Calfrac Announces Third Quarter Results and Update on 2018 Capital Program

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CALGARY, Oct. 25, 2018 /CNW/ - **Calfrac Well Services Ltd. ("Calfrac" or "the Company") (TSX-CFW)** announces its financial and operating results for the three and nine months ended September 30, 2018.

HIGHLIGHTS

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	**2018**	2017	Change
(C$000s, except per share and unit data) (unaudited)	***($)***	*($)*	*(%)*	***($)***	*($)*	*(%)*
Revenue	**630,128**	448,090	41	**1,757,568**	1,042,249	69
Operating income[1]	**115,331**	78,196	47	**249,833**	135,331	85
Per share – basic	**0.80**	0.57	40	**1.74**	0.99	76
Per share – diluted	**0.79**	0.57	39	**1.70**	0.98	73
Adjusted EBITDA[1]	**111,631**	81,113	38	**266,494**	142,610	87
Per share – basic	**0.77**	0.59	31	**1.85**	1.04	78
Per share – diluted	**0.76**	0.59	29	**1.81**	1.03	76
Net income (loss) attributable to the shareholders of Calfrac before foreign exchange gains or losses[2]	**29,741**	17,564	69	**17,075**	(13,826)	NM
Per share – basic	**0.21**	0.13	62	**0.12**	(0.10)	NM
Per share – diluted	**0.20**	0.13	54	**0.12**	(0.10)	NM
Net income (loss) attributable to the shareholders of Calfrac	**14,878**	7,822	90	**(14,726)**	(32,074)	(54)
Per share – basic	**0.10**	0.06	67	**(0.10)**	(0.23)	(57)
Per share – diluted	**0.10**	0.06	67	**(0.10)**	(0.23)	(57)
Working capital (end of period)				**386,843**	334,606	16
Total equity (end of period)				**516,899**	477,188	8
Weighted average common shares outstanding (000s)						
Basic	**144,237**	136,606	6	**143,959**	136,588	5
Diluted	**146,858**	138,105	6	**147,103**	138,158	6

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 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.

CEO MESSAGE

Fernando Aguilar, Calfrac's President & Chief Executive Officer commented "The excellent results delivered by Calfrac in the third quarter reflect the hard work put in by our employees and the strength of our relationships with our valued customers and industry partners. My thanks to all involved for a job well done!"

During the quarter, Calfrac:

- reported consolidated third-quarter revenue and operating income that were 41% and 47% higher than the comparative quarter in 2017;
- generated $25.8 million of free cash flow and reduced borrowings on its credit facility by $20.0 million; and
- completed the reactivation of the Company's North American asset base with a 17th fleet in the United States.

THIRD QUARTER 2018 OVERVIEW

CONSOLIDATED HIGHLIGHTS

Three Months Ended September 30,	2018	2017	Change
(C$000s, except operational information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**630,128**	448,090	41
Expenses			
Operating	**491,912**	353,982	39
Selling, general and administrative (SG&A)	**22,885**	15,911	44
	514,797	369,894	39
Operating income[1]	**115,331**	78,196	47
Operating income (%)	**18.3**	17.5	5
Adjusted EBITDA[1]	**111,631**	81,113	38
Adjusted EBITDA (%)	**17.7**	18.1	(2)
Fracturing revenue per job ($)	**40,048**	29,412	36
Number of fracturing jobs	**14,674**	13,673	7
Active pumping horsepower, end of period (000s)	**1,344**	1,057	27
Idle pumping horsepower, end of period (000s)	**49**	338	(86)
Total pumping horsepower, end of period (000s)	**1,393**	1,395	—
Coiled tubing revenue per job ($)	**28,270**	26,526	7
Number of coiled tubing jobs	**938**	961	(2)
Active coiled tubing units, end of period (#)	**22**	21	5
Idle coiled tubing units, end of period (#)	**8**	11	(27)
Total coiled tubing units, end of period (#)	**30**	32	(6)
Cementing revenue per job ($)	**46,030**	45,454	1
Number of cementing jobs	**109**	126	(13)
Active cementing units, end of period (#)	**11**	12	(8)
Idle cementing units, end of period (#)	**12**	13	(8)
Total cementing units, end of period (#)	**23**	25	(8)

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.

Revenue in the third quarter of 2018 was $630.1 million, an increase of 41 percent from the same period in 2017. The Company's fracturing job count increased by 7 percent mainly due to a larger scale of operations and higher activity in the United States. During the quarter, Calfrac pumped approximately 640,000 tons of sand in the United States and 340,000 tons in Canada, representing growth of 71 percent and 6 percent, respectively, from the prior year. Consolidated revenue per fracturing job increased by 36 percent primarily due to a combination of better pricing, larger job sizes and job mix. The number of cementing jobs decreased by 13 percent due primarily to lower cementing activity in northern Argentina.

Pricing in the United States increased while pricing in Russia was consistent with the third quarter of 2017. In Argentina, the transition to more unconventional activity does not allow for a meaningful pricing comparison to the third quarter in 2017 as the style of job is significantly different than conventional activity. Net pricing in Canada was relatively consistent with the comparable quarter as any pricing reductions were the result of lower sand and related transportation costs.

Adjusted EBITDA of $111.6 million for the third quarter of 2018 increased from $81.1 million in the comparable period in 2017 primarily due to significantly higher utilization in the United States and to a lesser extent Argentina. This was offset partially by a higher annual bonus provision of $7.7 million.

Net income attributable to shareholders of Calfrac was $14.9 million or $0.10 per share diluted compared to net income of $7.8 million or $0.06 per share diluted in the same period last year. These net incomes included foreign exchange losses of $8.2 million and $13.6 million in the third quarter of 2018 and 2017, respectively.

Three Months Ended	September 30, 2018	June 30, 2018	Change
(C$000s, except operational information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**630,128**	544,602	16
Expenses			
Operating	**491,912**	453,751	8
SG&A	**22,885**	24,323	(6)
	514,797	478,074	8
Operating income[1]	**115,331**	66,528	73
Operating income (%)	**18.3**	12.2	50
Adjusted EBITDA[1]	**111,631**	81,910	36
Adjusted EBITDA (%)	**17.7**	15.0	18
Fracturing revenue per job ($)	**40,048**	46,830	(14)
Number of fracturing jobs	**14,674**	10,817	36
Active pumping horsepower, end of period (000s)	**1,344**	1,313	2
Idle pumping horsepower, end of period (000s)	**49**	80	(39)
Total pumping horsepower, end of period (000s)	**1,393**	1,393	—
Coiled tubing revenue per job ($)	**28,270**	30,189	(6)
Number of coiled tubing jobs	**938**	876	7
Active coiled tubing units, end of period (#)	**22**	22	—
Idle coiled tubing units, end of period (#)	**8**	8	—
Total coiled tubing units, end of period (#)	**30**	30	—

Cementing revenue per job ($)	**46,030**	47,290	(3)
Number of cementing jobs	**109**	68	60
Active cementing units, end of period (#)	**11**	11	—
Idle cementing units, end of period (#)	**12**	12	—
Total cementing units, end of period (#)	**23**	23	—

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.

Revenue in the third quarter of 2018 was $630.1 million, an increase of 16 percent from the second quarter of 2018, primarily due to higher activity in Canada as a result of the normal seasonal ramp up post spring break-up. Revenue in the United States and Argentina was also up sequentially due to higher activity levels and job sizes. Revenue per fracturing job decreased by 14 percent primarily due to job mix in Canada. Net pricing in all operating regions was largely consistent with the second quarter of 2018.

In Canada, third-quarter revenue increased by 40 percent from the second quarter to $184.0 million with the Company experiencing strong activity as spring break-up conditions abated. Calfrac's Canadian division was nearly fully utilized through most of the quarter until weather and ground conditions slowed activity in the latter part of September. Operating income as a percentage of revenue was 15 percent versus 8 percent in the second quarter primarily due to higher equipment utilization.

In the United States, revenue in the third quarter of 2018 increased by 5 percent from the second quarter to $359.3 million, mainly as a result of the addition of the 17th fleet that was activated at the beginning of the third quarter. The U.S. division's operating income margin increased to 25 percent in the third quarter from 20 percent in the second quarter of 2018. The improved results were driven by continued strong utilization across all of its operating districts as well as excellent productivity and cost management.

In Russia, revenue of $25.7 million in the third quarter of 2018 was consistent with the second quarter with a slight increase in fracturing revenue, offset by lower coiled tubing revenue. The operating income position in the third quarter was primarily due to higher fracturing equipment utilization.

In Argentina, revenue in the third quarter of 2018 increased by 34 percent from the second quarter to $61.1 million, while operating income of $9.4 million improved compared to $2.1 million generated in the second quarter. The significant improvement was achieved through a combination of improved utilization and cost management during the quarter.

BUSINESS UPDATE AND OUTLOOK

Calfrac's third-quarter results reflect the strength of Calfrac's global platform, with a strong focus on customer quality, productivity and cost management.

CANADA

In Canada, the third quarter began on solid footing as spring break-up conditions abated. For most of the quarter, Calfrac's Canadian division operated at high utilization, until the middle of September when weather and ground conditions slowed activity, resulting in the deferral of approximately $10.0 million in revenue into the fourth quarter.

Sand pricing trended lower towards the end of the quarter as sand supply improved, however, this lower pricing did not meaningfully impact third quarter profitability due to inventory levels and purchase timing.

