602	(21)	**904,650**	1,127,440	(20)
Operating income[1]	**41,103**	66,528	(38)	**84,726**	134,502	(37)
Per share – basic	**0.28**	0.46	(39)	**0.59**	0.94	(37)
Per share – diluted	**0.28**	0.45	(38)	**0.58**	0.92	(37)
Adjusted EBITDA[1]	**45,123**	81,910	(45)	**89,209**	154,863	(42)
Per share – basic	**0.31**	0.57	(46)	**0.62**	1.08	(43)
Per share – diluted	**0.31**	0.56	(45)	**0.61**	1.06	(42)
Net loss attributable to the shareholders of Calfrac before foreign exchange gains or losses[2]	**(41,831)**	(14,571)	NM	**(76,936)**	(12,666)	NM
Per share – basic	**(0.29)**	(0.10)	NM	**(0.53)**	(0.09)	NM
Per share – diluted	**(0.29)**	(0.10)	NM	**(0.53)**	(0.09)	NM
Net loss attributable to the shareholders of Calfrac	**(41,045)**	(32,838)	25	**(77,379)**	(29,604)	NM
Per share – basic	**(0.28)**	(0.23)	22	**(0.54)**	(0.21)	NM
Per share – diluted	**(0.28)**	(0.23)	22	**(0.54)**	(0.21)	NM
Working capital (end of period)				**291,056**	361,613	(20)
Total equity (end of period)				**443,361**	507,607	(13)
Weighted average common shares outstanding (000s)						
Basic	**144,456**	143,911	—	**144,430**	143,817	—
Diluted	**146,070**	146,715	—	**146,148**	146,673	—

(1) Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.

(2) Net income (loss) attributable to the shareholders of Calfrac before foreign exchange (FX) gains or losses is 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.

PRESIDENT'S MESSAGE

Calfrac's President and Chief Operating Officer, Lindsay Link commented on the results: "I would like to congratulate everyone at Calfrac for their efforts in delivering the results achieved in the second quarter. While market conditions in North America remain challenging, our team remains focused on delivering safe and high quality service to our clients while prudently managing costs and capital. Our Canadian operations exceeded our expectations during spring break-up due to the hard work of the entire division."

During the quarter, Calfrac:

- pumped nearly 1.0 million tons of sand and completed 7,733 fracturing stages in North America;
- executed the extension of the Company's revolving credit facility, now maturing in June 2022; and
- completed the acquisition of additional fracturing equipment in Argentina.

CONSOLIDATED HIGHLIGHTS

Three Months Ended June 30,	**2019**	2018	Change
(C$000s, except operational information) (unaudited)	***($)***	*($)*	*(%)*
Revenue	**429,638**	544,602	(21)
Expenses			
Operating	**371,368**	453,751	(18)
Selling, general and administrative (SG&A)	**17,167**	24,323	(29)
	388,535	478,074	(19)
Operating income(1)	**41,103**	66,528	(38)
Operating income (%)	**9.6**	12.2	(21)
Adjusted EBITDA(1)	**45,123**	81,910	(45)
Adjusted EBITDA (%)	**10.5**	15.0	(30)
Fracturing revenue per job ($)	**44,767**	46,830	(4)
Number of fracturing jobs	**8,852**	10,817	(18)
Active pumping horsepower, end of period (000s)	**1,346**	1,313	3
Idle pumping horsepower, end of period (000s)	**59**	80	(26)
Total pumping horsepower, end of period (000s)	**1,405**	1,393	1
Coiled tubing revenue per job ($)	**22,339**	30,189	(26)
Number of coiled tubing jobs	**823**	876	(6)
Active coiled tubing units, end of period (#)	**21**	22	(5)
Idle coiled tubing units, end of period (#)	**8**	8	—
Total coiled tubing units, end of period (#)	**29**	30	(3)
Cementing revenue per job ($)	**41,595**	47,290	(12)
Number of cementing jobs	**134**	68	97
Active cementing units, end of period (#)	**14**	11	27
Idle cementing units, end of period (#)	**9**	12	(25)
Total cementing units, end of period (#)	**23**	23	—

(1) *Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.*

Revenue in the second quarter of 2019 was $429.6 million, a decrease of 21 percent from the same period in 2018. The Company's fracturing job count decreased by 18 percent while consolidated revenue per fracturing job decreased by 4 percent. The number of cementing jobs increased by 97 percent due to higher cementing activity in all operating areas where Calfrac provides cementing services, while coiled tubing activity was 6 percent lower due to a reduction of activity in Russia and Canada.

Despite having 3 percent more active fracturing capacity, Calfrac's capital allocation, head count and operating cost structure were much more closely aligned with the 18 percent decline in job count seen compared to the prior year.

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

Adjusted EBITDA of $45.1 million for the second quarter of 2019 decreased from $81.9 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 $41.0 million or $0.28 per share diluted compared to a net loss of $32.8 million or $0.23 per share diluted in the same period last year. The second quarter of 2019 included higher depreciation of $14.4 million primarily due to a change in depreciation policy and the adoption of IFRS 16.

Three Months Ended	**June 30, 2019**	March 31, 2019	Change
(C$000s, except operational information) (unaudited)	***($)***	*($)*	*(%)*
Revenue	**429,638**	475,012	(10)
Expenses			
Operating	**371,368**	412,185	(10)
SG&A	**17,167**	19,204	(11)
	388,535	431,389	(10)

Operating income[1]	**41,103**	43,623	(6)
Operating income (%)	**9.6**	9.2	4
Adjusted EBITDA[1]	**45,123**	44,086	2
Adjusted EBITDA (%)	**10.5**	9.3	13
Fracturing revenue per job ($)	**44,767**	33,093	35
Number of fracturing jobs	**8,852**	13,100	(32)
Active pumping horsepower, end of period (000s)	**1,346**	1,344	—
Idle pumping horsepower, end of period (000s)	**59**	36	64
Total pumping horsepower, end of period (000s)	**1,405**	1,380	2
Coiled tubing revenue per job ($)	**22,339**	30,463	(27)
Number of coiled tubing jobs	**823**	843	(2)
Active coiled tubing units, end of period (#)	**21**	21	—
Idle coiled tubing units, end of period (#)	**8**	8	—
Total coiled tubing units, end of period (#)	**29**	29	—
Cementing revenue per job ($)	**41,595**	39,389	6
Number of cementing jobs	**134**	118	14
Active cementing units, end of period (#)	**14**	11	27
Idle cementing units, end of period (#)	**9**	12	(25)
Total cementing units, end of period (#)	**23**	23	—

(1) *Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.*

Revenue in the second quarter of 2019 was $429.6 million, a decrease of 10 percent from the first quarter of 2019, primarily due to lower fracturing activity in Canada resulting from the normal seasonal slowdown during spring break-up. Revenue in the United States, Russia and Argentina was relatively flat on a sequential basis. Revenue per fracturing job increased by 35 percent as a result of job mix in Canada and Argentina.

In Canada, second-quarter revenue decreased by 33 percent from the first quarter to $88.4 million. The second quarter began at a slow pace as spring break-up conditions and reduced customer spending impacted operations in April and May while activity increased significantly in June. Operating income as a percentage of revenue was 9 percent compared to 10 percent in the first quarter as the Company was able to reduce its cost structure to preserve operating margins at lower activity levels.

In the United States, revenue in the second quarter of 2019 was consistent with the first quarter at $259.1 million as pricing appears to have stabilized. The U.S. division's operating income margin remained consistent at 14.3 percent in the second quarter compared to 14.6 percent in the first quarter of 2019.

In Russia, revenue of $28.7 million in the second quarter of 2019 was consistent with the first quarter while profitability improved on lower operating costs due to seasonal effects.

In Argentina, revenue in the second quarter of 2019 decreased by 4 percent from the first quarter to $53.4 million, while operating income decreased to $3.8 million from $4.9 million in the first quarter. The reduction in operating income was due to higher district overhead and SG&A costs during the second quarter relating to higher personnel costs.

