



First Quarter Interim Report

FOR THE THREE MONTHS ENDED MARCH 31, 2021

DO IT BETTER • DO IT ON TIME • DO IT SAFELY

HIGHLIGHTS

Three Months Ended March 31, <i>(C\$000s, except per share and unit data)</i> <i>(unaudited)</i>	2021 <i>(\$)</i>	2020 <i>(\$)</i>	Change <i>(%)</i>
Financial			
Revenue	241,575	305,515	(21)
Operating income ⁽¹⁾	12,940	5,698	127
Per share – basic ⁽²⁾	0.35	1.97	(82)
Per share – diluted ⁽²⁾	0.15	1.96	(92)
Adjusted EBITDA ⁽¹⁾	11,936	6,812	75
Per share – basic ⁽²⁾	0.31	2.35	(87)
Per share – diluted ⁽²⁾	0.14	2.34	(94)
Net loss	(22,418)	(122,857)	(82)
Per share – basic ⁽²⁾	(0.60)	(42.38)	(99)
Per share – diluted ⁽²⁾	(0.60)	(42.38)	(99)
Working capital (end of period)	170,088	233,125	(27)
Total equity (end of period)	384,561	239,099	61
Weighted average common shares outstanding (000s)			
Basic	37,422	2,899	NM
Diluted	83,814	2,911	NM

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 18 and 19 for further information.

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

PRESIDENT’S MESSAGE

Calfrac’s President and Chief Operating Officer, Lindsay Link commented: “Calfrac’s performance during the first quarter demonstrated the breadth of our operating footprint and the resilience of our business. Despite weather impacts in three of our operating areas, the Company’s operations continued to build momentum during the quarter, positioning us well for the remainder of 2021. I would like to offer my thanks to our employees and their families for their hard work and commitment to excellence.” During the quarter, Calfrac:

- completed the ramp-up in its North American operating footprint to 11 fracturing crews;
- achieved modest improvement in service pricing; and
- delivered 34 percent in revenue growth over the prior quarter along with adjusted EBITDA of \$11.9 million or 4.9 percent of revenue.

CONSOLIDATED HIGHLIGHTS

Three Months Ended March 31, <i>(C\$000s, except operational information)</i> <i>(unaudited)</i>	2021 <i>(\$)</i>	2020 <i>(\$)</i>	Change <i>(%)</i>
Revenue	241,575	305,515	(21)
Expenses			
Operating	217,447	282,747	(23)
Selling, general and administrative (SG&A)	11,188	17,070	(34)
	228,635	299,817	(24)
Operating income ⁽¹⁾	12,940	5,698	127
Operating income (%)	5.4	1.9	184
Adjusted EBITDA ⁽¹⁾	11,936	6,812	75
Adjusted EBITDA (%)	4.9	2.2	123
Fracturing revenue per job (\$)	24,549	23,323	5
Number of fracturing jobs	8,852	11,969	(26)
Active pumping horsepower, end of period (000s)	934	1,242	(25)
Idle pumping horsepower, end of period (000s)	411	174	136
Total pumping horsepower, end of period (000s)	1,345	1,416	(5)
Coiled tubing revenue per job (\$)	23,471	34,804	(33)
Number of coiled tubing jobs	644	542	19
Active coiled tubing units, end of period (#)	16	20	(20)
Idle coiled tubing units, end of period (#)	11	7	57
Total coiled tubing units, end of period (#)	27	27	—
Cementing revenue per job (\$)	50,665	61,979	(18)
Number of cementing jobs	93	121	(23)
Active cementing units, end of period (#)	10	13	(23)
Idle cementing units, end of period (#)	6	3	100
Total cementing units, end of period (#)	16	16	—

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 18 and 19 for further information.

Revenue in the first quarter of 2021 was \$241.6 million, a decrease of 21 percent from the same period in 2020. The lower revenue was mainly due to the fracturing job count decreasing by 26 percent, resulting primarily from lower activity in North America. Cementing activity in Argentina was also lower by 23 percent, while consolidated coiled tubing activity increased by 19 percent as a result of job mix. Fracturing revenue per job increased by 5 percent due to changes in job mix in Canada.

Adjusted EBITDA of \$11.9 million for the first quarter of 2021 increased from \$6.8 million in the comparable period in 2020, primarily as a result of better utilization for its operating fleets in Canada, Russia and Argentina, combined with cost reduction measures implemented across the Company during 2020.

Net loss was \$22.4 million or \$0.60 per share diluted compared to a net loss of \$122.9 million or \$42.38 per share diluted in the same period last year, which included a gain on debt exchange of \$130.4 million, a \$114.0 million deferred tax expense related to the derecognition of the Company's deferred tax asset, and an impairment of PP&E and other assets of \$54.0 million.

Three Months Ended	March 31, 2021	December 31, 2020	Change
<i>(C\$000s, except operational information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	241,575	180,722	34
Expenses			
Operating	217,447	154,582	41
SG&A	11,188	10,543	6
	228,635	165,125	38
Operating income ⁽¹⁾	12,940	15,597	(17)
Operating income (%)	5.4	8.6	(37)
Adjusted EBITDA ⁽¹⁾	11,936	13,715	(13)
Adjusted EBITDA (%)	4.9	7.6	(36)
Fracturing revenue per job (\$)	24,549	33,022	(26)
Number of fracturing jobs	8,852	4,887	81
Active pumping horsepower, end of period (000s)	934	901	4
Idle pumping horsepower, end of period (000s)	411	444	(7)
Total pumping horsepower, end of period (000s)	1,345	1,345	—
Coiled tubing revenue per job (\$)	23,471	33,754	(30)
Number of coiled tubing jobs	644	354	82
Active coiled tubing units, end of period (#)	16	17	(6)
Idle coiled tubing units, end of period (#)	11	10	10
Total coiled tubing units, end of period (#)	27	27	—
Cementing revenue per job (\$)	50,665	43,697	16
Number of cementing jobs	93	85	9
Active cementing units, end of period (#)	10	12	(17)
Idle cementing units, end of period (#)	6	4	50
Total cementing units, end of period (#)	16	16	—

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 18 and 19 for further information.

First-quarter revenue in 2021 of \$241.6 million represented an increase of 34 percent from the fourth quarter of 2020, primarily due to improved fracturing activity in all of the areas where Calfrac operates. Revenue per fracturing job was 26 percent lower compared with the fourth quarter of 2020 due to the impact of job mix in Canada and a lower rouble in Russia.

In Canada, revenue increased by 60 percent from the fourth quarter to \$85.6 million in the first quarter due to a rebound in customer activity resulting from improved oil and natural gas prices and refreshed capital budgets. Calfrac's Canadian division adjusted its operating footprint in advance of the first quarter and was able to deploy four fracturing fleets and four coiled tubing units in order to meet the needs of the Company's core clients. Operating income as a percentage of revenue was 18 percent, compared to 17 percent in the fourth quarter.