During the third quarter, a number of instances of pricing significantly below market levels occurred in the Canadian marketplace. The Company sees no value in this undisciplined behavior and continues to focus on maintaining long-term relationships with top-tier clients based on service, safety and mutual benefit. The commitments Calfrac has made to its customer base for the upcoming quarters are intact and the Company looks forward to the safe and efficient execution of those commitments.

Utilization is expected to be strong for the first half of the fourth quarter, with a normal seasonal deceleration taking place through the latter weeks of the quarter, even though a small amount of customer spending has been moved forward from 2019.

Despite broad improvement in commodity price levels during 2018, a lack of consistent market access has caused differentials to widen significantly across almost the entire hydrocarbon complex in Canada. While customer capital spending plans remain under review, the Company expects that its Canadian customer base will execute 2019 programs that are similar in size and scope to those seen in 2018. Visibility on the first quarter of 2019 remains relatively strong with utilization expected to achieve the high level normally seen in that quarter, and the Company expects further clarity on programs as customer budgets are finalized in the weeks ahead.

UNITED STATES

The Company's operations in the United States delivered strong results during the third quarter due primarily to success in managing fleet down-time combined with excellent productivity and cost management in the field. As expected, Calfrac deployed its 17th fracturing fleet in South Texas that was active through the end of the quarter. The Company was able to find work at acceptable returns for two of the three fleets that were expected to experience longer periods of inactivity in the third quarter. The third fleet, located in New Mexico, was idle for the latter half of the quarter and is not expected to recommence operations until the late stages of the fourth quarter. For the most part, Calfrac has kept this crew engaged by supporting other fleets across the division.

Calfrac expects utilization to remain high through the first part of the fourth quarter, but to trend lower through the latter part of November and into December. Looking into 2019, the Company expects all 17 fleets to be active before the end of January, with good visibility through most of the first half of 2019 as budgets reload and programs recommence.

Operating costs in the U.S. division improved in the third quarter due, in part, to lower sand costs across the supply network. As in Canada, these cost reductions had little impact on operating income generated during the quarter. Higher levels of productivity were primarily responsible for the improved profitability achieved in the quarter.

Based on current oil prices in the US$70/bbl range, most producers in the United States are expected to experience meaningful improvements in cash flow in 2019, which should drive higher activity and spending, contributing to a tighter fracturing market moving forward. Local infrastructure issues in Texas may impact the timing of activity gains in the Permian and Delaware Basins, but Calfrac expects all three of its fleets in the region to be active throughout 2019.

RUSSIA

Consistent with past years, Calfrac's Russian operations delivered better financial performance in the third quarter, as weather and ground conditions improved and customer delays were minimal. Activity continues at a high level but with the approach of winter, the Company expects a typical seasonal slowdown in the upcoming quarter. Tendering activity is underway for 2019 and while the results are not yet confirmed, the Company expects that activity levels in 2019 should improve over the current year and will be more in line with historical levels.

ARGENTINA

Calfrac's operations in Argentina delivered a second consecutive quarter of significant improvement in profitability, driven by higher utilization across all areas, but specifically for the Company's equipment servicing the Vaca Muerta shale play. Cost management also provided further improvement, and the volatility in the value of the Argentinean peso had little impact on results, as field productivity and cost management are by far the most meaningful drivers of profitability in the region.

The outlook in Argentina remains positive, with 2019 expected to be incrementally better than 2018, again largely due to an increasing focus on the Vaca Muerta shale play, and further adoption of the high-productivity model of operations seen in North America.

CORPORATE

The Company continues to focus on generating free cash flow in the quarters ahead, and further lowering debt in addition to the $20.0 million paid down on its revolving credit facility in the third quarter. The Company will continue to manage its global portfolio of assets to provide optimal returns to our shareholders while managing market dynamics.

Calfrac's Board of Directors has approved a $13.0 million increase to its 2018 capital budget bringing the total budget to $168.0 million. The increase is to fund the purchase of major components that will be placed into service in 2019.

FINANCIAL OVERVIEW – THREE MONTHS ENDED SEPTEMBER 30, 2018 VERSUS 2017

CANADA

Three Months Ended September 30,	**2018**	2017	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**184,046**	180,953	2
Expenses			
Operating	**152,610**	133,990	14
SG&A	**3,790**	2,545	49
	156,400	136,535	15
Operating income[(1)]	**27,646**	44,418	(38)
Operating income (%)	**15.0**	24.5	(39)
Fracturing revenue per job ($)	**20,873**	20,287	3
Number of fracturing jobs	**8,093**	8,153	(1)
Active pumping horsepower, end of period (000s)	**327**	277	18
Idle pumping horsepower, end of period (000s)	**28**	150	(81)
Total pumping horsepower, end of period (000s)	**355**	427	(17)
Coiled tubing revenue per job ($)	**22,139**	22,243	—
Number of coiled tubing jobs	**663**	591	12
Active coiled tubing units, end of period (#)	**11**	9	22
Idle coiled tubing units, end of period (#)	**4**	4	—
Total coiled tubing units, end of period (#)	**15**	13	15

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.

REVENUE

Revenue from Calfrac's Canadian operations during the third quarter of 2018 was $184.0 million versus $181.0 million in the same period of 2017. During the third quarter in the previous year, the Company achieved full utilization from seven operating fleets as its customers ramped up activity in response to an improved commodity price outlook. In the third quarter of 2018, the number of fracturing jobs was consistent with the comparable period in 2017 despite operating an eighth fracturing crew, as the Company experienced significant weather-related delays in September in Central Alberta and Saskatchewan. The number of coiled tubing jobs increased by 12 percent from the third quarter in 2017, primarily due to a larger operating scale.

OPERATING INCOME

Operating income in Canada during the third quarter of 2018 was $27.6 million compared to $44.4 million in the same period of 2017. The decrease in operating income was primarily due to lower fracturing crew utilization as the Company operated one additional fracturing fleet compared to the same quarter in 2017, despite overall activity being consistent year-over-year. Pricing for proppant trended lower towards the end of the quarter as supply improved, however, this lower pricing did not meaningfully impact third quarter profitability due to inventory levels and purchase timing. Third-quarter operating income was also negatively impacted by $1.4 million of provincial sales tax assessments in British Columbia. The $1.2 million increase in SG&A expenses compared to the third quarter in 2017 was primarily due to the reinstatement of compensation that was scaled back through the downturn and other costs attributed to the year-over-year growth in the business.

UNITED STATES

Three Months Ended September 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**359,335**	193,817	85
Expenses			
Operating	**265,083**	153,783	72
SG&A	**5,705**	2,950	93
	270,788	156,733	73
Operating income[(1)]	**88,547**	37,084	139
Operating income (%)	**24.6**	19.1	29
Fracturing revenue per job ($)	**59,856**	39,260	52
Number of fracturing jobs	**5,988**	4,858	23
Active pumping horsepower, end of period (000s)	**832**	588	41
Idle pumping horsepower, end of period (000s)	**21**	188	(89)

Total pumping horsepower, end of period (000s)	**853**	776	10
Active coiled tubing units, end of period (#)	**—**	—	—
Idle coiled tubing units, end of period (#)	**2**	5	(60)
Total coiled tubing units, end of period (#)	**2**	5	(60)
Active cementing units, end of period (#)	**—**	—	—
Idle cementing units, end of period (#)	**10**	11	(9)
Total cementing units, end of period (#)	**10**	11	(9)
US$/C$ average exchange rate(2)	**1.3070**	1.2528	4

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.

(2) Source: Bank of Canada.

REVENUE

Revenue from Calfrac's United States operations increased to $359.3 million during the third quarter of 2018 from $193.8 million in the comparable quarter of 2017. The Company recorded a 23 percent increase in the number of fracturing jobs completed period-over-period, driven by higher demand and more active equipment operating in the field as compared to the same quarter in 2017. Revenue per job increased 52 percent year-over-year due to the impact of job mix as the Company's operations in Texas and New Mexico resulted in the completion of larger overall job sizes. Higher pricing combined with the 4 percent appreciation in the U.S. dollar versus the Canadian dollar also contributed to the increase in revenue.

OPERATING INCOME

The Company's United States operations generated operating income of $88.5 million during the third quarter of 2018 compared to $37.1 million in the same period in 2017. The significant increase was primarily the result of improved utilization and pricing in North Dakota and Pennsylvania, as well as solid operational performance in Texas and New Mexico. The Company's operations in the Permian basin were in the start-up phase during the third quarter of 2017 and did not achieve the same scale and efficiencies that were realized in 2018. Operating results in the third quarter of 2018 did not include any fleet reactivation costs while $8.0 million was incurred in the comparable quarter in 2017. SG&A expenses increased by 93 percent in the third quarter of 2018 primarily due to higher personnel and other costs attributed to the year-over-year growth in the business. Additionally, the Company allocated a greater proportion of SG&A costs that directly related to its operating divisions during the period.

RUSSIA

Three Months Ended September 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**25,667**	29,758	(14)
Expenses			
Operating	**23,341**	24,299	(4)
SG&A	**758**	754	1
	24,099	25,053	(4)
Operating income(1)	**1,568**	4,705	(67)
Operating income (%)	**6.1**	15.8	(61)
Fracturing revenue per job ($)	**68,452**	73,027	(6)
Number of fracturing jobs	**321**	336	(4)
Pumping horsepower, end of period (000s)	**77**	70	10
Coiled tubing revenue per job ($)	**40,596**	40,789	—
Number of coiled tubing jobs	**91**	128	(29)
Active coiled tubing units, end of period (#)	**6**	6	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate(2)	**0.0200**	0.0213	(6)

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.