BUSINESS UPDATE AND OUTLOOK

Calfrac's second-quarter results reflect the challenging market conditions facing the Company in all of its operating divisions. Lower utilization in the United States and Argentina impacted the Company's consolidated financial performance during the second quarter, as did an industry slowdown in Russia resulting from some short term egress challenges. Calfrac's Canadian operations were affected by normal spring break-up conditions, but proactive cost management significantly reduced the impacts associated with this seasonal slowdown and the current ongoing market challenges.

CANADA

In Canada, activity in the second quarter was largely in line with expectations, with activity increasing significantly in June. Profitability exceeded expectations due mainly to the excellent work of the divisional management team in managing costs through periods of lower activity, including a change to field personnel work schedules at the beginning of the second quarter which is expected to be maintained until market conditions improve.

Throughout the first half of the year, a number of key clients in Calfrac's Canadian division were spending at a slower pace than anticipated; however, certain of these customers have indicated that activity will increase in the second half of the year. This activity is expected to utilize a significant portion of the Company's active Canadian equipment in the upcoming months.

In general, Calfrac expects activity in Canada to trend below levels seen in 2018, but with a significant industry reduction in available pumping equipment, the market appears near balance and pricing is not anticipated to decrease from current levels. The Company is currently participating in a large number of bids for 2020, which will provide further insight into activity for the year ahead.

Although the Canadian marketplace is significantly smaller than in 2018, Calfrac's market position and client relationships are valuable assets to the Company over the long term. Calfrac has meaningfully reduced its internal and input cost structure, including significant efficiencies from key components of its supply chain, and has redeployed and idled horsepower in response to the material pricing degradation experienced over the past three quarters. While these actions have helped mitigate the effects of unsustainable pricing levels in the Canadian market, significant pricing improvement must be realized in order to generate acceptable rates of return and to ensure that the oilfield services industry is positioned to meet the long-term needs of its customer base. Accordingly and with a view to maintaining the sustainability of the Canadian fracturing market, Calfrac does not intend to add capacity to its Canadian operation until market conditions improve significantly from current levels.

UNITED STATES

Activity during the second quarter was expected to improve from the first quarter as weather impacts abated, but several fleets were impacted by unplanned idle periods that were communicated to the Company on relatively short notice. While a portion of the crews were redeployed to assist other fleets, the loss of pumping days offset the improved operating conditions in North Dakota and Pennsylvania.

The Company has secured work which should support higher levels of activity in the third and fourth quarters, with particular strength in North Dakota, Pennsylvania and South Texas, but has warm-stacked one fleet in each of Artesia and Grand Junction to better align Calfrac's footprint with expected work volumes in those basins.

With oil prices expected to average approximately US$55 per barrel for the foreseeable future, the Company expects activity to remain consistent into 2020, and as a result, pricing is not expected to change materially from current levels.

RUSSIA
Calfrac's operations in Russia fell sequentially as industry activity slowed considerably in connection with a temporary reduction of pipeline egress capacity. Although market participants are working to address these issues, the Company does not expect a material improvement in activity in the third quarter. However, cost control measures and improved utilization for active equipment are expected to result in improved financial results despite the weakened market conditions.

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

The Company has executed a change in client mix in its shale fracturing operation, having substituted a customer on an expiring contract with another major player in the Vaca Muerta shale formation. Producer activity throughout the remainder of 2019 is becoming increasingly uncertain, driven by volatile commodity prices and the upcoming October elections in Argentina. This uncertainty has impacted larger scale programs, but the Company has experienced higher demand for cementing and coiled tubing operations across the country, as well as fracturing services in more conventional reservoirs. The Company believes that the long term growth potential of the Vaca Muerta remains compelling and could be a catalyst for significant fracturing demand growth in Argentina going forward.

CORPORATE
Calfrac remains focused on managing costs and capital expenditures and ensuring the Company's operating footprint is appropriately sized to deliver optimum cash flow despite market challenges.

FINANCIAL OVERVIEW – THREE MONTHS ENDED JUNE 30, 2019 VERSUS 2018

CANADA

Three Months Ended June 30,	**2019**	2018	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**88,420**	131,872	(33)
Expenses			
Operating	**78,195**	117,439	(33)
SG&A	**2,116**	3,283	(36)
	80,311	120,722	(33)
Operating income(1)	**8,109**	11,150	(27)
Operating income (%)	**9.2**	8.5	8
Fracturing revenue per job ($)	**27,343**	26,618	3
Number of fracturing jobs	**2,875**	4,478	(36)
Active pumping horsepower, end of period (000s)	**257**	322	(20)
Idle pumping horsepower, end of period (000s)	**49**	33	48
Total pumping horsepower, end of period (000s)	**306**	355	(14)
Coiled tubing revenue per job ($)	**15,430**	20,223	(24)
Number of coiled tubing jobs	**598**	624	(4)
Active coiled tubing units, end of period (#)	**11**	11	—
Idle coiled tubing units, end of period (#)	**3**	4	(25)
Total coiled tubing units, end of period (#)	**14**	15	(7)

(1) *Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.*

REVENUE
Revenue from Calfrac's Canadian operations during the second quarter of 2019 was $88.4 million compared to $131.9 million in the same period of 2018 primarily due to lower activity and pricing. In the second quarter of 2019, the number of fracturing jobs was 36 percent lower than the comparable period in 2018 due to lower industry activity and certain Calfrac customers completing fewer large pad jobs during the spring break-up period. Revenue per job increased 3 percent due to favourable job mix, partially offset by lower pricing. The number of coiled tubing jobs decreased by 4 percent from the second quarter in 2018, while revenue per job decreased by 24 percent due to job mix.

OPERATING INCOME
Operating income in Canada during the second quarter of 2019 was $8.1 million compared to $11.2 million in the same period of 2018. The decrease in operating income was due to the lower revenue base and pricing as compared to the same quarter in 2018. The Company made the decision to suspend operations for one fleet at the beginning of 2019 based on weaker demand for its fracturing services and reduced its fixed cost structure accordingly. In addition, the Canadian division revised its field work schedule during the second quarter in order to better align costs with the expected level of activity, which helped maintain profitability through the spring break-up period. Pricing was lower compared to the second quarter in 2018. However, the impact was partially mitigated by reductions in logistical and material costs. The reported operating income was impacted positively 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 second quarter of 2019. In addition, the $1.2 million decrease in SG&A expenses compared to the second quarter in 2018 was primarily due to a lower bonus accrual being recorded in the second quarter of 2019.

UNITED STATES

Three Months Ended June 30,	**2019**	2018	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**259,085**	342,036	(24)
Expenses			
Operating	**218,215**	268,407	(19)
SG&A	**3,820**	4,605	(17)
	222,035	273,012	(19)
Operating income(1)	**37,050**	69,024	(46)
Operating income (%)	**14.3**	20.2	(29)
Fracturing revenue per job ($)	**47,469**	58,298	(19)
Number of fracturing jobs	**5,458**	5,845	(7)

Active pumping horsepower, end of period (000s)	**877**	806	9
Idle pumping horsepower, end of period (000s)	**10**	47	(79)
Total pumping horsepower, end of period (000s)	**887**	853	4
Active coiled tubing units, end of period (#)	**—**	—	—
Idle coiled tubing units, end of period (#)	**2**	2	—
Total coiled tubing units, end of period (#)	**2**	2	—
Active cementing units, end of period (#)	**—**	—	—
Idle cementing units, end of period (#)	**9**	10	(10)
Total cementing units, end of period (#)	**9**	10	(10)
US$/C$ average exchange rate(2)	**1.3377**	1.2911	4

(1) *Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.*

(2) *Source: Bank of Canada.*

REVENUE

Revenue from Calfrac's United States operations decreased to $259.1 million during the second quarter of 2019 from $342.0 million in the comparable quarter of 2018 due to lower pricing and a 7 percent decrease in the number of fracturing jobs completed period-over-period. The number of jobs completed in Colorado decreased relative to the same period in 2018 as a result of the Company transferring a crew to San Antonio, which resulted in higher activity but did not fully offset revenue as the new customer provided its own sand. Oil and natural gas takeaway capacity constraints in the Permian basin continued to negatively impact activity for the Company's Artesia operations during the quarter as the total number of jobs completed by Calfrac was lower by 51 percent year-over-year. These declines were partially offset by an increase in activity in Pennsylvania, North Dakota and South Texas. The 19 percent decrease in revenue per job year-over-year was primarily due to lower pricing ranging from 5 to 10 percent across all of the Company's operating areas, combined with the impact of job mix and certain customers providing their own sand. The 4 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 $37.1 million during the second quarter of 2019 compared to $69.0 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 similar operating footprint and fixed cost structure. Overall activity was 7 percent lower, which impacted utilization levels and efficiencies. Activity in Artesia and North Dakota experienced more unplanned scheduling gaps than in the same period in 2018, which resulted in lower utilization of Calfrac's active equipment operating in those areas. Operating results in the second 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 positively impacted by the adoption of IFRS 16 at the beginning of 2019, which resulted in $3.4 million of lease payments no longer being recognized as operating costs during the second quarter of 2019. SG&A expenses decreased by 17 percent primarily due to a lower bonus accrual recorded in the quarter.