In the United States, revenue in the first quarter of 2021 was \$92.9 million or 38 percent higher than the fourth quarter of 2020. The improvement was primarily activity driven as the Company had a full quarter of activity from the three fleets that were reactivated late in the fourth quarter. Operating losses were \$3.0 million in the first quarter compared to operating income of \$1.0 million in the fourth quarter of 2020. Cold weather and winter storms directly impacted activity levels in February and also caused a significant increase in fuel and other input costs. In total, this weather negatively impacted operating income by more than \$2.0 million during the quarter.

In Russia, revenue of \$27.6 million in the first quarter of 2021 was 2 percent higher than the fourth quarter due to a 5 percent increase in fracturing activity, offset partially by a weaker Russian rouble. Operating income decreased by \$3.0 million due primarily to higher operating costs associated with winter operations in Western Siberia.

In Argentina, revenue in the first quarter of 2021 increased to \$35.5 million from \$33.1 million in the fourth quarter. The ongoing improvement in operating conditions resulted in a sequential improvement in overall activity. However, Calfrac's large fracturing spread shifted between customers, to a new major operator, during the early part of the quarter which impacted profitability. Consequently, operating income decreased from \$5.5 million in the fourth quarter of 2020 to \$3.9 million in the first quarter.

Adjusted EBITDA of \$11.9 million for the first quarter of 2021 decreased from \$13.7 in the fourth quarter of 2020, primarily due to the impact of winter storms in the United States, which caused temporary shut-downs and higher costs in February.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of April 28, 2021 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the years ended March 31, 2021 and 2020. It should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2021, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2020.

Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used are included on pages 18 and 19.

CALFRAC'S BUSINESS

Calfrac is an independent provider of specialized oilfield services in the United States, Canada, Argentina and Russia, including hydraulic fracturing, coiled tubing, cementing and other well stimulation services.

The Company's reportable business segments during the three months ended March 31, 2021 were as follows:

Segment	Active (000's hhp)	Idle (000's hhp)	Total (000's hhp)	Crewed Fleets (#)
United States	532	338	870	7
Canada	202	73	275	4
Argentina	123	—	123	5
Russia	77	—	77	5
Total	934	411	1,345	21

- The Company's United States segment provides fracturing services to oil companies operating in the Bakken shale play in North Dakota; in the Rockies area, including the Powder River Basin in Wyoming, as well as in Texas and New Mexico, where it services the Eagle Ford and Permian basins. Calfrac also provides fracturing services to natural gas-focused customers operating in the Marcellus and Utica shale plays in Pennsylvania, Ohio and West Virginia. At March 31, 2021, Calfrac's United States operations had combined active horsepower of approximately 532,000 and no active cementing or coiled tubing units. At the end of the first quarter, the United States segment had temporarily idled approximately 338,000 horsepower, three cementing units and one coiled tubing unit.
- The Canadian segment is focused on the provision of fracturing and coiled tubing services to a diverse group of oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia, Saskatchewan and Manitoba. The Company's customer base in Canada ranges from large multinational public companies to small private companies. At March 31, 2021, Calfrac's Canadian operations had active horsepower of approximately 202,000 and seven active coiled tubing units. At the end of the first quarter, the Canadian segment had temporarily idled approximately 73,000 horsepower and six coiled tubing units.
- The Argentinean segment provides pressure pumping services from its operating bases in Argentina. The Company provides fracturing, cementing and coiled tubing services to oil and natural gas companies operating in the Neuquén, Las Heras and Comodoro regions. The Company had approximately 123,000 active horsepower, 10 active and three idle cementing units and five active and one idle coiled tubing units in its Argentinean segment at March 31, 2021.
- The Company's Russian segment provides fracturing and coiled tubing services in Western Siberia. During the first quarter of 2021, the Company operated under multi-year agreements to provide services to Russia's largest oil producer. At March 31, 2021, the Russian segment had seven deep coiled tubing units, of which four were active, and approximately 77,000 active horsepower forming six fracturing spreads in Russia.

CONSOLIDATED HIGHLIGHTS

Three Months Ended March 31,	2021	2020	Change
<i>(C\$000s, except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	241,575	305,515	(21)
Operating income ⁽¹⁾	12,940	5,698	127
Per share – basic ⁽²⁾	0.35	1.97	(82)
Per share – diluted ⁽²⁾	0.15	1.96	(92)
Adjusted EBITDA ⁽¹⁾	11,936	6,812	75
Per share – basic ⁽²⁾	0.31	2.35	(87)
Per share – diluted ⁽²⁾	0.14	2.34	(94)
Net income (loss)	(22,418)	(122,857)	(82)
Per share – basic ⁽²⁾	(0.60)	(42.50)	(99)
Per share – diluted ⁽²⁾	(0.60)	(42.50)	(99)
As at	March 31	December 31	Change
	2021	2020	
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Working capital, end of period	170,088	161,448	5
Total assets, end of period	916,724	912,463	—
Long-term debt, end of period	343,312	324,633	6
Total equity, end of period	384,561	410,234	(6)

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 18 and 19 for further information.

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

FIRST QUARTER 2021 OVERVIEW

In the first quarter of 2021, the Company:

- generated revenue of \$241.6 million, a decrease of 21 percent from the first quarter in 2020, resulting primarily from lower pricing and activity in Canada and the United States;
- reported adjusted EBITDA of \$11.9 million versus \$6.8 million in the first quarter of 2020;
- reported a net loss of \$22.4 million or \$0.60 per share diluted, compared to a net loss of \$122.9 million or \$42.50 per share diluted, which included a gain on debt exchange of \$130.4 million, a \$114.0 million deferred tax expense related mainly to the derecognition of the Company’s deferred tax asset, and an impairment of PP&E and other assets of \$54.0 million during the first quarter in 2020;
- opted to pay its first interest payment on its 1.5 Lien Notes in cash rather than utilizing the payment-in-kind option at March 15, 2021;
- reported period-end working capital of \$170.1 million versus \$161.4 million at December 31, 2020; and
- incurred capital expenditures of \$11.6 million primarily to support the Company’s United States fracturing operations.

CANADA

Three Months Ended March 31, <i>(C\$000s, except operational information)</i> <i>(unaudited)</i>	2021 <i>(\$)</i>	2020 <i>(\$)</i>	Change <i>(%)</i>
Revenue	85,583	104,619	(18)
Expenses			
Operating	68,743	89,693	(23)
SG&A	1,661	2,951	(44)
	70,404	92,644	(24)
Operating income ⁽¹⁾	15,179	11,975	27
Operating income (%)	17.7	11.4	55
Fracturing revenue per job (\$)	16,939	15,290	11
Number of fracturing jobs	4,569	6,186	(26)
Active pumping horsepower, end of period (000s)	202	237	(15)
Idle pumping horsepower, end of period (000s)	73	36	103
Total pumping horsepower, end of period (000s)	275	273	1
Coiled tubing revenue per job (\$)	23,062	25,031	(8)
Number of coiled tubing jobs	355	401	(11)
Active coiled tubing units, end of period (#)	7	11	(36)
Idle coiled tubing units, end of period (#)	6	2	200
Total coiled tubing units, end of period (#)	13	13	—

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 18 and 19 for further information.