(2) Source: Bank of Canada.

REVENUE

Revenue from Calfrac's Russian operations decreased by 14 percent during the third quarter of 2018 to $25.7 million from $29.8 million in the corresponding three-month period of 2017. The decrease in revenue was attributable to a decrease in fracturing activity in Noyabrsk and Usinsk offset partially by higher activity in Khanty-Mansiysk. Revenue per fracturing job decreased by 6 percent primarily due to job mix as the Company did not perform any work in Usinsk, which typically had significantly larger job sizes. Coiled tubing activity decreased by 29 percent, primarily due to lower utilization than expected with one of its customers. The 6 percent depreciation of the Russian rouble in the third quarter of 2018 versus the same period in 2017 also contributed to the decrease in reported revenue.

OPERATING INCOME

The Company's Russian division generated operating income of $1.6 million during the third quarter of 2018 versus $4.7 million in the comparable quarter in 2017. The decrease was primarily due to lower equipment utilization in Noyabrsk combined with the impact of not operating in Usinsk during the third quarter in 2018, as this region contributed positively to operating income in 2017. SG&A expenses were consistent with the comparable quarter in 2017.

ARGENTINA

Three Months Ended September 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**61,080**	43,562	40
Expenses			
Operating	**49,301**	40,977	20

SG&A	**2,363**	2,593	(9)
	51,664	43,570	19
Operating income (loss)(1)	**9,416**	(8)	NM
Operating income (loss) (%)	**15.4**	0.0	NM
Total pumping horsepower, end of period (000s)	**108**	122	(11)
Active cementing units, end of period (#)	**11**	12	(8)
Idle cementing units, end of period (#)	**2**	2	—
Total cementing units, end of period (#)	**13**	14	(7)
Active coiled tubing units, end of period (#)	**5**	6	(17)
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	7	(14)
Argentinean peso/C$ average exchange rate(2)	**0.0410**	0.0726	(44)

(1) *Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.*

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

REVENUE

Calfrac's Argentinean operations generated total revenue of $61.1 million during the third quarter of 2018 versus $43.6 million in the comparable three-month period in 2017. Revenue in Argentina was 40 percent higher than the comparable quarter primarily due to the completion of significantly larger jobs in Neuquen and higher fracturing activity in southern Argentina. The Company's revenue per job increased by 114 percent in the third quarter of 2018 primarily due to a greater proportion of activity in the Vaca Muerta while activity in the south was up 23 percent quarter-over-quarter. Coiled tubing revenue in Argentina increased year-over-year due to the completion of larger coiled tubing jobs during the third quarter of 2018 in unconventional gas plays. Cementing revenue was relatively consistent with the comparable period in 2017 as lower cementing activity in northern Argentina was offset by increased cementing activity in southern Argentina.

OPERATING INCOME (LOSS)

The Company's operations in Argentina generated operating income of $9.4 million during the third quarter of 2018 compared to operating at near break-even during the third quarter in 2017. The Company achieved positive operating income through a combination of improved utilization and crew efficiencies during the quarter as it continued to transition to unconventional operations in Argentina. SG&A expenses were 9 percent lower during the third quarter in 2018 compared to the third quarter in 2017 primarily due to lower personnel expenses.

CORPORATE

Three Months Ended September 30,	**2018**	2017	Change
(C$000s)	***($)***	*($)*	*(%)*
(unaudited)			
Expenses			
Operating	**1,577**	933	69
SG&A	**10,269**	7,070	45
	11,846	8,003	48
Operating loss(1)	**(11,846)**	(8,003)	48
% of Revenue	**1.9**	1.8	6

(1) *Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.*

OPERATING LOSS

Corporate expenses for the third quarter of 2018 were $11.8 million compared to $8.0 million in the third quarter of 2017. Operating expenses were $0.6 million higher primarily due to higher personnel costs during the quarter. SG&A expenses increased by $3.2 million primarily due to the reinstatement of compensation that was scaled back through the downturn, offset partially by a higher allocation of costs that were directly attributed to the Company's operating divisions. The remaining increase related to higher stock-based compensation expense of $0.9 million recorded during the quarter.

DEPRECIATION

For the three months ended September 30, 2018, depreciation expense increased by $12.0 million to $42.6 million from $30.6 million in the corresponding quarter of 2017. The increase in depreciation was primarily due to the $76.3 million impairment reversal that was recorded during the fourth quarter of 2017, combined with capital expenditures related to the continued activation of fleets in North America during 2017 and 2018.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss of $8.2 million during the third quarter of 2018 versus a loss of $13.6 million in the comparative three-month period of 2017. 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 third quarter of 2018 was largely attributable to the change in the functional currency of its Argentina subsidiary from pesos to U.S dollars effective July 1, 2018. U.S. dollar-denominated assets held in Canada also contributed to the foreign exchange loss during the quarter.

INTEREST

The Company's net interest expense of $21.8 million for the third quarter of 2018 was $0.7 million higher than in the comparable period of 2017. This increase was due to the higher interest rate on its US$650.0 million 8.50 percent senior notes during the third quarter compared to its US$600.0 million 7.50 percent senior notes that were repaid during the second quarter of 2018. This was offset by the impact of replacing its $200.0 million second lien term loan that carried an interest rate of 9.0% with lower interest rate credit facility debt.

INCOME TAXES

The Company recorded income tax expense of $20.0 million during the third quarter of 2018 compared to an expense of $0.8 million in the comparable period of 2017. The expense position was the result of pre-tax income generated during the quarter in the United States and Argentina, offset partially by losses in Canada and Russia.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018	**Sep. 30, 2018**
(C$000s, except per share and operating data) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
Financial								
Revenue	192,846	268,815	325,344	448,090	485,456	582,838	544,602	**630,128**
Operating income (loss)[(1)]	(18,291)	20,395	36,740	78,196	44,789	67,974	66,528	**115,331**
Per share – basic	(0.15)	0.15	0.27	0.57	0.32	0.47	0.46	**0.80**
Per share – diluted	(0.15)	0.15	0.27	0.57	0.31	0.46	0.45	**0.79**
Adjusted EBITDA[(1)]	(13,717)	21,584	39,913	81,113	49,213	72,953	81,910	**111,631**
Per share – basic	(0.11)	0.16	0.29	0.59	0.35	0.51	0.57	**0.77**
Per share – diluted	(0.11)	0.16	0.29	0.59	0.34	0.50	0.56	**0.76**
Net income (loss) attributable to the shareholders of Calfrac	(61,493)	(19,547)	(20,349)	7,822	38,013	3,234	(32,838)	**14,878**
Per share – basic	(0.51)	(0.14)	(0.15)	0.06	0.27	0.02	(0.23)	**0.10**
Per share – diluted	(0.51)	(0.14)	(0.15)	0.06	0.26	0.02	(0.23)	**0.10**
Capital expenditures	15,708	12,965	22,358	22,093	34,518	51,334	42,404	**34,542**
Working capital (end of period)	271,581	278,818	293,411	334,606	327,049	360,654	361,613	**386,843**
Total equity (end of period)	497,458	485,452	463,180	477,188	543,645	546,018	507,607	**516,899**
Operating (end of period)								
Active pumping horsepower (000s)	659	727	874	1,057	1,115	1,259	1,313	**1,344**
Idle pumping horsepower (000s)	563	493	443	338	280	134	80	**49**
Total pumping horsepower (000s)	1,222	1,220	1,317	1,395	1,395	1,393	1,393	**1,393**
Active coiled tubing units (#)	19	20	21	21	21	22	22	**22**
Idle coiled tubing units (#)	13	12	11	11	9	8	8	**8**
Total coiled tubing units (#)	32	32	32	32	30	30	30	**30**
Active cementing units (#)	14	12	12	12	12	12	11	**11**
Idle cementing units (#)	11	13	13	13	11	11	12	**12**
Total cementing units (#)	25	25	25	25	23	23	23	**23**

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 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 2017 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 - Foreign Exchange Fluctuations" in the 2017 Annual Report).

FINANCIAL OVERVIEW – NINE MONTHS ENDED SEPTEMBER 30, 2018 VERSUS 2017

CANADA

Nine Months Ended September 30,	**2018**	2017	Change
(C$000s, except operational information) (unaudited)	***($)***	*($)*	*(%)*
Revenue	**505,646**	403,284	25
Expenses			
Operating	**424,491**	326,390	30
SG&A	**10,649**	6,843	56
	435,140	333,233	31
Operating income[(1)]	**70,506**	70,051	1
Operating income (%)	**13.9**	17.4	(20)
Fracturing revenue per job ($)	**21,427**	20,119	7
Number of fracturing jobs	**21,501**	18,176	18
Active pumping horsepower, end of period (000s)	**327**	277	18
Idle pumping horsepower, end of period (000s)	**28**	150	(81)
Total pumping horsepower, end of period (000s)	**355**	427	(17)
Coiled tubing revenue per job ($)	**22,611**	21,829	4
Number of coiled tubing jobs	**1,782**	1,595	12
Active coiled tubing units, end of period (#)	**11**	9	22
Idle coiled tubing units, end of period (#)	**4**	4	—
Total coiled tubing units, end of period (#)	**15**	13	15

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.