RUSSIA

Three Months Ended June 30,	**2019**	2018	Change
(C$000s, except operational and exchange rate information) (unaudited)	***($)***	*($)*	*(%)*
Revenue	**28,704**	25,025	15
Expenses			
Operating	**27,776**	25,069	11
SG&A	**807**	751	7
	28,583	25,820	11
Operating income (loss)(1)	**121**	(795)	NM
Operating income (loss) (%)	**0.4**	(3.2)	NM
Fracturing revenue per job ($)	**85,291**	81,392	5
Number of fracturing jobs	**300**	256	17
Pumping horsepower, end of period (000s)	**77**	77	—
Coiled tubing revenue per job ($)	**44,518**	39,894	12
Number of coiled tubing jobs	**70**	105	(33)
Active coiled tubing units, end of period (#)	**4**	6	(33)
Idle coiled tubing units, end of period (#)	**3**	1	200
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate(2)	**0.0207**	0.0208	—

(1) *Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.*

(2) *Source: Bank of Canada.*

REVENUE

Revenue from Calfrac's Russian operations increased by 15 percent during the second quarter of 2019 to $28.7 million from $25.0 million in the corresponding three-month period of 2018. The increase in revenue was attributable to higher activity with its primary customer in Khanty-Mansiysk as the Company focused its operations in this area. However, the number of jobs completed was lower than expected as industry activity slowed considerably in connection with a temporary reduction in pipeline egress capacity. Revenue per fracturing job increased by 5 percent primarily due to sand being provided by Calfrac for all of its jobs while the comparable period included some jobs where sand was provided by customers. Coiled tubing activity decreased by 33 percent, primarily due to lower utilization than expected with one of Calfrac's customers.

OPERATING INCOME (LOSS)

The Company's Russian division generated an operating income of $0.1 million during the second quarter of 2019 versus a loss of $0.8 million in the comparable quarter in 2018. The improvement in operating results was derived from slightly improved utilization, combined with cost control measures that resulted in lower personnel and fuel costs. The second quarter experienced lower activity for both fracturing and coiled tubing services with Calfrac's major customer in Western Siberia being impacted by the issues associated with the contamination of the Transneft pipeline network.

ARGENTINA

Three Months Ended June 30,	2019	2018	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**53,429**	45,669	17
Expenses			
Operating	**46,250**	41,221	12
SG&A	**3,386**	2,367	43
	49,636	43,588	14
Operating income(1)	**3,793**	2,081	82
Operating income (%)	**7.1**	4.6	54
Active pumping horsepower, end of period (000s)	**135**	108	25
Idle pumping horsepower, end of period (000s)	**—**	—	—
Total pumping horsepower, end of period (000s)	**135**	108	25
Active cementing units, end of period (#)	**14**	11	27
Idle cementing units, end of period (#)	**—**	2	(100)
Total cementing units, end of period (#)	**14**	13	8
Active coiled tubing units, end of period (#)	**6**	5	20
Idle coiled tubing units, end of period (#)	**—**	1	(100)
Total coiled tubing units, end of period (#)	**6**	6	—
US$/C$ average exchange rate(2)	**1.3377**	1.2911	4

(1) *Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.*

(2) *Source: Bank of Canada and Bloomberg.*

REVENUE
Calfrac's Argentinean operations generated total revenue of $53.4 million during the second quarter of 2019 compared to $45.7 million in the second quarter in 2018. Revenue in Argentina was 17 percent higher than the comparable quarter primarily due to a higher average revenue per job as the mix of jobs was weighted more towards unconventional fracturing activity in the Vaca Muerta, while conventional activity in the south was lower quarter-over-quarter. Cementing revenue also improved as the Company experienced fewer labour-related disruptions in the second quarter of 2019 than it did in the comparable quarter in 2018. Coiled tubing revenue decreased from the second quarter in 2018 as activity was weighted to lower margin contract work in 2019 compared to higher margin call-out work in 2018.

OPERATING INCOME
The Company's operations in Argentina generated operating income of $3.8 million during the second quarter of 2019 compared to $2.1 million during the second quarter in 2018. The Company was able to generate higher 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 $1.0 million higher during the second quarter in 2019 compared to the second quarter in 2018 due to higher personnel costs combined with additional fees associated with a new exploration contract that was executed during the quarter.

CORPORATE

Three Months Ended June 30,	2019	2018	Change
(C$000s)	***($)***	*($)*	*(%)*
(unaudited)			
Expenses			
Operating	**932**	1,615	(42)
SG&A	**7,038**	13,317	(47)
	7,970	14,932	(47)
Operating loss(1)	**(7,970)**	(14,932)	(47)
% of Revenue	**1.9**	2.7	(30)

(1) *Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.*

OPERATING LOSS
Corporate expenses for the second quarter of 2019 were $8.0 million compared to $14.9 million in the second quarter of 2018. The decrease was primarily due to lower stock-based compensation expense and a lower bonus provision when compared to the same period in 2018. The reduction in stock-based compensation was mainly due to a lower share price and fewer 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 June 30, 2019, depreciation expense increased by $14.4 million to $61.5 million from $47.1 million in the corresponding quarter of 2018. The increase was primarily due to the Company decreasing its useful life estimates and salvage values, effective January 1, 2019, for certain components of its fracturing equipment. Higher depreciation on these components, combined with additions during the quarter, increased depreciation expense by $10.0 million. In addition, the adoption of IFRS 16 at the beginning of 2019 resulted in a $5.8 million increase to depreciation expense. The 4 percent appreciation in the U.S. dollar relative to the Canadian dollar also contributed to the increase in reported depreciation expense.

During the second quarter of 2019, the Company revised its policy regarding the derecognition of major components relating to field equipment. The change in accounting policy was adopted on a retrospective basis, with each prior period presented in the statements of operations being restated to reflect the change. The change in policy resulted in $5.4 million of loss on disposal of property, plant and equipment being reclassified to depreciation expense on the statement of operations for the three months ended June 30, 2019 (three months ended June 30, 2018 – $8.1 million).

FOREIGN EXCHANGE GAINS AND LOSSES
The Company recorded a foreign exchange loss of $0.9 million during the second quarter of 2019 versus a loss of $32.5 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 second 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 $21.5 million for the second quarter of 2019 was $21.6 million lower than the comparable period in 2018 primarily due to $21.2 million in one-time charges associated with the debt refinancing transactions that were completed in the second quarter in 2018. Excluding these one-time items, interest expense decreased by $0.4 million. The reduction in interest expense was due to 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. This was partially offset by higher reported interest expense on Calfrac's senior notes during the second quarter in 2019 due to a stronger U.S. dollar. Additionally, the adoption of IFRS 16 resulted in a further $0.6 million in interest expense during the second quarter in 2019.