REVENUE

Revenue from Calfrac's Canadian operations during the first quarter of 2021 was \$85.6 million compared to \$104.6 million in the same period of 2020, primarily due to lower activity. The number of fracturing jobs decreased by 26 percent from the comparable period in 2020 due to a smaller operating footprint as the Company responded to unfavorable market conditions and operated only four fleets compared to five fleets in the first quarter of 2020. Revenue per job increased by 11 percent mainly due to job mix as the majority of activity completed in the quarter was focused on larger pad style jobs. The number of coiled tubing jobs decreased by 11 percent from the first quarter in 2020 as the number of coiled tubing crews was reduced, while revenue per job decreased by 8 percent due to job mix.

OPERATING INCOME

Operating income in Canada during the first quarter of 2021 was \$15.2 million compared to \$12.0 million in the same period of 2020. Despite an 18 percent decrease in revenue, the Company's operating income as a percentage of revenue was 18 percent compared to 11 percent in the comparable quarter. This increase in operating income was mainly due to a right-sized operating footprint in response to unfavorable market conditions, cost saving initiatives implemented in the second quarter of 2020, which included salary and headcount reductions, combined with lower discretionary spending. The first quarter of 2021 included \$1.4 million of Canadian Emergency Wage Subsidy compared to the first quarter of 2020 which included \$1.6 million in restructuring costs.

UNITED STATES

Three Months Ended March 31,	2021	2020	Change
(C\$000s, except operational and exchange rate information) (unaudited)	(\$)	(\$)	(%)
Revenue	92,913	154,112	(40)
Expenses			
Operating	93,154	144,729	(36)
SG&A	2,771	4,196	(34)
	95,925	148,925	(36)
Operating (loss) income ⁽¹⁾	(3,012)	5,187	NM
Operating (loss) income (%)	(3.2)	3.4	NM
Fracturing revenue per job (\$)	26,239	28,366	(7)
Number of fracturing jobs	3,541	5,433	(35)
Active pumping horsepower, end of period (000s)	532	802	(34)
Idle pumping horsepower, end of period (000s)	338	126	168
Total pumping horsepower, end of period (000s)	870	928	(6)
Active coiled tubing units, end of period (#)	—	—	—
Idle coiled tubing units, end of period (#)	1	1	—
Total coiled tubing units, end of period (#)	1	1	—
Active cementing units, end of period (#)	—	—	—
Idle cementing units, end of period (#)	3	2	50
Total cementing units, end of period (#)	3	2	50
US\$/C\$ average exchange rate ⁽²⁾	1.2660	1.3449	(6)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 18 and 19 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac's United States operations decreased to \$92.9 million during the first quarter of 2021 from \$154.1 million in the comparable quarter of 2020. The significant decrease in revenue can be attributed to a combination of a 35 percent reduction in the number of fracturing jobs completed and a 7 percent decrease in revenue per job period-over-period, primarily due to the decline in the U.S. dollar exchange rate. Activity levels for the quarter started off relatively strong but were severely impacted in mid-February by extreme cold weather which temporarily shutdown operations. The Company reduced its operating footprint from a peak of 14 fleets in the first quarter of 2020 down to seven fleets in the first quarter of 2021.

OPERATING (LOSS) INCOME

The Company's United States operations generated an operating loss of \$3.0 million during the first quarter of 2021 compared to operating income of \$5.2 million in the same period in 2020. The decrease in operating income was due to the significant reduction in revenue compared to the first quarter of 2020 as extreme weather in February resulted in lower utilization in North Dakota and Colorado and the temporary shutdown of operations in Pennsylvania and New Mexico. In addition, higher fuel costs and other expenses related to the winter storm were experienced in North Dakota. SG&A expenses decreased by 34 percent primarily due to headcount and compensation reductions that were enacted in the second quarter in 2020.

RUSSIA

Three Months Ended March 31,	2021	2020	Change
(C\$000s, except operational and exchange rate information) (unaudited)	(\$)	(\$)	(%)
Revenue	27,621	20,991	32
Expenses			
Operating	25,465	22,250	14
SG&A	680	1,039	(35)
	26,145	23,289	12
Operating income (loss) ⁽¹⁾	1,476	(2,298)	NM
Operating income (loss) (%)	5.3	(10.9)	NM
Fracturing revenue per job (\$)	74,113	102,408	(28)
Number of fracturing jobs	339	179	89
Active pumping horsepower, end of period (000s)	77	65	18
Idle pumping horsepower, end of period (000s)	—	12	(100)
Total pumping horsepower, end of period (000s)	77	77	—
Coiled tubing revenue per job (\$)	47,101	46,667	1
Number of coiled tubing jobs	53	57	(7)
Active coiled tubing units, end of period (#)	4	3	33
Idle coiled tubing units, end of period (#)	3	4	(25)
Total coiled tubing units, end of period (#)	7	7	—
Rouble/C\$ average exchange rate ⁽²⁾	0.0170	0.0202	(16)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 18 and 19 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac's Russian operations increased by 32 percent during the first quarter of 2021 to \$27.6 million from \$21.0 million in the corresponding period of 2020. The increase in revenue was attributable to a 89 percent increase in fracturing activity due to better utilization as the comparable quarter in 2020 had weather related access issues. Revenue per fracturing job decreased by 28 percent primarily due to a 16 percent decline in the Russian rouble, combined with a larger percentage of multi-stage wells completed, which lowered average fracturing job sizes for the quarter. Coiled tubing activity decreased by 7 percent due to changes in job mix as the Company operated primarily in the Erginskoye field, which had larger average job sizes as compared to the same period in 2020. Despite the decline in the Russian rouble, coiled tubing revenue per job was 1 percent higher than the comparable quarter due to changes in job mix.

OPERATING INCOME (LOSS)

The Company's Russian division generated operating income of \$1.5 million during the first quarter of 2021 versus an operating loss of \$2.3 million in the comparable quarter in 2020. The improved operating performance was primarily due to better utilization of its operating fleets combined with cost saving initiatives implemented in 2020.

ARGENTINA

Three Months Ended March 31,	2021	2020	Change
<i>(C\$000s, except operational and exchange rate information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	35,458	25,793	37
Expenses			
Operating	29,730	24,949	19
SG&A	1,814	2,476	(27)
	31,544	27,425	15
Operating income (loss) ⁽¹⁾	3,914	(1,632)	NM
Operating income (loss) (%)	11.0	(6.3)	NM
Fracturing revenue per job (\$)	54,288	70,916	(23)
Number of fracturing jobs	403	171	136
Active pumping horsepower, end of period (000s)	123	138	(11)
Idle pumping horsepower, end of period (000s)	—	—	—
Total pumping horsepower, end of period (000s)	123	138	(11)
Coiled tubing revenue per job (\$)	18,781	73,411	(74)
Number of coiled tubing jobs	236	84	181
Active coiled tubing units, end of period (#)	5	6	(17)
Idle coiled tubing units, end of period (#)	1	—	NM
Total coiled tubing units, end of period (#)	6	6	—
Cementing revenue per job (\$)	50,665	61,979	(18)
Number of cementing jobs	93	121	(23)
Active cementing units, end of period (#)	10	13	(23)
Idle cementing units, end of period (#)	3	1	200
Total cementing units, end of period (#)	13	14	(7)
US\$/C\$ average exchange rate ⁽²⁾	1.2660	1.3449	(6)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 18 and 19 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Calfrac's Argentinean operations generated revenue of \$35.5 million during the first quarter of 2021 compared to \$25.8 million in the comparable quarter in 2020, primarily due to the 136 percent increase in the number of completed fracturing jobs. Revenue per fracturing job decreased by 23 percent due to changes in customer and job mix. Despite the 181 percent increase in coiled tubing activity, coiled tubing revenue was lower quarter-over-quarter as revenue per job decreased by 74 due to changes in job mix. Cementing activity decreased by 23 percent from the comparable quarter in 2020 due to a reduction in active units. In addition, the first quarter included subcontractor revenue that was not experienced in the first quarter of 2020 due to changes in contracted service mix in Neuquén.