REVENUE

Revenue from Calfrac's Canadian operations during the first nine months in 2018 was $505.6 million versus $403.3 million in the same period in 2017. Completions activity in Canada during the first nine months of 2018 improved when compared to the same period in 2017 primarily due to a stronger first half of the year, while adverse weather conditions resulted in activity delays in the latter part of the third quarter. The number of fracturing and coiled tubing jobs increased by 18 percent and 12 percent, respectively, due to a larger operating scale, combined with a more active and efficient customer base as compared to the same period in 2017. Revenue per fracturing job increased by 7 percent from the prior year while coiled tubing revenue per job was up 4 percent, primarily due to higher pricing during the first half of 2018, and to a lesser extent, job mix.

OPERATING INCOME

The Company's Canadian division generated operating income of $70.5 million during the first nine months of 2018 compared to $70.1 million in 2017. The increase was due to improved utilization and better pricing during the first six months of 2018 compared to the same period in 2017, while third quarter utilization was lower year-over-year. The 14 percent operating income margin was negatively impacted by higher than expected third-party sand transportation costs during the first quarter, while higher costs for diesel fuel and products reduced operating income margins during the second quarter. Pricing for proppant trended lower towards the end of the third quarter as supply improved, however, this lower pricing did not meaningfully impact profitability due to inventory levels and purchase timing. Third-quarter operating income was also negatively impacted by $1.4 million of provincial sales tax assessments in British Columbia. The $3.8 million increase in SG&A expenses compared to the first nine months of 2017 was primarily due to the full reinstatement of compensation. Additionally, the Company allocated a greater proportion of SG&A costs that directly related to its operating divisions during the period.

UNITED STATES

Nine Months Ended September 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**1,017,351**	445,807	128
Expenses			
Operating	**791,096**	364,931	117
SG&A	**15,435**	8,615	79
	806,531	373,546	116
Operating income(1)	**210,820**	72,261	192
Operating income (%)	**20.7**	16.2	28
Fracturing revenue per job ($)	**59,167**	39,144	51
Number of fracturing jobs	**17,142**	11,181	53
Active pumping horsepower, end of period (000s)	**832**	588	41
Idle pumping horsepower, end of period (000s)	**21**	188	(89)
Total pumping horsepower, end of period (000s)	**853**	776	10
Active coiled tubing units, end of period (#)	**—**	—	—
Idle coiled tubing units, end of period (#)	**2**	5	(60)
Total coiled tubing units, end of period (#)	**2**	5	(60)
Active cementing units, end of period (#)	**—**	—	—
Idle cementing units, end of period (#)	**10**	11	(9)
Total cementing units, end of period (#)	**10**	11	(9)
US$/C$ average exchange rate(2)	**1.2876**	1.3072	(1)

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.

(2) Source: Bank of Canada.

REVENUE

Revenue from Calfrac's United States operations increased to $1.0 billion during the first nine months in 2018 from $445.8 million in the comparable period in 2017 due to significantly higher fracturing activity and improved pricing. Completions activity in the United States significantly improved year-over-year, which allowed the Company to reactivate equipment throughout 2017 and 2018, including the start-up of operations in Texas and New Mexico. The Company activated a 17th fleet in the United States during the third quarter of 2018, representing the full reactivation of its entire operating fleet. The result was a 53 percent increase in the number of fracturing jobs completed period-over-period. Revenue per job increased 51 percent year-over-year due to improved pricing combined with the impact of job mix as the Company's operations in Texas resulted in larger overall job sizes.

OPERATING INCOME

The Company's United States division generated operating income of $210.8 million during the first nine months in 2018 compared to $72.3 million during the same period in 2017. The significant increase was primarily the result of improved utilization and pricing in North Dakota and Pennsylvania as well as the addition of operations in Texas and New Mexico that did not commence until the third quarter of 2017. The operating income of 21 percent during the first nine months of 2018 was negatively impacted by market-driven logistical issues that resulted in higher than normal transportation and sand costs during the first three months of the year. These conditions abated during the second quarter; however, cost inflation continued, with products and fuel experiencing the largest increases. The third quarter saw a reversal of this trend with sand and transportation costs trending lower, however, most of these savings were passed through to customers and had little impact on profitability. Operating results included $10.0 million of reactivation costs during the first nine months of 2018 compared to $14.4 million in the comparable period in 2017. SG&A expenses increased by 79 percent in the first nine months of 2018 primarily due to higher personnel costs combined with growth in business scale and increased activity.

RUSSIA

Nine Months Ended September 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**81,927**	88,977	(8)
Expenses			
Operating	**79,727**	77,177	3
SG&A	**2,385**	2,382	—
	82,112	79,559	3
Operating (loss) income(1)	**(185)**	9,418	NM
Operating (loss) income (%)	**(0.2)**	10.6	NM
Fracturing revenue per job ($)	**78,867**	74,766	5
Number of fracturing jobs	**882**	999	(12)
Pumping horsepower, end of period (000s)	**77**	70	10

Coiled tubing revenue per job ($)	**39,259**	43,820	(10)
Number of coiled tubing jobs	**315**	326	(3)
Active coiled tubing units, end of period (#)	**6**	6	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate(2)	**0.0210**	0.0224	(6)

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.

(2) Source: Bank of Canada.

REVENUE

Revenue from Calfrac's Russian operations during the first nine months in 2018 decreased by 8 percent to $81.9 million from $89.0 million in the comparable period in 2017. The decrease in revenue, which is generated in roubles, was partially related to lower fracturing activity combined with the 6 percent depreciation of the Russian rouble in 2018 versus 2017. Revenue per fracturing job increased by 5 percent due to the impact of providing sand to a significant customer during the first nine months of 2018 and not in the comparable period in 2017. The decrease in revenue was also due to a 3 percent reduction in coiled tubing activity.

OPERATING (LOSS) INCOME

The Company's Russia division incurred an operating loss of $0.2 million during the first nine months in 2018 compared to income of $9.4 million in the same period in 2017 primarily due to lower fracturing crew utilization. Calfrac's operations during the first nine months of 2018 were impacted by weather-related delays and lower activity with one of its customers in Western Siberia.

ARGENTINA

Nine Months Ended September 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**152,644**	104,181	47
Expenses			
Operating	**136,085**	96,424	41
SG&A	**8,080**	7,783	4
	144,165	104,207	38
Operating loss(1)	**8,479**	(26)	NM
Operating loss (%)	**5.6**	0.0	NM
Total pumping horsepower, end of period (000s)	**108**	122	(11)
Active cementing units, end of period (#)	**11**	12	(8)
Idle cementing units, end of period (#)	**2**	2	—
Total cementing units, end of period (#)	**13**	14	(7)
Active coiled tubing units, end of period (#)	**5**	6	(17)
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	7	(14)
US$/C$ average exchange rate(2)	1.2876	1.3072	(1)
Argentinean peso/C$ average exchange rate(2)	**0.0535**	0.0808	(34)

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.

(2) Source: Bank of Canada and Bloomberg.

REVENUE

Calfrac's Argentinean operations generated total revenue of $152.6 million during the first nine months of 2018 versus $104.2 million in the comparable period in 2017. Revenue in Argentina was 47 percent higher than the comparable quarter primarily due to higher activity in the Vaca Muerta shale play. The increase in revenue was partially offset by lower cementing activity in northern Argentina combined with the impact of union strikes in southern Argentina during the first quarter of 2018. Coiled tubing revenue in Argentina increased year-over-year due to increased activity in unconventional resource plays in Neuquen which also resulted in higher revenue per job.

OPERATING INCOME (LOSS)

The Company's operations in Argentina generated operating income of $8.5 million during the first nine months of 2018, compared to near break-even in the comparable period in 2017. The Company has continued to improve its operating margins throughout the transition to unconventional operations in Argentina mainly due to improved utilization. There were a number of one-time costs recorded during the first nine months of 2018, including $0.8 million in restructuring charges, a $1.6 million inventory write-down and $0.2 million in bad debt expense. Similarly, the Company had $1.6 million in one-time costs during the first nine months of 2017 related to the retrofitting of equipment and $0.4 million of restructuring costs.

CORPORATE

Nine Months Ended September 30,	**2018**	2017	Change
(C$000s)	***($)***	*($)*	*(%)*
(unaudited)			
Expenses			
Operating	**4,370**	2,668	64
SG&A	**35,417**	13,705	158
	39,787	16,373	143
Operating loss(1)	**(39,787)**	(16,373)	143
% of Revenue	**2.3**	1.6	44

(1) Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.

OPERATING LOSS

Corporate expenses for the first nine months in 2018 were $39.8 million compared to $16.4 million in the comparable period in 2017. Operating expenses were $1.7 million higher primarily due to higher personnel costs during the period. SG&A expenses increased by $21.7 million primarily due to a $15.0 million increase in stock-based compensation expense. The remaining increase related to the full reinstatement of compensation that was scaled back during the downturn, offset partially by the higher allocation of costs that were directly attributed to the Company's operating divisions.

DEPRECIATION

Depreciation expense for first nine months in 2018 increased by 27 percent to $119.9 million from $94.3 million in the comparable period in 2017. The increase in depreciation was primarily due to the $76.3 million impairment reversal that was recorded during the fourth quarter of 2017, combined with capital expenditures related to the continued activation of fleets in North America during 2017 and 2018.

FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange loss of $41.4 million during the first nine months in 2018 versus a loss of $26.2 million in the same period in 2017. 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 nine months of 2018 was largely attributable to the translation of U.S. dollar-denominated liabilities held in Argentina during the first six months of 2018 as the peso devalued against the U.S. dollar during that time period. As disclosed in note 1 to the consolidated financial statements, the Company changed the functional currency of its Argentina subsidiary from pesos to U.S dollars effective July 1, 2018, which resulted in no further foreign exchange losses on its U.S. dollar-denominated liabilities held in Argentina in the third quarter. The consolidated foreign exchange loss was partially offset by U.S. dollar-denominated assets held in Canada.

INTEREST

The Company's interest expense was $85.6 million during the first nine months in 2018 versus $64.5 million in 2017. The $21.1 million increase was partially due to the repayment of the Company's second lien term loan during the period which resulted in the write-off of the remaining deferred financing costs of $5.8 million. In addition, the Company closed a private offering of US$650.0 million aggregate principal amount of 8.50 percent senior notes during the second quarter, which were used 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 $10.4 million during the second quarter in 2018 and the write-off of the remaining $5.0 million unamortized deferred finance costs. The increase was offset partially by the impact of a stronger Canadian dollar relative to the U.S. dollar compared to the same period in 2017, which resulted in lower reported interest on the Company's U.S. dollar-denominated unsecured notes.

INCOME TAXES

The Company was in a neutral tax position during the first nine months in 2018 compared to having a recovery of $22.4 million in the comparable period in 2017. The mix of earnings, combined with certain items that do not fluctuate with income, resulted in the tax-neutral position.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended Sep. 30,		Nine Months Ended Sep. 30,	
	2018	2017	**2018**	2017
(C$000s)	***($)***	*($)*	***($)***	*($)*
(unaudited)				
Cash provided by (used in):				
Operating activities	**37,394**	9,255	**51,879**	(58,910)
Financing activities	**(22,128)**	8,509	**16,954**	51,053
Investing activities	**(33,882)**	(15,973)	**(114,839)**	(44,371)
Effect of exchange rate changes on cash and cash equivalents	**23,057**	(7,577)	**10,704**	(14,102)
Increase (decrease) in cash and cash equivalents	**4,441**	(5,786)	**(35,302)**	(66,330)

OPERATING ACTIVITIES

The Company's cash provided by operating activities for the three months ended September 30, 2018 was $37.4 million versus cash provided of $9.3 million in the third quarter of 2017. The increase was primarily due to improved operating results in the United States and a lower working capital requirement ($41.3 million versus $64.5 million). At September 30, 2018, Calfrac's working capital was approximately $386.8 million compared to $327.0 million at December 31, 2017.

FINANCING ACTIVITIES

Net cash used by financing activities for the three months ended September 30, 2018 was $22.1 million compared to cash provided of $8.5 million in the comparable period in 2017. During the three months ended September 30, 2018, the Company had net repayments under its credit facilities of $20.0 million and debt issuance costs of $2.0 million.

On May 30, 2018, Calfrac closed a private offering of US$650.0 million aggregate principal amount of 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.

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 AIMCo. The term loan, which had a maturity date of September 30, 2020, provided Calfrac the right to prepay the loan prior to June 10, 2018 with a nominal prepayment premium.

On May 9, 2018, Calfrac amended its credit facilities to exercise $100.0 million of accordion capacity which increased its total facility capacity from $275.0 million to $375.0 million. The facilities consist of an operating facility of $27.5 million and a syndicated facility of $347.5 million. The Company's credit facilities mature on June 1, 2020 and can be extended by one or more years at the Company's request and lenders' acceptance. The Company also may prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 0.50 percent to prime plus 2.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 3.50 percent above the respective base rates. The remaining accordion feature of the syndicated facility was reduced to $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; (b) distributions will be restricted other than those relating to the Company's share unit plans, and no increase in the rate of dividends will be permitted; and (c) the Company will be prohibited from utilizing advances under the credit facilities to redeem or repay subordinated debt. As at September 30, 2018, the Company's net Total Debt to Adjusted EBITDA ratio was 3.26:1.00.

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 $125.0 million.

At September 30, 2018, the Company had used $0.8 million of its credit facilities for letters of credit and had $195.0 million of borrowings under its credit facilities, leaving $179.2 million in available capacity under its credit facilities. As described above, the Company's credit facilities are subject to a monthly borrowing base, as determined using the previous month's results, which at September 30, 2018 resulted in a liquidity amount of $138.5 million.

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

Working capital ratio not to fall below	**1.15x**
Funded Debt to Adjusted EBITDA not to exceed(1)(2)	**3.00x**
Funded Debt to Capitalization not to exceed(1)(3)	**0.30x**

(1) Funded Debt is defined as Total Debt excluding all outstanding senior unsecured notes. 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, 2020 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.

On December 6, 2016, Calfrac closed a bought deal private placement of 21,055,000 common shares for net proceeds of approximately $56.6 million. On December 22, 2015, Calfrac closed a bought deal private placement of 20,370,370 common shares for net proceeds of approximately $25.2 million. $50.0 million of the net proceeds from these offerings were held in a segregated account pending an election to use them as an equity cure. On April 3, 2017, the Company elected to use the first of its two fully-funded $25.0 million equity cures effective as of the quarter ending on June 30, 2017. The September 2017 amendments to the credit facilities provided that 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, 2020 will increase Adjusted EBITDA over the relevant twelve-month rolling period and will also serve to reduce Funded Debt. The funds that were removed from the segregated account and utilized as an equity cure for the quarter ending on June 30, 2017, as described above, were used for general working capital and corporate purposes. On April 30, 2018, the remaining $25.0 million was removed from the segregated account without being designated as an equity cure. This decision was based on the Company's Adjusted EBITDA performance during its most recent four-quarter period prior to such removal, combined with the supportive commodity price environment and visibility on future activity at the time. The funds were used to reduce outstanding indebtedness.

As shown in the table below, at September 30, 2018, the Company was in compliance with the financial covenants associated with its credit facilities.

As at September 30,	Covenant 2018	**Actual 2018**
Working capital ratio not to fall below	1.15x	**2.39x**
Funded Debt to Adjusted EBITDA not to exceed	3.00x	**0.59x**
Funded Debt to Capitalization not to exceed	0.30x	**0.12x**

The Company's credit facilities also contain certain restrictions with respect to dispositions of property or assets in Canada and the United States. For such dispositions occurring on or prior to December 31, 2018, majority lender consent is required if the aggregate market value exceeds $40.0 million, and for such dispositions occurring in a calendar year commencing January 1, 2019, majority lender consent is required 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 September 30, 2018 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 September 30, 2018, the Company's Fixed Charge Coverage Ratio of 3.70:1 was higher than the required 2:1 ratio so the aforementioned prohibitions will not be applicable as long as the Company remains above this ratio.

INVESTING ACTIVITIES
Calfrac's net cash used for investing activities was $33.9 million for the three months ended September 30, 2018 versus $16.0 million in the comparable period in 2017. Cash outflows relating to capital expenditures were $36.0 million during the third quarter in 2018 compared to $18.2 million in 2017. Capital expenditures were primarily to support the Company's North American fracturing operations. The Company disposed of assets during the third quarter for proceeds of $2.1 million compared to $2.2 million in the comparable quarter in 2017.

Calfrac's Board of Directors has approved a $13.0 million increase to its 2018 capital budget bringing the total budget to $168.0 million. The increase is to fund the purchase of major components that will be placed into service 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 September 30, 2018 was a gain of $23.1 million versus a loss of $7.6 million during the comparable period in 2017. These gains and losses relate to movements of cash and cash equivalents held by the Company in a foreign currency during the period.

With its working capital position, available credit facilities and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2018 and beyond.

At September 30, 2018, the Company had cash and cash equivalents of $17.4 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 October 24, 2018, there were 144,456,157 common shares issued and outstanding, 314,716 equity-based performance share units issued and outstanding and 9,981,170 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 focus of the Company's customers on increasing the use of 24-hour operations in North America, the effectiveness of cost reduction measures instituted by the Company, 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, 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 Sep. 30,		**Nine Months Ended Sep. 30,**	
	2018	2017	**2018**	2017
(C$000s)	***($)***	*($)*	***($)***	*($)*
(unaudited)				
Net income (loss)	**14,878**	6,678	**(22,715)**	(35,285)
Add back (deduct):				
Depreciation	**42,638**	30,604	**119,927**	94,307
Foreign exchange losses	**8,240**	13,556	**41,389**	26,174
Loss on disposal of property, plant and equipment	**6,666**	5,405	**22,430**	8,073
Impairment of inventory	**1,131**	—	**3,189**	—
Interest	**21,817**	21,134	**85,631**	64,488
Income taxes	**19,961**	819	**(18)**	(22,426)
Operating income	**115,331**	78,196	**249,833**	135,331

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 Sep. 30,		**Nine Months Ended Sep. 30,**	
	2018	2017	**2018**	2017
(C$000s)			***($)***	*($)*
(unaudited)				
Net income (loss)	**14,878**	6,678	**(22,715)**	(35,285)
Add back (deduct):				
Depreciation	**42,638**	30,604	**119,927**	94,307
Unrealized foreign exchange losses	**(26,306)**	13,814	**15,810**	26,208
Non-recurring realized foreign exchange losses(1)	**29,288**		**29,288**	—
Loss on disposal of property, plant and equipment	**6,666**	5,405	**22,430**	8,073
Impairment of inventory	**1,131**	—	**3,189**	—
Provision for settlement of litigation	**—**	—	**—**	(139)
Restructuring charges	**16**	213	**795**	568
Stock-based compensation	**1,542**	1,302	**4,168**	3,605
Losses attributable to non-controlling interest	**—**	1,144	**7,989**	3,211
Interest	**21,817**	21,134	**85,631**	64,488
Income taxes	**19,961**	819	**(18)**	(22,426)
Adjusted EBITDA	**111,631**	81,113	**266,494**	142,610

(1) The Company recognized a one-time realized foreign exchange loss resulting from the capitalization of inter-company debt held by its Argentinean subsidiary.