INCOME TAXES
The Company recorded an income tax recovery of $4.6 million during the second quarter of 2019 compared to a recovery of $19.4 million in the comparable period of 2018. The recovery position was the result of pre-tax losses incurred during the quarter, offset partially by a $9.8 million income tax expense related to the planned reduction in the Alberta corporate tax rates, which reduced the deferred tax asset.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Sep. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018	Sep. 30, 2018	Dec. 31, 2018	Mar 31, 2019	**Jun. 30, 2019**
(C$000s, except per share and operating data)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
(unaudited)								
Financial								
Revenue	448,090	485,456	582,838	544,602	630,128	498,858	475,012	**429,638**
Operating income(1)	78,196	44,789	67,974	66,528	115,331	61,992	43,623	**41,103**
Per share – basic	0.57	0.32	0.47	0.46	0.80	0.43	0.30	**0.28**
Per share – diluted	0.57	0.31	0.46	0.45	0.79	0.42	0.30	**0.28**
Adjusted EBITDA(1)	81,113	49,213	72,953	81,910	111,631	62,914	44,086	**45,123**
Per share – basic	0.59	0.35	0.51	0.57	0.77	0.44	0.31	**0.31**
Per share – diluted	0.59	0.34	0.50	0.56	0.76	0.43	0.30	**0.31**
Net income (loss) attributable to the shareholders of Calfrac	7,822	38,013	3,234	(32,838)	14,878	(3,462)	(36,334)	**(41,045)**
Per share – basic	0.06	0.27	0.02	(0.23)	0.10	(0.02)	(0.25)	**(0.28)**
Per share – diluted	0.06	0.26	0.02	(0.23)	0.10	(0.02)	(0.25)	**(0.28)**
Capital expenditures	22,093	34,518	51,334	42,404	34,542	31,484	28,218	**37,784**
Working capital (end of period)	334,606	327,049	360,654	361,613	386,843	329,871	276,785	**291,056**
Total equity (end of period)	477,188	543,645	546,018	507,607	516,899	513,820	481,675	**443,361**
Operating (end of period)								
Active pumping horsepower (000s)	1,057	1,115	1,259	1,313	1,344	1,328	1,344	**1,346**
Idle pumping horsepower (000s)	338	280	134	80	49	42	36	**59**
Total pumping horsepower (000s)	1,395	1,395	1,393	1,393	1,393	1,370	1,380	**1,405**
Active coiled tubing units (#)	21	21	22	22	22	22	21	**21**
Idle coiled tubing units (#)	11	9	8	8	8	7	8	**8**
Total coiled tubing units (#)	32	30	30	30	30	29	29	**29**
Active cementing units (#)	12	12	12	11	11	11	11	**14**
Idle cementing units (#)	13	11	11	12	12	12	12	**9**
Total cementing units (#)	25	23	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 19 and 20 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).

FINANCIAL OVERVIEW – SIX MONTHS ENDED JUNE 30, 2019 VERSUS 2018

CANADA

Six Months Ended June 30,	**2019**	2018	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**219,815**	321,600	(32)
Expenses			
Operating	**192,863**	271,881	(29)
Selling, general and administrative (SG&A)	**5,117**	6,859	(25)
	197,980	278,740	(29)
Operating income(1)	**21,835**	42,860	(49)
Operating income (%)	**9.9**	13.3	(26)

Fracturing revenue per job ($)	**18,765**	21,762	(14)
Number of fracturing jobs	**10,349**	13,408	(23)
Active pumping horsepower, end of period (000s)	**257**	322	(20)
Idle pumping horsepower, end of period (000s)	**49**	33	48
Total pumping horsepower, end of period (000s)	**306**	355	(14)
Coiled tubing revenue per job ($)	**20,023**	22,891	(13)
Number of coiled tubing jobs	**1,200**	1,119	7
Active coiled tubing units, end of period (#)	**11**	11	—
Idle coiled tubing units, end of period (#)	**3**	4	(25)
Total coiled tubing units, end of period (#)	**14**	15	(7)

(1) *Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.*

REVENUE

Revenue from Calfrac's Canadian operations during the first six months in 2019 was $219.8 million versus $321.6 million in the comparable period in 2018. Through the first half of the year, a number of key clients in Calfrac's Canadian division were less active compared to 2018, as takeaway capacity issues impacted spending plans. The number of fracturing jobs decreased by 23 percent, while revenue per fracturing job decreased by 14 percent from the prior year, primarily due to lower pricing and job mix.

OPERATING INCOME

The Company's Canadian division generated operating income of $21.8 million during the first six months in 2019 compared to $42.9 million in the same period in 2018. The decrease was due to lower pricing and utilization, combined with a reduced operating footprint. Despite the lower revenue base, the Company was able to deliver a 10 percent operating income margin through its focus on controlling operating costs during periods of lower activity. The Canadian division idled one fleet at the beginning of 2019 and revised its field work schedule during the second quarter in order to better align with expected activity levels, which helped maintain profitability through the first half of the year. The reported operating income was positively impacted by the adoption of IFRS 16 at the beginning of 2019, which resulted in $4.5 million of lease payments no longer being recognized as operating costs during the second quarter of 2019. In addition, the $1.7 million reduction in SG&A expenses compared to 2018 was primarily due to headcount reductions and a lower annual bonus provision.

UNITED STATES

Six Months Ended June 30,	**2019**	2018	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**518,210**	658,016	(21)
Expenses			
Operating	**434,929**	526,013	(17)
SG&A	**8,487**	9,730	(13)
	443,416	535,743	(17)
Operating income(1)	**74,794**	122,273	(39)
Operating income (%)	**14.4**	18.6	(23)
Fracturing revenue per job ($)	**49,080**	58,798	(17)
Number of fracturing jobs	**10,553**	11,154	(5)
Active pumping horsepower, end of period (000s)	**877**	806	9
Idle pumping horsepower, end of period (000s)	**10**	47	(79)
Total pumping horsepower, end of period (000s)	**887**	853	4
Active coiled tubing units, end of period (#)	**—**	—	—
Idle coiled tubing units, end of period (#)	**2**	2	—
Total coiled tubing units, end of period (#)	**2**	2	—
Active cementing units, end of period (#)	**—**	—	—
Idle cementing units, end of period (#)	**9**	10	(10)
Total cementing units, end of period (#)	**9**	10	(10)
US$/C$ average exchange rate(2)	**1.3336**	1.2779	4

(1) *Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.*

(2) *Source: Bank of Canada.*

REVENUE

Revenue from Calfrac's United States operations decreased to $518.2 million during the first six months in 2019 from $658.0 million in the comparable period in 2018, primarily due to lower pricing and fracturing activity. Completions activity in the United States decreased during the first half of 2019 as customers continued to focus on spending within operating cash flows. As a result, the number of fracturing jobs completed declined by 5 percent period-over-period, with lower activity in Artesia and Colorado being partially offset by higher activity in Pennsylvania, North Dakota and San Antonio. Revenue per job decreased 17 percent due to lower pricing, combined with the impact of job mix and certain customers providing their own sand.

OPERATING INCOME

The Company's United States division generated operating income of $74.8 million during the first six months in 2019 compared to $122.3 million in the comparable period in 2018. The 39 percent decrease was primarily the result of lower pricing and utilization of active equipment. Although the Company had 17 active fleets available during the first six months of 2019, only an average of 14 active crews were utilized during that period. The lower utilization levels were primarily associated with Calfrac's Texas operations, and to a lesser extent North Dakota, as extreme weather impacted customer activity during the first quarter in that operating region. The prior year's operating results included $10.0 million of reactivation costs during the first six months in 2018, while 2019 did not include any of such costs. The reported operating income was also positively impacted by the adoption of IFRS 16 at the beginning of 2019, which resulted in $7.0 million of lease payments no longer being recognized as operating costs during the first half of 2019. SG&A expenses decreased by 13 percent primarily due to a lower bonus provision recorded in the first half of 2019.