OPERATING INCOME (LOSS)

The Company's operations in Argentina generated an operating income of \$3.9 million during the first quarter of 2021 compared to an operating loss of \$1.6 million in the comparable quarter of 2020. Overall utilization in January and February experienced some operating delays by the Company's main customer, which lowered operating income for the first half of the quarter. Utilization improved significantly in March compared to the same period in 2020 as the prior year included a government-mandated shutdown of oilfield activity in response to the COVID-19 pandemic.

CORPORATE

Three Months Ended March 31,	2021	2020	Change
(C\$000s)	(\$)	(\$)	(%)
(unaudited)			
Expenses			
Operating	355	1,126	(68)
SG&A	4,262	6,408	(33)
	4,617	7,534	(39)
Operating loss ⁽¹⁾	(4,617)	(7,534)	(39)
% of Revenue	1.9	2.5	(24)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 18 and 19 for further information.

OPERATING LOSS

Corporate expenses for the first quarter of 2021 were \$4.6 million compared to \$7.5 million in the first quarter of 2020. The decrease was primarily due to lower personnel costs resulting from headcount and compensation reductions, combined with \$0.2 million in government subsidies received during the first quarter of 2021. The Company's stock-based compensation expense was \$0.5 million lower than the first quarter in 2020 as the Company cancelled all outstanding stock options and performance share units in conjunction with the Recapitalization Transaction that closed in December 2020 and has not yet issued any equity-based awards under its omnibus incentive plan.

DEPRECIATION

For the three months ended March 31, 2021, depreciation expense decreased by \$31.7 million to \$31.6 million from \$63.3 million in the corresponding quarter in 2020. In 2020, the Company recorded PP&E impairment charges totaling \$227.2 million which resulted in the reduction of depreciation expense during the first quarter in 2021. The year-over-year decrease in capital expenditures relating to major component purchases, which have a shorter useful life and a corresponding higher rate of depreciation, also contributed to the decrease in first-quarter depreciation expense.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss of \$3.3 million during the first quarter of 2021 versus a gain of \$0.1 million in the comparative three-month period of 2020. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada, net monetary assets or liabilities that were held in pesos in Argentina, and liabilities held in Canadian dollars in Russia. The foreign exchange loss during the first quarter was mainly due to the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar strengthened relative to the U.S. dollar.

INTEREST

The Company's net interest expense of \$9.1 million for the first quarter of 2021 was \$16.9 million lower than the comparable period in 2020. The decrease in interest expense was primarily due to the significant reduction in long-term debt resulting from the Recapitalization Transaction that closed on December 18, 2020, combined with the debt exchange that was completed during the first quarter in 2020. These transactions combined to eliminate US\$650.0 million of the Company's 8.50 percent senior unsecured notes and replaced it with US\$120.0 million of Second Lien Notes bearing interest at 10.875 percent and \$59.0 million of 1.5 Lien Notes at an annual interest rate of 10.0 percent. Interest expense during the first quarter in 2020 also included the write-off of \$4.4 million of deferred finance costs related to the portion of senior unsecured notes that were exchanged during that quarter.

INCOME TAXES

The Company recorded an income tax recovery of \$8.3 million during the first quarter of 2021 compared to an expense of \$114.1 million in the comparable period of 2020. A deferred tax recovery of \$8.4 million was recorded primarily due to losses incurred in the United States and a current income tax expense of \$0.1 million resulted from current tax obligations in Russia and certain state taxes in the United States. The expense position in the first quarter in 2020 was the result of the derecognition of the Company's deferred tax asset, which resulted in a deferred tax expense of \$115.6 million.

IMPAIRMENT

Since the impairment test that was conducted as at December 31, 2020, the Company did not identify any changes in the indicators of impairment or any new indicators of impairment. Therefore, no further assessment on impairment was performed as there have been no changes in circumstances that indicate that the carrying amount of property, plant and equipment does not exceed its recoverable amount as at March 31, 2021. The impairment charge by CGU is shown in the table below.

Three Months Ended March 31,	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Canada	—	38,144
United States	—	15,380
	—	53,524

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended Mar. 31,	
	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>		
Cash provided by (used in):		
Operating activities	(19,862)	(46,339)
Financing activities	15,981	19,332
Investing activities	(10,506)	(25,856)
Effect of exchange rate changes on cash and cash equivalents	(1,478)	7,304
Decrease in cash and cash equivalents	(15,865)	(45,559)

OPERATING ACTIVITIES

The Company's cash used in operating activities for the three months ended March 31, 2021 was \$19.9 million versus \$46.3 million during the same period in 2020. The decrease in cash used in operations was primarily due to a lower outflow of cash from working capital during the period. Working capital used \$20.8 million of cash in the first three months in 2021 compared to \$44.0 million in the same period in 2020. At March 31, 2021, Calfrac's working capital was \$170.1 million compared to \$161.4 million at December 31, 2020.

FINANCING ACTIVITIES

Net cash provided by financing activities for the three months ended March 31, 2021 was \$16.0 million compared to net cash provided of \$19.3 million in the comparable three-month period in 2020. During the three months ended March 31, 2021, the Company borrowed \$17.7 million on a net basis under its credit facilities, paid lease principal payments of \$1.8 million and received proceeds of \$0.1 million from the exercise of a portion of the Company's outstanding warrants.

On December 18, 2020, Calfrac completed the Recapitalization Transaction and the new financing of \$60.0 million 1.5 Lien Notes. The completion of the Recapitalization Transaction significantly reduced the Company's total debt, will reduce annual interest expense and provide additional liquidity to fund ongoing operations. The Company also opted to pay its first interest payment on the 1.5 Lien Notes in cash during the first quarter rather than utilizing the payment-in-kind option.

During the first quarter of 2021, the Company recorded the rescission of \$1.0 million of its 1.5 Lien Notes. For accounting purposes, the \$1.0 million principal amount was recorded on a proportional basis as a reduction of the liability and equity portion of the 1.5 Lien Notes.