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.

THIRD QUARTER CONFERENCE CALL
Calfrac will be conducting a conference call for interested analysts, brokers, investors and news media representatives to review its 2018 third-quarter results at 10:00 a.m. (Mountain Time) on Thursday, October 25, 2018. 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 3365336). A webcast of the conference call may be accessed via the Company's website at www.calfrac.com.

CONSOLIDATED BALANCE SHEETS

	September 30, 2018	December 31, 2017
(C$000s) (unaudited)	***($)***	*($)*
ASSETS		
Current assets		
Cash and cash equivalents (note 2)	**17,447**	52,749
Accounts receivable	**473,491**	359,955
Income taxes recoverable	**1,536**	1,759
Inventories	**154,324**	145,072
Prepaid expenses and deposits	**19,510**	16,803
	666,308	576,338
Non-current assets		
Property, plant and equipment	**1,096,421**	1,114,685
Deferred income tax assets	**91,939**	86,943
Total assets	**1,854,668**	1,777,966
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**279,281**	246,943
Current portion of long-term debt (note 3)	**—**	2,169
Current portion of finance lease obligations	**184**	177
	279,465	249,289
Non-current liabilities		
Long-term debt (note 3)	**1,017,879**	958,825
Finance lease obligations	**599**	737
Deferred income tax liabilities	**39,826**	25,470
Total liabilities	**1,337,769**	1,234,321
Equity attributable to the shareholders of Calfrac		
Capital stock (notes 4 and 6)	**508,253**	501,456
Contributed surplus	**38,815**	35,094
Loan receivable for purchase of common shares	**(2,500)**	(2,500)
(Deficit) retained earnings	**(25,509)**	21,268
Accumulated other comprehensive (loss) income	**(2,160)**	2,728
	516,899	558,046
Non-controlling interest	**—**	(14,401)
Total equity	**516,899**	543,645
Total liabilities and equity	**1,854,668**	1,777,966

Contingencies (note 8)
See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended Sept. 30, 2018	2017	**Nine Months Ended Sept. 30, 2018**	2017
(C$000s, except per share data) (unaudited)	***($)***	*($)*	***($)***	*($)*
Revenue	**630,128**	448,090	**1,757,568**	1,042,249
Cost of sales	**534,550**	384,587	**1,555,696**	961,897
Gross profit	**95,578**	63,503	**201,872**	80,352
Expenses				
Selling, general and administrative	**22,885**	15,911	**71,966**	39,328
Foreign exchange losses	**8,240**	13,556	**41,389**	26,174
Loss on disposal of property, plant and equipment	**6,666**	5,405	**22,430**	8,073
Impairment of inventory	**1,131**	—	**3,189**	—
Interest	**21,817**	21,134	**85,631**	64,488
	60,739	56,006	**224,605**	138,063
Income (loss) before income tax	**34,839**	7,497	**(22,733)**	(57,711)
Income tax expense (recovery)				
Current	**2,271**	663	**1,952**	2,207
Deferred	**17,690**	156	**(1,970)**	(24,633)
	19,961	819	**(18)**	(22,426)
Net income (loss)	**14,878**	6,678	**(22,715)**	(35,285)
Net income (loss) attributable to:				
Shareholders of Calfrac	**14,878**	7,822	**(14,726)**	(32,074)
Non-controlling interest	**—**	(1,144)	**(7,989)**	(3,211)

	14,878	6,678	**(22,715)**	(35,285)
Earnings (loss) per share (note 4)				
Basic	**0.10**	0.06	**(0.10)**	(0.23)
Diluted	**0.10**	0.06	**(0.10)**	(0.23)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2018	2017	**2018**	2017
(C$000s) (unaudited)	***($)***	*($)*	***($)***	*($)*
Net income (loss)	**14,878**	6,678	**(22,715)**	(35,285)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustment	**(3,717)**	6,005	**(6,101)**	11,112
Comprehensive income (loss)	**11,161**	12,683	**(28,816)**	(24,173)
Comprehensive income (loss) attributable to:				
Shareholders of Calfrac	**11,161**	13,740	**(21,820)**	(21,063)
Non-controlling interest	**—**	(1,057)	**(6,996)**	(3,110)
	11,161	12,683	**(28,816)**	(24,173)

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, 2018	**501,456**	**35,094**	**(2,500)**	**2,728**	**21,268**	**558,046**	**(14,401)**	**543,645**
Net loss	—	—	—	—	(14,726)	(14,726)	(7,989)	**(22,715)**
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	(7,094)	—	(7,094)	993	**(6,101)**
Comprehensive loss	—	—	—	(7,094)	(14,726)	(21,820)	(6,996)	**(28,816)**
Stock options:								
Stock-based compensation recognized (note 5)	—	3,379	—	—	—	3,379	—	**3,379**
Proceeds from issuance of shares	1,797	(447)	—	—	–	1,350	—	**1,350**
Performance share units:								
Stock-based compensation recognized (note 5)	—	789	—	—	—	789	—	**789**
Acquisition:	—	—	—	—	—	—	—	**—**
Shares issued (notes 4 and 6)	1,250	—	—	—	—	1,250	—	**1,250**
Shares to be issued (notes 4 and 6)	3,750	—	—	—	—	3,750	—	**3,750**
Loss on acquisition	—	—	—	—	(5,799)	(5,799)	—	**(5,799)**
Purchase of non-controlling interest	—	—	—	2,206	(26,252)	(24,046)	21,397	**(2,649)**
Balance – Sept. 30, 2018	**508,253**	**38,815**	**(2,500)**	**(2,160)**	**(25,509)**	**516,899**	**—**	**516,899**
Balance – Jan. 1, 2017	466,445	36,040	(2,500)	(8,736)	15,329	506,578	(9,120)	497,458
Net loss	—	—	—	—	(32,074)	(32,074)	(3,211)	(35,285)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	11,011	—	11,011	101	11,112
Comprehensive income (loss)	—	—	—	11,011	(32,074)	(21,063)	(3,110)	(24,173)
Stock options:								
Stock-based compensation recognized (note 5)	—	3,605	—	—	—	3,605	—	3,605
Proceeds from issuance of shares	379	(81)	—	—	—	298	—	298
Balance – Sept. 30, 2017	466,824	39,564	(2,500)	2,275	(16,745)	489,418	(12,230)	477,188

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2018	2017	**2018**	2017

(C$000s) (unaudited)	($)	($)	($)	($)
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net income (loss)	**14,878**	6,678	**(22,715)**	(35,285)
Adjusted for the following:				
Depreciation	**42,638**	30,604	**119,927**	94,307
Stock-based compensation	**1,542**	1,302	**4,168**	3,605
Unrealized foreign exchange (gains) losses	**(26,306)**	13,814	**15,810**	26,208
Loss on disposal of property, plant and equipment	**6,666**	5,405	**22,430**	8,073
Impairment of inventory	**1,131**	—	**3,189**	—
Interest	**21,817**	21,134	**85,631**	64,488
Interest paid	**(1,328)**	(5,337)	**(49,166)**	(45,767)
Deferred income taxes	**17,690**	156	**(1,970)**	(24,633)
Changes in items of working capital	**(41,334)**	(64,501)	**(125,425)**	(149,906)
Cash flows provided by (used in) operating activities	**37,394**	9,255	**51,879**	(58,910)
FINANCING ACTIVITIES				
Issuance of long-term debt, net of debt issuance costs	**12,880**	9,025	**1,061,728**	52,754
Issuance of finance lease obligations	**—**	178	**—**	178
Long-term debt repayments	**(35,000)**	(621)	**(1,045,992)**	(1,877)
Finance lease obligation repayments	**(45)**	(96)	**(132)**	(300)
Proceeds on issuance of common shares	**37**	23	**1,350**	298
Cash flows (used in) provided by financing activities	**(22,128)**	8,509	**16,954**	51,053
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(36,009)**	(18,160)	**(121,783)**	(49,928)
Proceeds on disposal of property, plant and equipment	**2,127**	2,187	**6,951**	5,557
Other	**—**	—	**(7)**	—
Cash flows used in investing activities	**(33,882)**	(15,973)	**(114,839)**	(44,371)
Effect of exchange rate changes on cash and cash equivalents	**23,057**	(7,577)	**10,704**	(14,102)
Increase (decrease) in cash and cash equivalents	**4,441**	(5,786)	**(35,302)**	(66,330)
Cash and cash equivalents, beginning of period	**13,006**	49,373	**52,749**	109,917
Cash and cash equivalents, end of period (note 2)	**17,447**	43,587	**17,447**	43,587

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2018 and 2017

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

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

The IASB issued IFRS 15 Revenue from Contracts with Customers, a new standard for the recognition of revenue, which replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard is required to be adopted either retrospectively or using a modified retrospective approach. In accordance with the transition provisions in IFRS 15, the Company has adopted the new standard using the modified retrospective method; the cumulative effective of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings as of January 1, 2018. Comparative prior year periods are not restated. The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

The IASB issued the final version of IFRS 9 Financial Instruments, which is effective for annual periods beginning on or after January 1, 2018. IFRS 9, as amended, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a substantially reformed approach to hedge accounting and a new impairment model for financial assets. The Company has adopted the standard retrospectively from January 1, 2018, with the transition provisions permitted under the standard. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in the opening balance as of January 1, 2018. Comparative prior year periods are not restated. The adoption of IFRS 9 did not result in a significant change to the Company's consolidated financial statements.