RUSSIA

Six Months Ended June 30,	**2019**	2018	Change

(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**57,782**	56,260	3
Expenses			
Operating	**58,642**	56,386	4
SG&A	**1,795**	1,627	10
	60,437	58,013	4
Operating loss[1]	**(2,655)**	(1,753)	51
Operating loss (%)	**(4.6)**	(3.1)	48
Fracturing revenue per job ($)	**87,257**	84,827	3
Number of fracturing jobs	**590**	561	5
Pumping horsepower, end of period (000s)	**77**	77	—
Coiled tubing revenue per job ($)	**44,059**	38,716	14
Number of coiled tubing jobs	**143**	224	(36)
Active coiled tubing units, end of period (#)	**4**	6	(33)
Idle coiled tubing units, end of period (#)	**3**	1	—
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate[2]	**0.0204**	0.0215	(5)

(1) Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.
(2) Source: Bank of Canada.

REVENUE
Revenue from Calfrac's Russian operations during the first six months in 2019 increased by 3 percent to $57.8 million from $56.3 million in the comparable period in 2018. The increase in revenue, which is generated in roubles, was mostly related to higher fracturing activity and larger jobs sizes, offset partially by a 36 percent reduction in coiled tubing activity, combined with the 5 percent depreciation of the Russian rouble in the first six months of 2019 versus 2018. Revenue per fracturing job was 3 percent higher than the comparable period in 2018 due to proppant being provided for all jobs completed with a major customer for the full period in 2019. The Company idled two coiled tubing units during the first half of 2019 to align with activity levels.

OPERATING LOSS
The Company's Russia division incurred an operating loss of $2.7 million during the first half of 2019 compared to a loss of $1.8 million in the same period in 2018, primarily due to higher operating costs during the first quarter in 2019. Calfrac's operations in the first quarter of 2019 were impacted by 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 first quarter and incurred mobilization costs to transfer equipment to Khanty-Mansiysk to work for an existing customer in that region. The second quarter experienced lower activity for both fracturing and coiled tubing services with Calfrac's major customer in Western Siberia being impacted by the issues associated with the contamination of the Transneft pipeline network.

ARGENTINA

Six Months Ended June 30,	**2019**	2018	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**108,843**	91,564	19
Expenses			
Operating	**94,736**	86,784	9
SG&A	**5,459**	5,717	(5)
	100,195	92,501	8
Operating income (loss)[1]	**8,648**	(937)	NM
Operating income (loss) (%)	**7.9**	(1.0)	NM
Active pumping horsepower, end of period (000s)	**135**	108	25
Idle pumping horsepower, end of period (000s)	**—**	—	—
Total pumping horsepower, end of period (000s)	**135**	108	25
Active cementing units, end of period (#)	**14**	11	27
Idle cementing units, end of period (#)	**—**	2	(100)
Total cementing units, end of period (#)	**14**	13	8
Active coiled tubing units, end of period (#)	**6**	5	20
Idle coiled tubing units, end of period (#)	**—**	1	(100)
Total coiled tubing units, end of period (#)	**6**	6	—
US$/C$ average exchange rate[2]	**1.3336**	1.2779	4

(1) Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.
(2) Source: Bank of Canada and Bloomberg.

REVENUE
Calfrac's Argentinean operations generated total revenue of $108.8 million during the first six months in 2019 versus $91.6 million in the same period in 2018. The 19 percent improvement in year-over-year revenue was primarily due to higher fracturing activity in the Vaca Muerta shale play and a significant improvement in cementing activity. This was partially offset by lower coiled tubing revenue, as activity was weighted to lower margin contract work in 2019 compared to higher margin call-out work in 2018.

OPERATING INCOME (LOSS)
The Company's operations in Argentina generated operating income of $8.6 million in the first half of 2019 compared to a loss of $0.9 million in the comparable period in 2018. The Company has continued to improve its operating margins throughout the transition to unconventional operations in Argentina mainly due to improved utilization and a focus on reducing costs.

CORPORATE

Six Months Ended June 30,	2019	2018	Change
(C$000s)	***($)***	*($)*	*(%)*
(unaudited)			
Expenses			
Operating	**2,383**	2,793	(15)
SG&A	**15,513**	25,148	(38)
	17,896	27,941	(36)
Operating loss[(1)]	**(17,896)**	(27,941)	(36)
% of Revenue	**2.0**	2.5	(20)

(1) Refer to "Non-GAAP Measures" on pages 19 and 20 for further information.

OPERATING LOSS

Corporate expenses during the first six months in 2019 were $17.9 million compared to $27.9 million in the comparable period in 2018. The decrease was primarily due to lower stock-based compensation expense and a lower bonus provision when compared to the same period in 2018. The reduction in stock-based compensation was mainly due to a lower share price and fewer 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

Depreciation expense for the first six months in 2019 increased by $40.5 million to $133.6 million from $93.1 million in the comparable period in 2018. The increase was primarily due to the Company decreasing its useful life estimates and salvage values, effective January 1, 2019, for certain components of its fracturing equipment. This resulted in a one-time depreciation charge of $9.5 million during the first quarter 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 first half of 2019, increased depreciation expense by a further $17.1 million. In addition, the adoption of IFRS 16 at the beginning of 2019 resulted in a $10.8 million increase to depreciation expense. The 4 percent appreciation in the U.S. dollar relative to the Canadian dollar also contributed to the increase in reported depreciation expense.

Effective April 1, 2019, the Company revised its policy regarding the derecognition of major components relating to field equipment. The change in accounting policy was adopted on a retrospective basis, with each prior period presented in the statements of operations being restated to reflect the change. The change in policy resulted in $16.0 million of loss on disposal of property, plant and equipment being reclassified to depreciation expense on the statement of operations for the three months ended June 30, 2019 (three months ended June 30, 2018 – $15.8 million).

FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange loss of $1.4 million during the first six months in 2019 versus a loss of $33.1 million in the same period in 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 and Argentina, 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 six months in 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 period.

INTEREST

The Company's interest expense of $42.7 million during the first six months in 2019 was $21.1 million lower than the comparable period in 2018, primarily due to $21.2 million in one-time charges associated with the debt refinancing transactions that were completed in the second quarter in 2018. Excluding these one-time items interest expense was consistent with the same period in 2018.

INCOME TAXES

The Company recorded an income tax recovery of $18.1 million during the first six month in 2019 compared to a recovery of $20.0 million in the comparable period in 2018. The recovery position was primarily the result of pre-tax losses, offset partially by a $9.8 million income tax expense related to the planned reduction in the Alberta corporate tax rates, which reduced the Company's deferred tax asset.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2019	2018	**2019**	2018
(C$000s)	***($)***	*($)*	***($)***	*($)*
(unaudited)				
Cash provided by (used in):				
Operating activities	**(11,587)**	22,718	**61,161**	14,485
Financing activities	**30,732**	9,799	**4,194**	39,082
Investing activities	**(34,121)**	(33,650)	**(69,946)**	(80,957)
Effect of exchange rate changes on cash and cash equivalents	**(3,995)**	(16,057)	**(6,117)**	(12,353)
Decrease in cash and cash equivalents	**(18,971)**	(17,190)	**(10,708)**	(39,743)

OPERATING ACTIVITIES

The Company's cash used by operating activities for the three months ended June 30, 2019 was $11.6 million versus cash provided of $22.7 million in the second quarter of 2018. The reduction in cash from operations was primarily due to weaker operating results in the United States in the second quarter of 2019. At June 30, 2019, Calfrac's working capital was approximately $291.1 million compared to $329.9 million at December 31, 2018.

FINANCING ACTIVITIES

Net cash provided by financing activities for the three months ended June 30, 2019 was $30.7 million compared to cash provided of $9.8 million in the comparable period in 2018. During the three months ended June 30, 2019, the Company had net borrowings under its credit facilities of $35.8 million, proceeds from the issuance of common shares of $0.2 million, and lease principal payments of $5.2 million.

On April 30, 2019, 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 may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 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 (c) no increase in the rate of dividends will be permitted. As at June 30, 2019, the Company's net Total Debt to Adjusted EBITDA ratio was 3.79:1.00.