In conjunction with the completion of the Recapitalization Transaction, the Company amended its revolving credit facility agreement to reduce its total facility capacity from \$375.0 million to \$290.0 million and, as part of the amended agreement, the Company's Funded Debt to Adjusted EBITDA covenant is waived for the quarters ended March 31, 2021 through June 30, 2021 and is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021 ("Covenant Relief Period") and 3.00x for each quarter end thereafter. The Covenant Relief Period terminates on the earlier of December 31, 2021 and any prior quarter end for which Calfrac has requested early termination and has provided a

compliance certificate to its lenders certifying compliance with all financial covenants and where the Funded Debt to Adjusted EBITDA ratio is less than 3.00x at such quarter end. The facilities consist of an operating facility of \$30.9 million and a syndicated facility of \$259.1 million. The Company's credit facilities mature on June 1, 2022, and can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.00 percent to prime plus 3.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.00 percent to 4.50 percent above the respective base rates. The Company incurs interest at the high end of the ranges outlined above during the Covenant Relief Period or if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00, certain restrictions apply including the following: (a) acquisitions are subject to majority lender consent; (b) distributions are restricted other than those relating to the Company's equity compensation plans; and (c) no increase in the rate of dividends are permitted. As at March 31, 2021, the Company's net Total Debt to Adjusted EBITDA ratio exceeded the 5.00:1.00 threshold.

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

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

At March 31, 2021, the Company had used \$0.8 million of its credit facilities for letters of credit and had \$150.0 million of borrowings under its credit facilities, leaving \$139.2 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 March 31, 2021 resulted in liquidity of \$64.2 million. Under the terms of the Company's amended credit facility agreement, Calfrac must maintain a minimum liquidity amount of \$15.0 million during the Covenant Relief Period.

The Company's credit facilities contain certain financial covenants. As per the amended credit facility agreement, the Company's Funded Debt to Adjusted EBITDA covenant is waived for the quarters ended March 31, 2021 through June 30, 2021 and is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021 and 3.00x for each quarter end thereafter. As shown in the table below, the Company was in full compliance with its financial covenants associated with its credit facilities as at March 31, 2021.

	Covenant	Actual
March 31,	2021	2021
Working capital ratio not to fall below	1.15x	2.44x
Funded Debt to Adjusted EBITDA not to exceed ⁽¹⁾⁽²⁾	N/A	8.61x
Funded Debt to Capitalization not to exceed ⁽¹⁾⁽³⁾	0.30x	0.20x

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

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

⁽³⁾ Capitalization is Total Debt plus equity.

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

Notes. The exchange resulted in reduced debt of approximately \$130.0 million and a reduction in annual debt service costs of approximately \$7.3 million.

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

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

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

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

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

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

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US\$20.0 million in each of these indentures. As at March 31, 2021, these baskets were not utilized. The indentures also restrict the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness. The indenture governing the 1.5 Lien Notes includes restrictions on certain investments including certain investments in subsidiary entities, however the indenture includes several exceptions to this prohibition, including a general basket of US\$10.0 million and baskets related to prepayment and build commitments which aggregate over US\$12.0 million. This

indenture also contains a restriction that any indebtedness incurred in excess of \$290.0 million under the credit facilities basket shall be junior in priority to the 1.5 Lien Notes.

As at March 31, 2021, the Company's Fixed Charge Coverage Ratio of 0.43:1 was below the required 2:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the indentures, and the baskets highlighted in the preceding paragraph provide sufficient flexibility for the Company to incur additional indebtedness and make anticipated restricted payments, which may be required to conduct its operations.

INVESTING ACTIVITIES

Calfrac's net cash used for investing activities was \$10.5 million for the three months ended March 31, 2021 versus \$25.9 million in the comparable period in 2020. Cash outflows relating to capital expenditures were \$10.9 million for the three months ended March 31, 2021 compared to \$26.8 million in the same period in 2020. Calfrac's Board of Directors have approved a 2021 capital budget of approximately \$55.0 million, which is comprised primarily of maintenance capital.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the three months ended March 31, 2021 was a loss of \$1.5 million versus a gain of \$7.3 million in the same period in 2020. 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 2021 and beyond.

At March 31, 2021, the Company had cash on hand of \$14.0 million.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. In connection with the approval of the Recapitalization Transaction, shareholders approved an omnibus incentive plan which permits the granting of various types of equity awards, including stock options, share appreciation rights, restricted shares, restricted share units, deferred share units and other share-based awards as determined by the Board of Directors. The number of shares reserved under the omnibus incentive plan is equal to 10 percent of the Company's issued and outstanding common shares. As at April 28, 2021, the Company had not issued any equity-based awards under its omnibus incentive plan.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sep. 30, 2020	Dec. 31, 2020	Mar. 31, 2021
<i>(C\$000s, except per share and operating data)</i> <i>(unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Financial								
Revenue	429,638	399,220	317,085	305,515	91,423	127,776	180,722	241,575
Operating income (loss) ⁽¹⁾	41,103	47,021	20,997	5,698	(7,307)	8,009	15,597	12,940
Per share – basic ⁽²⁾	14.23	16.25	7.25	1.97	(2.52)	2.76	1.91	0.35
Per share – diluted ⁽²⁾	14.07	16.18	7.22	1.96	(2.52)	2.75	0.27	0.15
Adjusted EBITDA ⁽¹⁾	45,123	43,028	26,882	6,812	(5,185)	8,467	13,715	11,936
Per share – basic ⁽²⁾	15.62	14.87	9.29	2.35	(1.79)	2.91	1.68	0.31
Per share – diluted ⁽²⁾	15.45	14.80	9.25	2.34	(1.79)	2.91	0.24	0.14
Net income (loss)	(41,045)	(29,424)	(49,400)	(122,857)	(277,275)	(50,000)	125,897	(22,418)
Per share – basic ⁽²⁾	(14.21)	(10.17)	(17.07)	(42.38)	(95.61)	(17.20)	15.43	(0.60)
Per share – diluted ⁽²⁾	(14.21)	(10.17)	(17.07)	(42.38)	(95.61)	(17.20)	2.19	(0.60)
Capital expenditures	37,784	38,885	34,418	29,283	6,068	2,792	6,487	11,586
Working capital (end of period)	291,056	257,189	248,772	233,125	157,165	127,989	161,448	170,088
Total equity (end of period)	443,361	414,195	368,623	239,099	(34,195)	(81,033)	410,234	384,561

Operating (end of period)

Active pumping horsepower (000s)	1,346	1,337	1,269	1,242	780	840	901	934
Idle pumping horsepower (000s)	59	72	141	174	572	505	444	411
Total pumping horsepower (000s)	1,405	1,409	1,410	1,416	1,352	1,345	1,345	1,345
Active coiled tubing units (#)	21	21	20	20	16	15	17	16
Idle coiled tubing units (#)	8	8	8	7	11	12	10	11
Total coiled tubing units (#)	29	29	28	27	27	27	27	27
Active cementing units (#)	14	14	13	13	13	12	12	10
Idle cementing units (#)	9	9	6	3	3	4	4	6
Total cementing units (#)	23	23	19	16	16	16	16	16

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 18 and 19 for further information.

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

SEASONALITY OF OPERATIONS

The Company’s North American business is seasonal. The lowest activity is typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up weather conditions and access to well sites in Canada and North Dakota is reduced (refer to “Business Risks - Seasonality” in the 2020 Annual Report).