Each of the Company's subsidiaries is measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Determination of functional currency is conducted through an analysis of the factors identified in IAS 21 The Effects of Changes in Foreign Exchange Rates and may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment.

On July 1, 2018, the functional currency of Calfrac Well Services (Argentina) S.A, a subsidiary of the Company, changed to the U.S. dollar from the Argentinean peso. The change was implemented as a result of the acquisition of Vision Sur SRL, the entity that held the non-controlling interest in Calfrac Well Services (Argentina) S.A. (as disclosed in note 6). The Company has full decision making authority over Calfrac Well Services (Argentina) S.A., which is now a wholly-owned subsidiary. In addition, an analysis was performed by management which determined that the majority of its business transactions are now either conducted in U.S. dollars or are being indexed to the U.S. dollar. Revenue has transitioned over time whereby now nearly all revenue contracts are priced in U.S. dollars. In this quarter, a large portion of expenses that in prior periods were priced in Argentinean pesos are now either priced in U.S. dollars or are being indexed to U.S. dollars. The debt balances are also denominated in U.S. dollars.

On the date of the change in functional currency, all assets, liabilities and equity were translated into U.S. dollars at the exchange rate as of that date. The Company has adopted a policy to translate equity items at the historical rate when translating from functional currency to presentation currency.

2. CASH AND CASH EQUIVALENTS

During 2016, the Company received net proceeds of $56,636 from a private placement offering of 21,055,000 common shares for total gross proceeds of $60,007. Share issuance costs for the transaction were $3,371, resulting in net proceeds of $56,636.

Prior to April 3, 2017, $50,000 of the net proceeds from the private placement was held in a segregated account. These funds were available for use at the Company's discretion and were eligible to be transferred to its operating bank account at any time. The Company could also elect to use the proceeds as an equity cure. When the proceeds are utilized as an equity cure, the funds are transferred to the Company's operating bank account and are available for use at the Company's discretion. In addition, proceeds used in this manner would be applied as a reduction of Funded Debt and included in the calculation of EBITDA for purposes of the Company's Funded Debt to EBITDA bank covenant.

On April 3, 2017, the Company elected to use the first of its two fully-funded $25,000 equity cures effective as of the quarter ending on June 30, 2017. On April 30, 2018, the remaining $25,000 was transferred from the segregated account without being designated as an equity cure.

3. LONG-TERM DEBT

	September 30, 2018	December 31, 2017
(C$000s)	***($)***	*($)*
US$650,000 senior unsecured notes (December 31, 2017 – US$600,000) due June 15, 2026, bearing interest at 8.50% payable semi-annually	**841,425**	752,700
$200,000 second lien senior secured term loan facility due September 30, 2020, bearing interest at 9% payable quarterly, secured by the Canadian and U.S. assets of the Company on a second priority basis	**—**	197,000
$347,500 extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company	**195,000**	25,000
Less: unamortized debt issuance costs	**(18,546)**	(13,875)
	1,017,879	960,825
US$nil mortgage matured on May 2018 bearing interest at U.S. prime less 1%, repayable at US$33 per month principal and interest, secured by certain real property	**—**	169
	1,017,879	960,994
Less: current portion of long-term debt	**—**	(2,169)
	1,017,879	958,825

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at September 30, 2018, was $787,683 (December 31, 2017 – $743,111). 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% of the aggregate principal amount of the notes at a redemption price of 108.50% 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.

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.

On May 9, 2018, the Company amended its credit facilities to exercise $100,000 of accordion capacity, bringing the total facilities from $275,000 to $375,000. The facilities consist of an operating facility of $27,500 and a revolving term loan facility of $347,500. The Company's credit facilities mature on June 1, 2020 and can be extended by one or more years at the Company's request and lenders' acceptance. The Company also may prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 0.50 percent to prime plus 2.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 3.50 percent above the respective base rates. The accordion feature of the revolving term loan facility was reduced to $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; (b) distributions will be restricted other than those relating to the Company's share unit plans; and (c) the Company will be prohibited from utilizing advances under the credit facilities to redeem or repay subordinated debt. As at September 30, 2018, the Company's net Total Debt to Adjusted EBITDA ratio was 3.26:1.00.

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 nine months ended September 30, 2018 was $85,795 (nine months ended September 30, 2017 – $64,588).

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

	2018
(C$000s)	*($)*
Balance, January 1	960,994
Issuance of long-term debt, net of debt issuance costs	1,061,728
Long-term debt repayments	(1,045,992)
Amortization of debt issuance costs and debt discount	17,108
Foreign exchange adjustments	24,041
Balance, September 30	1,017,879

At September 30, 2018, the Company had utilized $841 of its loan facility for letters of credit and had $195,000 outstanding under its revolving term loan facility, leaving $179,159 in available credit, subject to a monthly borrowing base, as determined using the previous month's results, which at September 30, 2018 resulted in a liquidity amount of $138,452.

See note 7 for further details on the covenants in respect of the Company's long-term debt.

4. CAPITAL STOCK

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

Continuity of Common Shares	**Nine Months Ended September 30, 2018** Shares	Amount	Year Ended, December 31, 2017 Shares	Amount
	(#)	***($000s)***	*(#)*	*($000s)*
Balance, beginning of period	**143,755,741**	**501,456**	136,634,590	466,445
Issued upon exercise of stock options	**476,599**	**1,797**	186,375	472
Issued upon exercise of warrants (note 5)	—	—	6,934,776	34,539
Issued on acquisition (note 6)	**222,817**	**1,250**	—	—
	144,455,157	**504,503**	143,755,741	501,456
Shares to be issued (note 6)		**3,750**	—	—
Balance, end of period	**144,455,157**	**508,253**	143,755,741	501,456

The weighted average number of common shares outstanding for the three months ended September 30, 2018 was 144,237,397 basic and 146,857,977 diluted (three months ended September 30, 2017 – 136,606,064 basic and 138,105,347 diluted). The weighted average number of common shares outstanding for the nine months ended September 30, 2018 was 143,958,861 basic and 147,103,100 diluted (nine months ended September 30, 2017 – 136,588,244 basic and 138,158,349 diluted). The difference between basic and diluted shares is attributable to the dilutive effect of stock options and warrants issued by the Company as disclosed in note 5, and the shares to be issued as disclosed in note 6.

5. SHARE-BASED PAYMENTS

(a) Stock Options

Nine Months Ended September 30,	**2018**		2017	
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	***($)***	*(#)*	*($)*
Balance, January 1	**9,616,173**	**5.30**	7,246,386	6.62
Granted during the period	**1,419,319**	**5.79**	4,151,000	4.75
Exercised for common shares	**(476,599)**	**2.83**	(149,625)	1.99
Forfeited	**(479,073)**	**7.16**	(803,536)	8.11
Expired	**(97,650)**	**12.65**	(132,000)	12.76
Balance, September 30	**9,982,170**	**5.33**	10,312,225	5.74

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 2.71 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 2018, determined using the Black-Scholes valuation method, was $2.55 per option (nine months ended September 30, 2017 – $2.11 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

Nine Months Ended September 30,	**2018**	2017
Expected life (years)	**3.00**	3.50
Expected volatility	**62.88%**	64.39%
Risk-free interest rate	**1.97%**	1.01%
Expected dividends	**$0.00**	$0.00

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

(b) Share Units

Nine Months Ended September 30,	**2018**			2017		
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**	**683,665**	**4,275,183**	145,000	639,330	2,757,850
Granted during the period	**145,000**	**765,100**	**—**	145,000	124,000	2,566,900
Exercised	**(145,000)**	**(232,249)**	**(866,933)**	(145,000)	—	—
Forfeited	**—**	**(108,216)**	**(269,100)**	—	(79,665)	(689,708)
Balance, September 30	**145,000**	**1,108,300**	**3,139,150**	145,000	683,665	4,635,042

	Three Months Ended Sept. 30, 2018	2017	**Nine Months Ended Sept. 30, 2018**	2017
	($)	*($)*	***($)***	*($)*
Expense (recovery) from:				
Stock options	**1,174**	1,302	**3,379**	3,605
Deferred share units	**66**	379	**507**	583
Performance share units	**577**	—	**2,289**	(1,560)
Restricted share units	**739**	—	**6,429**	(4,995)
Total stock-based compensation expense	**2,556**	1,681	**12,604**	(2,367)

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 September 30, 2018, the liability pertaining to deferred share units was $471 (December 31, 2017 – $867).