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 June 30, 2019, the Company had used $0.8 million of its credit facilities for letters of credit and had $136.2 million of borrowings under its credit facilities, leaving $238.0 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 June 30, 2019 resulted in a liquidity amount of $166.2 million.

As shown in the table below, at June 30, 2019, the Company was in compliance with the financial covenants associated with its credit facilities.

As at June 30,	Covenant 2019	**Actual 2019**
Working capital ratio not to fall below	1.15x	**2.62x**
Funded Debt to Adjusted EBITDA not to exceed(1)(2)	3.00x	**0.42x**
Funded Debt to Capitalization not to exceed(1)(3)	0.30x	**0.08x**

(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.

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 June 30, 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 June 30, 2019, the Company's Fixed Charge Coverage Ratio of 3.08:1 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.

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.

INVESTING ACTIVITIES
Calfrac's net cash used for investing activities was $34.1 million for the three months ended June 30, 2019 versus $33.7 million in the comparable period in 2018. Cash outflows relating to capital expenditures were $36.7 million during the second quarter in 2019 compared to $36.6 million in 2018. In addition to supporting ongoing operations globally, a portion of capital spending in the quarter funded the acquisition of incremental fracturing equipment in Argentina, which improved the Company's footprint and flexibility in the market.

Calfrac's Board of Directors have approved a capital budget of $149.6 million. In addition, approximately $6.4 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 June 30, 2019 was a loss of $4.0 million versus a loss of $16.1 million during the comparable period in 2018. These losses relate to movements of cash and cash equivalents held by the Company in a foreign currency during the period.

With its working capital position, available credit facilities and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2019 and beyond.

At June 30, 2019, the Company had cash and cash equivalents of $41.2 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 July 31, 2019, the Company had issued and outstanding 144,666,072 common shares, 725,626 equity-based performance share units and 10,321,619 options to purchase common shares.

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

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

Operating income (loss) is defined as net income (loss) before depreciation, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, 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 June 30,		**Six Months Ended June 30,**	
	2019	2018	**2019**	2018
(C$000s)	***($)***	*($)*	***($)***	*($)*
(unaudited)				
Net loss	**(41,045)**	(38,689)	**(77,379)**	(37,593)
Add back (deduct):				
Depreciation	**61,490**	47,123	**133,626**	93,135
Foreign exchange losses	**918**	32,471	**1,431**	33,149
Loss (gain) on disposal of property, plant and equipment	**2,907**	(124)	**2,434**	(82)
Impairment of inventory	**—**	2,058	**—**	2,058
Interest	**21,479**	43,060	**42,709**	63,814
Income taxes	**(4,646)**	(19,371)	**(18,095)**	(19,979)
Operating income	**41,103**	66,528	**84,726**	134,502

Certain of the comparatives have been reclassified to conform with the current financial statement presentation (note 1c).

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2019	2018	**2019**	2018
(C$000s)	***($)***	*($)*	***($)***	*($)*
(unaudited)				
Net loss	**(41,045)**	(38,689)	**(77,379)**	(37,593)
Add back (deduct):				
Depreciation	**61,490**	47,123	**133,626**	93,135
Unrealized foreign exchange losses	**1,287**	41,075	**1,431**	42,116
Loss (gain) on disposal of property, plant and equipment	**2,907**	(124)	**2,434**	(82)
Impairment of inventory	**—**	1,479	**—**	2,058
Restructuring charges	**2,455**	11	**2,475**	779
Stock-based compensation	**1,196**	1,495	**2,008**	2,626
Losses attributable to non-controlling interest	**—**	5,851	**—**	7,989
Interest	**21,479**	43,060	**42,709**	63,814
Income taxes	**(4,646)**	(19,371)	**(18,095)**	(19,979)
Adjusted EBITDA(1)	**45,123**	81,910	**89,209**	154,863

(1) For bank covenant purposes, EBITDA includes an additional $11.7 million of lease payments of that would have been recorded as operating expenses prior to the adoption of IFRS
16 on January 1, 2019.

ADDITIONAL INFORMATION

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

SECOND QUARTER CONFERENCE CALL
Calfrac will be conducting a conference call for interested analysts, brokers, investors and news media representatives to review its 2019 second-quarter results at 10:00 a.m. (Mountain Time) on Thursday, August 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 5148338). A webcast of the conference call may be accessed via the Company's website at www.calfrac.com.

CONSOLIDATED BALANCE SHEETS

	June 30, 2019	December 31, 2018
(C$000s) (unaudited)	***($)***	*($)*
ASSETS		
Current assets		
Cash and cash equivalents	**41,193**	51,901
Accounts receivable	**286,958**	349,431
Income taxes recoverable	**2,290**	582
Inventories	**143,392**	150,123
Prepaid expenses and deposits	**21,089**	17,527
	494,922	569,564
Non-current assets		
Property, plant and equipment	**1,029,271**	1,116,677
Right-of-use assets (note 5)	**35,087**	—
Deferred income tax assets	**105,513**	96,416
Total assets	**1,664,793**	1,782,657
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**188,998**	239,507
Current portion of lease obligations (note 5)	**14,868**	186
	203,866	239,693
Non-current liabilities		
Long-term debt (note 2)	**970,896**	989,614
Lease obligations (note 5)	**20,590**	552
Deferred income tax liabilities	**26,080**	38,978
Total liabilities	**1,221,432**	1,268,837
Equity attributable to the shareholders of Calfrac		
Capital stock (note 3)	**509,235**	508,276
Contributed surplus	**41,698**	40,453
Loan receivable for purchase of common shares	**(2,500)**	(2,500)
Accumulated deficit	**(106,350)**	(28,971)
Accumulated other comprehensive income (loss)	**1,278**	(3,438)
Total equity	**443,361**	513,820
Total liabilities and equity	**1,664,793**	1,782,657

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

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2019	2018	**2019**	2018
(C$000s, except per share data) (unaudited)	***($)***	*($)*	***($)***	*($)*
Revenue	**429,638**	544,602	**904,650**	1,127,440
Cost of sales	**432,858**	500,874	**917,179**	1,036,992
Gross (loss) profit	**(3,220)**	43,728	**(12,529)**	90,448
Expenses				
Selling, general and administrative	**17,167**	24,323	**36,371**	49,081
Foreign exchange losses	**918**	32,471	**1,431**	33,149
Loss on disposal of property, plant and equipment	**2,907**	(124)	**2,434**	(82)
Impairment of inventory	**—**	2,058	**—**	2,058
Interest	**21,479**	43,060	**42,709**	63,814
	42,471	101,788	**82,945**	148,020
Loss before income tax	**(45,691)**	(58,060)	**(95,474)**	(57,572)
Income tax expense (recovery)				
Current	**1,003**	(569)	**2,648**	(319)
Deferred	**(5,649)**	(18,802)	**(20,743)**	(19,660)
	(4,646)	(19,371)	**(18,095)**	(19,979)
Net loss	**(41,045)**	(38,689)	**(77,379)**	(37,593)
Net loss attributable to:				
Shareholders of Calfrac	**(41,045)**	(32,838)	**(77,379)**	(29,604)
Non-controlling interest	**—**	(5,851)	**—**	(7,989)
	(41,045)	(38,689)	**(77,379)**	(37,593)
Loss per share (note 3)				
Basic	**(0.28)**	(0.23)	**(0.54)**	(0.21)
Diluted	**(0.28)**	(0.23)	**(0.54)**	(0.21)

See accompanying notes to the consolidated financial statements.

Certain of the comparatives have been reclassified to conform with the current presentation (note 1c).