FOREIGN EXCHANGE FLUCTUATIONS

The Company’s consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in the exchange rates for United States, Russian and Argentinean currency (refer to “Business Risks - Fluctuations in Foreign Exchange Rates” in the 2020 Annual Report).

BUSINESS UPDATE AND OUTLOOK

During the first quarter, demand for Calfrac's services increased in all operating areas although disruptions due to winter weather conditions impacted activity and financial results in Russia, Canada and the United States.

CANADA

In Canada, the first quarter began with high levels of utilization for all four marketed spreads, and continued for much of the quarter with the exception of approximately 15 days that were lost due to severe cold weather for one crew that was operating in Saskatchewan. Warming weather conditions in March had very little impact on Calfrac's ability to service work as crews shifted further north and managed to remain fully utilized through the month.

Calfrac's Canadian division adjusted its operating footprint in advance of the first quarter and was able to deploy four fracturing fleets and four coiled tubing units in order to meet the needs of the Company's core clients. The high level of demand from these clients in Canada left very little spare capacity to service spot market work during the quarter. The Company plans to maintain a similar level of utilization through the remainder of 2021, and will not consider incremental equipment additions until service pricing increases are realized.

Second-quarter activity will decrease from first-quarter levels, however, a reduced footprint and cost management is expected to result in positive operating income during the upcoming quarter. Visibility on work projects for the second half of the year continues to improve and is expected to drive consistently high utilization for at least three fracturing fleets through the third and fourth quarters. While pricing in the Canadian market has improved marginally from the lows seen in 2020, it is still apparent that a number of active fleets did not experience full utilization in the first quarter, which prevented further pricing gains. If this utilization gap remains into the second half of the year, it will likely impair the industry's ability to significantly improve its financial results in the near term.

UNITED STATES

During the first quarter, Calfrac's operations in the United States improved quicker than expectations as work programs picked up in rapid succession, and some incremental work was secured outside of planned programs. Activity levels improved steadily through the quarter, but were severely disrupted in mid-February by the cold weather and winter storms that impacted much of the continental United States. These weather events directly impacted activity and resulted in a significant increase in fuel and other input costs. In total, the inclement weather was responsible for over \$2.0 million of operating losses during the quarter. The Company acted quickly to identify and mitigate these impacts, and financial performance improved significantly in March.

Producers in the United States continue to focus on maintaining capital spending as planned, especially larger public companies. However, there has been an increase in bidding activity driven primarily by private companies in Texas, Colorado and North Dakota. Activity levels are expected to increase modestly in the second quarter, as the expected absence of weather impacts will improve results. Pricing has improved modestly from 2020 levels, which is expected to further improve profitability in the second quarter and beyond.

Activity levels are expected to remain strong through the summer and into the latter part of the year, and if pricing continues to strengthen, there may be opportunities to increase Calfrac's operating footprint later in the year.

RUSSIA

Calfrac's financial performance in Russia during the first quarter met expectations as winter weather impacted activity levels but costs remained in line with the previous year. Approximately 15 operating days were lost during the quarter when temperatures were too low to permit operations to safely continue. As is also typical, March represented the strongest month of the quarter due to improved utilization. The transition to summer operating conditions is well underway and current expectations are for activity to remain high over the months ahead. There are a number of opportunities to activate additional fracturing and coiled tubing equipment in Russia and the Company will continue to engage with clients in this regard.

ARGENTINA

In Argentina, ongoing improvement in operating conditions resulted in a sequential improvement in activity, however, a significant change in cementing job mix was also observed during the quarter. In addition, Calfrac's large fracturing spread in Neuquén shifted between customers during the early part of the quarter which resulted in lower utilization for a short period and modestly impacted profitability from its unconventional fracturing operations. Demand for services remains strong, underpinned by federal government programs designed to improve the domestic supply of natural gas in the years

ahead. Work volumes are expected to remain strong throughout the remainder of the year, and Calfrac remains very well-positioned in both the conventional and shale fracturing markets in Argentina.

CORPORATE

At the corporate level, Calfrac's focus remains on managing its costs and capital in a prudent manner while continuing to look for opportunities to improve its business. In particular, Calfrac has been evaluating ways to continue to advance the improvements it has made, together with its customers, on the environmental impact of our operations in a manner that recognizes ESG imperatives while respecting our shareholders' investments. Additionally, the potential for the collection and rapid analysis of data to deliver further insights into our operations and clients' resources is increasing, and Calfrac continues to develop technologies and partnerships to unlock that potential.

NON-GAAP MEASURES

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

Operating income (loss) is defined as net income (loss) before depreciation, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, impairment of inventory, impairment of property, plant and equipment, interest, and income taxes. Management believes that operating income is a useful supplemental measure as it provides an indication of the financial results generated by Calfrac's business segments prior to consideration of how these segments are financed or taxed. In addition, management believes this measure allows investors to more accurately compare the Company's performance with its peers by providing an indication of its financial results prior to consideration of the age or size of its asset base, or the investment and accounting policies associated with its assets. Operating income (loss) for the period was calculated as follows:

Three Months Ended March 31,	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>		
Net loss	(22,418)	(122,857)
Add back (deduct):		
Depreciation	31,624	63,263
Foreign exchange losses (gains)	3,345	(90)
(Gain) loss on disposal of property, plant and equipment	(387)	1,669
Impairment of property, plant and equipment	—	53,524
Impairment of other assets	—	507
Gain on exchange of debt	—	(130,444)
Interest	9,101	26,043
Income taxes	(8,325)	114,083
Operating income	12,940	5,698

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

Three Months Ended March 31, (C\$000s) (unaudited)	2021	2020
Net loss	(22,418)	(122,857)
Add back (deduct):		
Depreciation	31,624	63,263
Unrealized foreign exchange losses (gains)	2,086	(2,280)
(Gain) loss on disposal of property, plant and equipment	(387)	1,669
Impairment of property, plant and equipment	—	53,524
Impairment of other assets	—	507
Gain on exchange of debt	—	(130,444)
Restructuring charges	255	2,621
Stock-based compensation	—	683
Interest	9,101	26,043
Income taxes	(8,325)	114,083
Adjusted EBITDA	11,936	6,812

⁽¹⁾ For bank covenant purposes, EBITDA includes the deduction of an additional \$2.1 million (three months ended March 31, 2020 - \$5.5 million) of lease payments that would have been recorded as operating expenses prior to the adoption of IFRS 16.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Calfrac has various contractual lease commitments related to vehicles, equipment and facilities as well as purchase obligations for products, services and property, plant and equipment as disclosed in the Company's 2020 annual consolidated financial statements.

GREEK LITIGATION

As described in note 16 to the interim consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. 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 was recorded in the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the three months ended March 31, 2021 which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Calfrac's significant accounting policies are described in note 2 to the interim consolidated financial statements.

The preparation of the consolidated financial statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and, consequently, the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is gained or the environment in which the Company operates changes. The accounting policies and practices requiring estimates that have a significant impact on the Company's financial results include the allowance for doubtful accounts receivable, depreciation, the fair value of financial instruments, impairment of property, plant and equipment, income taxes, stock-based compensation expenses, functional currency and cash-generating units.