The Company grants performance share units to a senior officer. The amount of the grants earned is linked to corporate performance and the grants vest on the approval of the Board of Directors at the meeting held to approve the consolidated financial statements for the year in respect of which performance is being evaluated. As with the deferred share units, performance share units are settled either in cash or Company shares purchased on the open market. At September 30, 2018, the liability pertaining to performance share units was $1,013 (December 31, 2017 – $1,389).

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 September 30, 2018, the liability pertaining to the cash-based component of performance share units was $454 (December 31, 2017 – $nil).

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 September 30, 2018, the liability pertaining to restricted share units was $6,490 (December 31, 2017 – $5,096).

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.

(c) Warrants

In conjunction with the second lien senior secured term loan facility as disclosed in note 3, 6,934,776 warrants to purchase common shares of the Company were issued during 2016, entitling the holder to acquire up to 6,934,776 common shares at a price of $4.14 per common share. On November 6, 2017, all the warrants were exercised, for total proceeds of $28,709.

6. ACQUISITION

On July 20, 2018, the Company acquired Vision Sur SRL, the entity that held the remaining 20 percent non-controlling interest in Calfrac Well Services (Argentina) S.A. As a result of the acquisition, Calfrac Well Services (Argentina) S.A. is now a wholly-owned subsidiary of the Company. The purchase price for Vision Sur SRL took into account the prior investments made in Calfrac Well Services (Argentina) S.A. by its shareholders, and consisted of share consideration valued at $5,000. Under the terms of the agreement, the purchase price is payable in four tranches, with 222,817 shares issued on the acquisition date, and the remaining 668,449 shares to be issued in three tranches with the final tranche payable on January 1, 2021. This arrangement also contained an agreement to issue additional contingent shares, ranging from 50,000 to 70,000 shares, if the operating income for Calfrac Well Services (Argentina) S.A. reaches certain target levels in 2019 and 2020. The value of the contingent consideration is not material on a consolidated basis. Acquisition costs were insignificant and expensed in the statement of operations.

During the period July 21, 2018 to September 30, 2018, the acquisition contributed immaterial income to the Company. The pro-forma estimated effects on revenue and operating income, had the acquisition occurred on January 1, 2018, would have been insignificant.

7. 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	**September 30, 2018**	December 31, 2017
(C$000s)	***($)***	*($)*
Net income	**13,156**	586
Adjusted for the following:		
Depreciation	**156,413**	130,793
Reversal of impairment of property, plant and equipment	**(76,296)**	(76,296)
Foreign exchange losses	**49,488**	34,273
Loss on disposal of property, plant and equipment	**27,396**	13,039
Impairment of inventory	**3,189**	—
Interest	**106,593**	85,450
Income taxes	**14,683**	(7,725)
Operating income	**294,622**	180,120

Net debt for this purpose is calculated as follows:

As at	**September 30, 2018**	December 31, 2017
(C$000s)	***($)***	*($)*
Long-term debt, net of debt issuance costs and debt discount (note 3)	**1,017,879**	960,994
Finance lease obligations	**783**	914

Less: cash and cash equivalents	**(17,447)**	(52,749)
Net debt	**1,001,215**	909,159

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 September 30, 2018, the net debt to operating income ratio was 3.40:1 (December 31, 2017 – 5.05:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended	**September 30, 2018**	December 31, 2017
(C$000s, except ratio)	***($)***	*($)*
Net debt	**1,001,215**	909,159
Operating income	**294,622**	180,120
Net debt to operating income ratio	**3.40:1**	5.05:1

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 September 30, 2018 and December 31, 2017, the Company was in compliance with its covenants with respect to its credit facilities.

As at September 30,	Covenant 2018	**Actual 2018**
Working capital ratio not to fall below	**1.15x**	**2.39x**
Funded Debt to Adjusted EBITDA not to exceed(1)(2)	**3.00x**	**0.59x**
Funded Debt to Capitalization not to exceed(1)(3)	**0.30x**	**0.12x**

(1) Funded Debt is defined as Total Debt excluding all outstanding senior unsecured notes. 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 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 Sept. 30,		**Nine Months Ended Sept. 30,**	
	2018	2017	**2018**	2017
(C$000s)			***($)***	*($)*
(unaudited)				
Net income (loss)	**14,878**	6,678	**(22,715)**	(35,285)
Add back (deduct):				
Depreciation	**42,638**	30,604	**119,927**	94,307
Unrealized foreign exchange (gains) losses	**(26,306)**	13,814	**15,810**	26,208
Non-recurring realized foreign exchange losses(1)	**29,288**	—	**29,288**	—
Loss on disposal of property, plant and equipment	**6,666**	5,405	**22,430**	8,073
Impairment of inventory	**1,131**	—	**3,189**	—
Provision for settlement of litigation	**—**	—	**—**	(139)
Restructuring charges	**16**	213	**795**	568
Stock-based compensation	**1,542**	1,302	**4,168**	3,605
Losses attributable to non-controlling interest	**—**	1,144	**7,989**	3,211
Interest	**21,817**	21,134	**85,631**	64,488
Income taxes	**19,961**	819	**(18)**	(22,426)
Adjusted EBITDA	**111,631**	81,113	**266,494**	142,610

(1) The Company recognized a one-time realized foreign exchange loss resulting from the capitalization of inter-company debt held by its Argentinean subsidiary.

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 $125,000.

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 September 30, 2018, 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 September 30, 2018, the Company's Fixed Charge Coverage Ratio of 3.70:1 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, 2020, 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.

On April 3, 2017, the Company elected to use the first of its two fully-funded $25,000 equity cures effective as of the quarter ending on June 30, 2017. On April 30, 2018, the remaining $25,000 was removed from the segregated account without being designated as an equity cure.

8. 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 $10,283 (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 $10,283 (6,846 euros) cited above and the interest being sought in respect of these orders is part of the $27,084 (18,032 euros) cited below. Provisional orders granting a temporary suspension of any enforcement proceedings have been granted in respect of all of the orders that have been served. The order served on March 24, 2015 was heard on November 24, 2015 and a decision was issued on November 25, 2016 accepting the Company's opposition on the basis that no lawful service of Judgment No 4528/2008 had taken place until the filing of the opponents' petition and/or the issuance of the payment order. The plaintiffs have filed an appeal against the above decision which has been scheduled to be heard on October 16, 2018. A hearing in respect of the order served on November 23, 2015 was adjourned until October 31, 2018. A hearing in respect of the orders served in December of 2015 scheduled for September 20, 2016 was adjourned until November 21, 2016 and two decisions were issued on January 9, 2017 accepting the Company's oppositions on a statute of limitations basis. The plaintiffs filed appeals against the above decisions which were heard on October 16, 2018 and decisions in respect of such appeals are pending.

NAPC is also the subject of a claim for approximately $4,299 (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 $868 (578 euros), amounted to $27,084 (18,032 euros) as at September 30, 2018.

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.

9. 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 September 30, 2018						
Revenue	**184,046**	**359,335**	**25,667**	**61,080**	**—**	**630,128**
Operating income (loss)[1]	**27,646**	**88,547**	**1,568**	**9,416**	**(11,846)**	**115,331**
Segmented assets	**641,578**	**968,507**	**96,225**	**148,358**	**—**	**1,854,668**
Capital expenditures	**9,677**	**22,627**	**1,242**	**996**	**—**	**34,542**
Three Months Ended September 30, 2017						
Revenue	180,953	193,817	29,758	43,562	—	448,090
Operating income (loss)[1]	44,418	37,084	4,705	(8)	(8,003)	78,196
Segmented assets	676,957	740,662	109,019	150,033	—	1,676,671
Capital expenditures	186	20,655	972	280	—	22,093

	Canada	**United States**	**Russia**	**Argentina**	**Corporate**	**Consolidated**
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Nine Months Ended September 30, 2018						
Revenue	**505,646**	**1,017,351**	**81,927**	**152,644**	**—**	**1,757,568**
Operating income (loss)[1]	**70,506**	**210,820**	**(185)**	**8,479**	**(39,787)**	**249,833**
Segmented assets	**641,578**	**968,507**	**96,225**	**148,358**	**—**	**1,854,668**
Capital expenditures	**33,606**	**88,183**	**3,004**	**3,487**	**—**	**128,280**
Nine Months Ended September 30, 2017						
Revenue	403,284	445,807	88,977	104,181	—	1,042,249
Operating income (loss)[1]	70,051	72,261	9,418	(26)	(16,373)	135,331
Segmented assets	676,957	740,662	109,019	150,033	—	1,676,671
Capital expenditures	15,079	38,678	1,912	1,747	—	57,416

(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, interest, and income taxes.

	Three Months Ended Sept. 30,		**Nine Months Ended Sept. 30,**	
	2018	2017	**2018**	2017
(C$000s)	***($)***	*($)*	***($)***	*($)*
Net income (loss)	**14,878**	6,678	**(22,715)**	(35,285)
Add back (deduct):				
Depreciation	**42,638**	30,604	**119,927**	94,307
Foreign exchange losses	**8,240**	13,556	**41,389**	26,174
Loss on disposal of property, plant and equipment	**6,666**	5,405	**22,430**	8,073
Impairment of inventory	**1,131**	—	**3,189**	—
Interest	**21,817**	21,134	**85,631**	64,488
Income taxes	**19,961**	819	**(18)**	(22,426)
Operating income	**115,331**	78,196	**249,833**	135,331

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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