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	**2019**	2018
(C$000s) (unaudited)	***($)***	*($)*	***($)***	*($)*
Net loss	**(41,045)**	(38,689)	**(77,379)**	(37,593)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustment	**1,363**	(2,061)	**4,716**	(2,384)
Comprehensive loss	**(39,682)**	(40,750)	**(72,663)**	(39,977)
Comprehensive loss attributable to:				
Shareholders of Calfrac	**(39,682)**	(35,883)	**(72,663)**	(32,981)
Non-controlling interest	**—**	(4,867)	**—**	(6,996)
	(39,682)	(40,750)	**(72,663)**	(39,977)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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	**Total Equity**
(C$000s) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
Balance – Jan. 1, 2019	**508,276**	**40,453**	**(2,500)**	**(3,438)**	**(28,971)**	**513,820**	**—**	**513,820**
Net loss	—	—	—	—	(77,379)	(77,379)	—	**(77,379)**
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	4,716	—	4,716	—	**4,716**
Comprehensive income (loss)	—	—	—	4,716	(77,379)	(72,663)	—	**(72,663)**
Stock options:								
Stock-based compensation recognized	—	1,369	—	—	—	1,369	—	**1,369**
Proceeds from issuance of shares (note 3)	252	(56)	—	—	–	196	—	**196**
Performance share units:								
Stock-based compensation recognized	—	639	—	—	—	639	—	**639**
Shares issued (note 3)	707	(707)	—	—	—	—	—	**—**
Balance – Jun. 30, 2019	**509,235**	**41,698**	**(2,500)**	**1,278**	**(106,350)**	**443,361**	**—**	**443,361**
Balance – Jan. 1, 2018	501,456	35,094	(2,500)	2,728	21,268	558,046	(14,401)	543,645
Net loss	—	—	—	—	(29,604)	(29,604)	(7,989)	(37,593)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	(3,377)	—	(3,377)	993	(2,384)
Comprehensive loss	—	—	—	(3,377)	(29,604)	(32,981)	(6,996)	(39,977)
Stock options:								
Stock-based compensation recognized	—	2,205	—	—	—	2,205	—	2,205
Proceeds from issuance of shares	1,748	(435)	—	—	—	1,313	—	1,313
Performance share units:								
Stock-based compensation recognized	—	421	—	—	—	421	—	421
Balance – Jun. 30, 2018	503,204	37,285	(2,500)	(649)	(8,336)	529,004	(21,397)	507,607

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	**2019**	2018
(C$000s) (unaudited)	***($)***	*($)*	***($)***	*($)*
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net loss	**(41,045)**	(38,689)	**(77,379)**	(37,593)
Adjusted for the following:				
Depreciation	**61,490**	47,123	**133,626**	93,135
Stock-based compensation	**1,196**	1,495	**2,008**	2,626
Unrealized foreign exchange losses	**1,287**	41,075	**1,431**	42,116
Loss on disposal of property, plant and equipment	**2,907**	(124)	**2,434**	(82)
Impairment of inventory	**—**	2,058	**—**	2,058

Interest	**21,479**	43,060	**42,709**	63,814
Interest paid	**(38,613)**	(43,224)	**(40,186)**	(47,838)
Deferred income taxes	**(5,649)**	(18,802)	**(20,743)**	(19,660)
Changes in items of working capital	**(14,639)**	(11,254)	**17,261**	(84,091)
Cash flows (used in) provided by operating activities	**(11,587)**	22,718	**61,161**	14,485
FINANCING ACTIVITIES				
Issuance of long-term debt, net of debt issuance costs	**42,350**	1,019,367	**41,158**	1,048,848
Long-term debt repayments	**(6,555)**	(1,010,368)	**(26,555)**	(1,010,992)
Lease obligation principal repayments	**(5,234)**	(44)	**(10,605)**	(87)
Proceeds on issuance of common shares	**171**	844	**196**	1,313
Cash flows provided by financing activities	**30,732**	9,799	**4,194**	39,082
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(36,747)**	(36,553)	**(69,760)**	(85,774)
Proceeds on disposal of property, plant and equipment	**2,626**	2,903	**(186)**	4,824
Other	**—**	—	**—**	(7)
Cash flows used in investing activities	**(34,121)**	(33,650)	**(69,946)**	(80,957)
Effect of exchange rate changes on cash and cash equivalents	**(3,995)**	(16,057)	**(6,117)**	(12,353)
Decrease in cash and cash equivalents	**(18,971)**	(17,190)	**(10,708)**	(39,743)
Cash and cash equivalents, beginning of period	**60,164**	30,196	**51,901**	52,749
Cash and cash equivalents, end of period	**41,193**	13,006	**41,193**	13,006

See accompanying notes to the consolidated financial statements.
Certain of the comparatives have been reclassified to conform with the current presentation (note 1c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three and six months ended June 30, 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 recorded in the first quarter of 2019.

(c) Changes in Accounting Policies

Effective April 1, 2019, the Company revised its policy regarding the derecognition of major components relating to field equipment. The revised policy states that the remaining carrying value of major components derecognized prior to reaching their estimated useful life will be recorded through depreciation on the statement of operations, rather than loss on disposal of property, plant and equipment. This change in presentation is a more appropriate classification of the derecognition of major Calfrac Well Services Ltd. 2019 Second Quarter Press Release 31 components, indicating accelerated depreciation for components that were derecognized prior to reaching their estimated useful life.

The change in accounting policy was adopted on a retrospective basis, with each prior period presented in the statements of operations being restated to reflect the change. The change in policy resulted in $5,387 of loss on disposal of property, plant, and equipment being reclassified to depreciation expense on the statement of operations for the three months ended June 30, 2019 (three months ended June 30, 2018 – $8,115) and $15,995 for the six months ended June 30, 2019 (six months ended June 30, 2018 – $15,846).

2. LONG-TERM DEBT

	June 30, 2019	December 31, 2018
(C$000s)	***($)***	*($)*
US$650,000 senior unsecured notes due June 15, 2026, bearing interest at 8.50% payable semi-annually	**850,655**	886,730
$347,500 extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company	**136,174**	120,000
Less: unamortized debt issuance costs	**(15,933)**	(17,116)
	970,896	989,614

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at June 30, 2019, was $597,560 (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.

On April 30, 2019, Calfrac 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 syndicated 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 may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 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 $100,000, 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 (c) no increase in the rate of dividends will be permitted. As at June 30, 2019, the Company's net Total Debt to Adjusted EBITDA ratio was 3.79:1.00 (December 31, 2018 – 2.92:1:00).

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 six months ended June 30, 2019 was $41,526 (six months ended June 30, 2018 – $64,023).

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	41,158
Long-term debt repayments	(26,555)
Amortization of debt issuance costs and debt discount	2,604
Foreign exchange adjustments	(35,925)
Balance, June 30	970,896

At June 30, 2019, the Company had utilized $851 of its loan facility for letters of credit and had $136,174 outstanding under its revolving term loan facility, leaving $237,975 in available credit, subject to a monthly borrowing base, as determined using the previous month's results, which at June 30, 2019, resulted in liquidity amount of $166,245.

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.

Continuity of Common Shares	**Six Months Ended June 30, 2019**		Year Ended December 31, 2018	
	Shares	**Amount**	Shares	Amount
	(#)	***($000s)***	*(#)*	*($000s)*
Balance, beginning of period	**144,462,532**	**504,526**	143,755,741	501,456
Issued upon exercise of stock options	**98,675**	**252**	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	**144,666,072**	**505,485**	144,462,532	504,526
Shares to be issued	**668,449**	**3,750**	668,449	3,750
	145,334,521	**509,235**	145,130,981	508,276

The weighted average number of common shares outstanding for the three months ended June 30, 2019 was 144,456,281 basic and 146,070,230 diluted (three months ended June 30, 2018 – 143,911,177 basic and 146,715,448 diluted). The weighted average number of common shares outstanding for the six months ended June 30, 2019 was 144,430,310 basic and 146,148,439 diluted (six months ended June 30, 2018 – 143,817,285 basic and 146,673,124 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.