Judgment is also used in the determination of the functional currency of each subsidiary and in the determination of cash-generating units.

LOSS ALLOWANCE PROVISION

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. In situations where the creditworthiness of a customer is uncertain, services are typically provided on receipt of cash in advance or services are declined. Customer payments are regularly monitored and a provision for doubtful accounts has been established based on the new impairment model under IFRS 9, which requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument. Calfrac's management believes that the loss allowance provision for accounts receivable, which was \$1.7 million at March 31, 2021, is adequate.

DEPRECIATION

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

FINANCIAL INSTRUMENTS

Financial instruments included in the Company's consolidated balance sheets are cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, long-term debt and lease obligations.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the Second Lien Notes, as measured based on the closing market price at March 31, 2021 was \$111.3 million (December 31, 2020 – \$106.7 million). The carrying values of the revolving term loan facility and 1.5 Lien Notes approximate their fair value as the interest rate is not significantly different from current interest rates for similar loans.

IMPAIRMENT

Assessment of impairment is based on management's judgment of whether there are internal and external factors that would indicate that an asset or CGU is impaired.

As described in note 4 to the 2020 annual consolidated financial statements, the Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. As well, the Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset or CGU other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that CGU to determine if the reversal of impairment loss is supported.

Since the last impairment test that was carried out as at December 31, 2020, the Company did not identify any changes in indicators of impairment or new indicators of impairment. Therefore, no further assessment on impairment was performed as there have been no events of changes in circumstances that indicate that the carrying amount of property, plant and equipment exceeds its recoverable amount as at March 31, 2021. The Company recorded an impairment charge of \$53.5 million in the comparable period in 2020.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. The realizability of deferred income tax assets is an estimate and requires judgments to be made by management. Estimates of the Company's future taxable income are considered in assessing the utilization of available tax losses. The Company's business is complex and the calculation of income taxes involves many complex factors as well as the Company's interpretation of relevant tax legislation and regulations. During the first quarter of 2020, the Company derecognized its net deferred tax asset totaling \$113.8 million after assessing the utilization of available tax losses based on estimates of the Company's future taxable income.

GOVERNMENT SUBSIDIES

The Company adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy and Canadian Emergency Rent Subsidy programs. Government subsidies are recognized when there is reasonable assurance that the Company will comply with the relevant conditions and that subsidy will be received. Government subsidies related to period expenses are recorded as a reduction of related expenses. During the three months ended March 31, 2021, the Company qualified for the Canada Emergency Wage Subsidy and Emergency Rent programs and recognized \$1.5 million as a reduction of salaries and wages expense and \$0.1 million as a reduction of rent expense.

STOCK-BASED COMPENSATION

The fair value of stock options and equity-based performance share units are estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, estimated forfeitures, estimated volatility of the Company's shares and anticipated dividends.

The fair value of the deferred share units and cash-based performance share units is recognized based on the market value of the Company's shares underlying these compensation programs.

FUNCTIONAL CURRENCY

Management applies judgment in determining the functional currency of its foreign subsidiaries. Judgment is made with regard to the currency that influences and determines sales prices, labour, material and other costs as well as financing and receipts from operating income.

CASH-GENERATING UNITS

The determination of CGUs is based on management's judgment regarding shared equipment, mobility of equipment, geographical proximity and materiality.

RELATED-PARTY TRANSACTIONS

Entities controlled by George S. Armoyan, a member of the Board of Directors, and Ronald P. Mathison, the Executive Chairman of the Company, hold 44 percent and 19 percent, respectively, of the Company's 1.5 Lien Notes.

In connection with the 1.5 Lien Notes offering, the Company issued 1,125,703 common shares to certain investors that backstopped the issuance of the 1.5 Lien Notes. Certain entities controlled by George S. Armoyan received 734,413 shares for their participation in backstopping the 1.5 Lien Notes, of which 38,023 shares were sold during the first quarter of 2021.

The Company leases certain premises from a company controlled by Ronald P. Mathison. The rent charged for these premises during the three months ended March 31, 2021 was \$0.2 million (three months ended March 31, 2020 – \$0.4 million), as measured at the exchange amount, which is based on market rates at the time the lease arrangements were made.

CHANGES IN ACCOUNTING POLICIES

No new IFRS or interpretations from the International Financial Reporting Interpretations Committee came into effect for the year beginning on or after January 1, 2021 that had a material impact on the Company.

RECENT ACCOUNTING PRONOUNCEMENTS

In October 2018, the IASB issued amendments to IFRS 3 *Business Combinations* to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments narrowed and clarified the definition of a business. The amendments include an election to use a concentration test. This is a simplified assessment that results in treatment of an acquisition as an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an election to use a concentration test is not made, or the test failed, then the assessment focuses on the existence of a substantive process. The amendment makes clear that goodwill can only be recognized as a result of acquiring a business, not as a result of an asset acquisition. Adoption of the amendments are effective for business combinations that have an acquisition date on or after January 1, 2020.

In October 2018, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to clarify what costs an entity considers in assessing whether a contract is onerous. The amendment specifies that the cost of fulfilling a contract comprises of the incremental or allocated costs that relate directly to the fulfillment of the contract. Adoption of the amendment is in effect for annual periods beginning on or after January 1, 2022.

In October 2018, the IASB issued amendments to IAS 16 *Property, Plant and Equipment*. The amendment changed the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Adoption of the amendment is in effect for annual periods beginning on or after January 1, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the interim period ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 Suite 500, 407 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E5, or at www.calfrac.com, or by facsimile at 403-266-7381.

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

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include: the Company's ability to continue to manage the effect of the COVID-19 pandemic on its operations; actions taken by Wilks Brothers, LLC, decisions by securities regulators and/or the courts; restrictions resulting from compliance with or breach of debt covenants and risk of acceleration of indebtedness, including under the Company's credit facilities, 1.5 Lien Notes indenture and/or Second Lien Notes indenture; failure to reach any additional agreements with the Company's lenders; the impact of events of defaults in

respect of other material contracts of the Company, including but not limited to, cross-defaults resulting in acceleration of amounts payable thereunder or the termination of such agreements; failure to receive any applicable regulatory, court, third party and other stakeholder approvals or decisions in respect of the Recapitalization Transaction and the court orders granting enforcement thereof; global economic conditions, the level of exploration, development and production for oil and natural gas in Canada, the United States, Argentina and Russia; the demand for fracturing and other stimulation services for the completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; the availability of capital on satisfactory terms; direct and indirect exposure to volatile credit markets, including credit rating risk; dilution risks associated with the conversion of outstanding convertible securities and additional equity or debt financings; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; excess oilfield equipment levels; regional competition; currency exchange rate risk; risks associated with foreign operations; dependence on, and concentration of, major customers; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; liabilities relating to legal and/or administrative proceedings; operating restrictions and compliance costs associated with legislative and regulatory initiatives relating to hydraulic fracturing and the protection of workers and the environment; changes in legislation and the regulatory environment; failure to maintain the Company's safety standards and record; activist shareholder risks; social media risks; risk relating to the Plan of Arrangement; liabilities and risks associated with prior operations; the ability to integrate technological advances and match advances from competitors; intellectual property risk; third party credit risk; cybersecurity risks; greenhouse gas regulation risks; failure to realize anticipated benefits of acquisitions and dispositions. Further information about these and other risks and uncertainties may be found under "Business Risks" above.