4. SHARE-BASED PAYMENTS

(a) Stock Options

Six Months Ended June 30,	**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	**1,564,300**	**2.49**	1,411,719	5.79
Exercised for common shares	**(98,675)**	**1.99**	(460,999)	2.85
Forfeited	**(496,501)**	**4.94**	(324,398)	5.64
Expired	**(35,000)**	**18.59**	(95,650)	12.56
Balance, June 30	**10,326,219**	**4.33**	10,146,845	5.40

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 2.48 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 (six months ended June 30, 2018 – $2.55 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

Six Months Ended June 30,	**2019**	2018
Expected life (years)	**3.00**	3.00
Expected volatility	**59.16%**	63.54%
Risk-free interest rate	**1.66%**	1.91%
Expected dividends	**$0.00**	$0.00

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

(b) Share Units

Six Months Ended June 30,	**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**	**1,112,531**	**—**	145,000	754,700	—
Exercised	**(145,000)**	**(556,683)**	**(1,998,600)**	(145,000)	(232,249)	(866,933)
Forfeited	**—**	**(62,661)**	**(71,750)**	—	(102,516)	(181,500)
Balance, June 30	**145,000**	**1,601,487**	**1,068,800**	145,000	1,103,600	3,226,750

	Three Months Ended June 30, 2019	2018	**Six Months Ended June 30, 2019**	2018
	($)	*($)*	***($)***	*($)*
Expense (recovery) from:				
Stock options	**758**	1,149	**1,369**	2,205
Deferred share units	**44**	191	**156**	441
Performance share units	**187**	994	**952**	1,712
Restricted share units	**(909)**	2,623	**(126)**	5,690
Total stock-based compensation expense	**80**	4,957	**2,351**	10,048

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 June 30, 2019, the liability pertaining to deferred share units was $126 (December 31, 2018 – $354).

The Company granted performance share units to a former senior officer who has since retired from the Company. 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 June 30, 2019, the liability pertaining to the cash based component of performance share units was $nil (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 June 30, 2019, the liability pertaining to the cash-based component of performance share units was $nil (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 June 30, 2019, the liability pertaining to restricted share units was $nil (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:

	June 30, 2019	January 1, 2019
(C$000s)	***($)***	*($)*
Buildings	**7,815**	11,215
Field equipment	**27,272**	33,702
	35,087	44,917

The following table sets out the movement in the lease obligation for the periods presented:

	2019
(C$000s)	*($)*
Balance, January 1	44,917
Additions	4,990
Disposals/retirements	(2,726)
Principal portion of payments	(10,605)
Foreign exchange adjustments	(1,118)
Balance, June 30	35,458

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,	**June 30, 2019**	December 31, 2018
(C$000s)	***($)***	*($)*
Net loss	**(65,963)**	(26,177)
Adjusted for the following:		
Depreciation	**230,966**	190,475
Foreign exchange losses	**6,329**	38,047
Loss on disposal of property, plant and equipment	**2,676**	160
Impairment of property, plant and equipment	**115**	115
Impairment of inventory	**5,109**	7,167
Interest	**85,525**	106,630
Income taxes	**(2,708)**	(4,592)
Operating income	**262,049**	311,825

Net debt for this purpose is calculated as follows:

As at	**June 30, 2019**	December 31, 2018
(C$000s)	***($)***	*($)*
Long-term debt, net of debt issuance costs and debt discount (note 2)	**970,896**	989,614
Lease obligations	**35,458**	738
Less: cash and cash equivalents	**(41,193)**	(51,901)
Net debt	**965,161**	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 June 30, 2019, the net debt to operating income ratio was 3.68:1 (December 31, 2018 – 3.01:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended	**June 30, 2019**	December 31, 2018
(C$000s, except ratio)	***($)***	*($)*
Net debt	**965,161**	938,451
Operating income	**262,049**	311,825
Net debt to operating income ratio	**3.68:1**	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 June 30, 2019 and December 31, 2018, the Company was in compliance with its covenants with respect to its credit facilities.

As at June 30,	Covenant 2019	**Actual 2019**
Working capital ratio not to fall below	**1.15x**	**2.62x**
Funded Debt to Adjusted EBITDA not to exceed[1][2]	**3.00x**	**0.42x**
Funded Debt to Capitalization not to exceed[1][3]	**0.30x**	**0.08x**

[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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	**2019**	2018
(C$000s)			***($)***	*($)*
Net loss	**(41,045)**	(38,689)	**(77,379)**	(37,593)
Add back (deduct):				
Depreciation	**61,490**	47,123	**133,626**	93,135
Unrealized foreign exchange losses	**1,287**	41,075	**1,431**	42,116
Loss on disposal of property, plant and equipment	**2,907**	(124)	**2,434**	(82)
Impairment of inventory	**—**	1,479	**—**	2,058
Restructuring charges	**2,455**	11	**2,475**	779
Stock-based compensation	**1,196**	1,495	**2,008**	2,626
Losses attributable to non-controlling interest	**—**	5,851	**—**	7,989
Interest	**21,479**	43,060	**42,709**	63,814
Income taxes	**(4,646)**	(19,371)	**(18,095)**	(19,979)
Adjusted EBITDA*(1)*	**45,123**	81,910	**89,209**	154,863

(1) For bank covenant purposes, EBITDA includes an additional $11,657 of lease payments that would have been recorded as operating expenses prior to the adoption of IFRS 16 on January 1, 2019.

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 June 30, 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 June 30, 2019, the Company's Fixed Charge Coverage Ratio of 3.08:1 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 $10,192 (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 $10,192 (6,846 euros) cited above and the interest being sought in respect of these orders is part of the $27,444 (18,435 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 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 was rejected in June 2019. 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 were rejected in June 2019.

NAPC is also the subject of a claim for approximately $4,261 (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 $860 (578 euros), amounted to $27,444 (18,435 euros) as at June 30, 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.

	Canada	**United States**	**Russia**	**Argentina**	**Corporate**	**Consolidated**
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Three Months Ended June 30, 2019						
Revenue	**88,420**	**259,085**	**28,704**	**53,429**	**—**	**429,638**
Operating income (loss)(1)	**8,109**	**37,050**	**121**	**3,793**	**(7,970)**	**41,103**
Segmented assets	**532,981**	**859,519**	**106,178**	**166,115**	**—**	**1,664,793**
Capital expenditures	**6,544**	**19,915**	**274**	**11,051**	**—**	**37,784**
Three Months Ended June 30, 2018						
Revenue	131,872	342,036	25,025	45,669	—	544,602
Operating income (loss)(1)	11,150	69,024	(795)	2,081	(14,932)	66,528
Segmented assets	635,880	965,905	101,248	140,639	—	1,843,672
Capital expenditures	11,807	27,974	1,693	930	—	42,404

	Canada	**United States**	**Russia**	**Argentina**	**Corporate**	**Consolidated**
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Six Months Ended June 30, 2019						
Revenue	**219,815**	**518,210**	**57,782**	**108,843**	**—**	**904,650**
Operating income (loss)(1)	**21,835**	**74,794**	**(2,655)**	**8,648**	**(17,896)**	**84,726**

Segmented assets	**532,981**	**859,519**	**106,178**	**166,115**	**—**	**1,664,793**
Capital expenditures	**10,465**	**39,343**	**2,453**	**13,741**	**—**	**66,002**
Six Months Ended June 30, 2018						
Revenue	321,600	658,016	56,260	91,564	—	1,127,440
Operating income (loss)[(1)]	42,860	122,273	(1,753)	(937)	(27,941)	134,502
Segmented assets	635,880	965,905	101,248	140,639	—	1,843,672
Capital expenditures	23,929	65,556	1,762	2,491	—	93,738

[(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 June 30,		**Six Months Ended June 30,**	
	2019	2018	**2019**	2018
(C$000s)	***($)***	*($)*	***($)***	*($)*
Net loss	**(41,045)**	(38,689)	**(77,379)**	(37,593)
Add back (deduct):				
Depreciation	**61,490**	47,123	**133,626**	93,135
Foreign exchange losses	**918**	32,471	**1,431**	33,149
Loss on disposal of property, plant and equipment	**2,907**	(124)	**2,434**	(82)
Impairment of inventory	**—**	2,058	**—**	2,058
Interest	**21,479**	43,060	**42,709**	63,814
Income taxes	**(4,646)**	(19,371)	**(18,095)**	(19,979)
Operating income	**41,103**	66,528	**84,726**	134,502

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

SOURCE Calfrac Well Services Ltd.

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