Consequently, all of the forward-looking statements made in this MD&A 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.

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.

CONSOLIDATED BALANCE SHEETS

	March 31, 2021	December 31, 2020
<i>(C\$000s) (unaudited)</i>	<i>(5)</i>	<i>(5)</i>
ASSETS		
Current assets		
Cash and cash equivalents	13,965	29,830
Accounts receivable	184,671	139,486
Income taxes recoverable	1,711	1,530
Inventories	87,233	83,294
Prepaid expenses and deposits	13,915	17,050
	301,495	271,190
Non-current assets		
Property, plant and equipment (note 4)	593,903	618,488
Right-of-use assets (note 8)	21,326	22,785
Total assets	916,724	912,463
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	123,601	101,784
Current portion of lease obligations (note 8)	7,806	7,958
	131,407	109,742
Non-current liabilities		
Long-term debt (note 5)	343,312	324,633
Lease obligations (note 8)	12,611	14,013
Deferred income tax liabilities	44,833	53,841
Total liabilities	532,163	502,229
Capital stock (note 6)	800,444	800,184
Conversion rights on convertible notes (note 5)	4,788	4,873
Contributed surplus	65,986	65,986
Warrants (notes 3 and 7)	40,605	40,797
Loan receivable for purchase of common shares	(2,500)	(2,500)
Accumulated deficit	(531,827)	(509,409)
Accumulated other comprehensive income	7,065	10,303
Total equity	384,561	410,234
Total liabilities and equity	916,724	912,463

Contingencies (note 16)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended March 31, <i>(C\$000s, except per share data) (unaudited)</i>	2021 <i>(\$)</i>	2020 <i>(\$)</i>
Revenue (note 13)	241,575	305,515
Cost of sales (note 14)	249,071	346,010
Gross loss	(7,496)	(40,495)
Expenses		
Selling, general and administrative	11,188	17,070
Foreign exchange losses (gains)	3,345	(90)
(Gain) loss on disposal of property, plant and equipment	(387)	1,669
Impairment of property, plant and equipment (note 4)	—	53,524
Impairment of other assets	—	507
Gain on exchange of debt (note 5)	—	(130,444)
Interest	9,101	26,043
	23,247	(31,721)
Loss before income tax	(30,743)	(8,774)
Income tax expense (recovery)		
Current	85	57
Deferred	(8,410)	114,026
	(8,325)	114,083
Net loss	(22,418)	(122,857)
Loss per share (note 6)		
Basic	(0.60)	(42.38)
Diluted	(0.60)	(42.38)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Three Months Ended March 31,	2021	2020
<i>(C\$000s) (unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>
Net loss	(22,418)	(122,857)
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit or loss:		
Change in foreign currency translation adjustment	(3,238)	(7,350)
Comprehensive loss	(25,656)	(130,207)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Conversion Rights on Convertible Notes	Contributed Surplus	Warrants	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
(C\$000s) (unaudited)	(\$)		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance – January 1, 2021	800,184	4,873	65,986	40,797	(2,500)	10,303	(509,409)	410,234
Net loss	—	—	—	—	—	—	(22,418)	(22,418)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	—	—	(3,238)	—	(3,238)
Comprehensive loss	—	—	—	—	—	(3,238)	(22,418)	(25,656)
Rescission of equity portion of 1.5 Lien Notes	—	(85)	—	—	—	—	—	(85)
Warrants:								
Proceeds from issuance of shares (note 7)	260	—	—	(192)	—	—	—	68
Balance – March 31, 2021	800,444	4,788	65,986	40,605	(2,500)	7,065	(531,827)	384,561
Balance – January 1, 2020	509,235	—	44,316	—	(2,500)	2,746	(185,174)	368,623
Net loss	—	—	—	—	—	—	(122,857)	(122,857)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	—	—	(7,350)	—	(7,350)
Comprehensive loss	—	—	—	—	—	(7,350)	(122,857)	(130,207)
Stock options:								
Stock-based compensation recognized	—	—	499	—	—	—	—	499
Performance share units:								
Stock-based compensation recognized	—	—	184	—	—	—	—	184
Shares issued (note 6)	1,275	—	(1,275)	—	—	—	—	—
Balance – March 31, 2020	510,510	—	43,724	—	(2,500)	(4,604)	(308,031)	239,099

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31, (C\$000s) (unaudited)	2021 (\$)	2020 (\$)
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss	(22,418)	(122,857)
Adjusted for the following:		
Depreciation	31,624	63,263
Stock-based compensation	—	683
Unrealized foreign exchange losses (gains)	2,086	(2,280)
(Gain) loss on disposal of property, plant and equipment	(387)	1,669
Impairment of property, plant and equipment (note 4)	—	53,524
Impairment of other assets	—	507
Non-cash gain on exchange of debt (note 5)	—	(130,444)
Interest	9,101	26,043
Interest paid	(10,636)	(6,468)
Deferred income taxes	(8,410)	114,026
Changes in items of working capital (note 10)	(20,822)	(44,005)
Cash flows used in operating activities	(19,862)	(46,339)
FINANCING ACTIVITIES		
Issuance of long-term debt, net of debt issuance costs	18,770	24,258
Long-term debt repayments	(1,050)	—
Lease obligation principal repayments	(1,807)	(4,926)
Proceeds on issuance of common shares from the exercising of warrants	68	—
Cash flows provided by financing activities	15,981	19,332
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (note 10)	(10,874)	(26,813)
Proceeds on disposal of property, plant and equipment	187	649
Proceeds on disposal of right-of-use assets	181	308
Cash flows used in investing activities	(10,506)	(25,856)
Effect of exchange rate changes on cash and cash equivalents	(1,478)	7,304
Decrease in cash and cash equivalents	(15,865)	(45,559)
Cash and cash equivalents, beginning of period	29,830	42,562
Cash and cash equivalents (bank overdraft), end of period	13,965	(2,997)

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2021 and 2020

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

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Calfrac Well Services Ltd. (the “Company”) was formed through the amalgamation of Calfrac Well Services Ltd. (predecessor company was originally incorporated on June 28, 1999 and amalgamated with Denison Energy Inc. on March 24, 2004) and Dominion Land Projects Ltd. on January 1, 2011 under the Business Corporations Act (Alberta). The Company was continued under the Canada Business Corporations Act on December 17, 2020. The Company’s principal place of business is at Suite 500, 407 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E5. The Company provides specialized oilfield services, including hydraulic fracturing, coiled tubing, cementing and other well completion services to the oil and natural gas industries in Canada, the United States, Russia and Argentina.

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC). They should be read in conjunction with the annual financial statements for the year ended December 31, 2020. Unless otherwise noted, the Company has consistently applied the same accounting policies throughout all periods presented, as if these policies were always in effect.

These financial statements were approved for issuance by the Board of Directors on April 28, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Income Taxes

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

3. RECAPITALIZATION TRANSACTION

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

The composition of the gain on settlement of debt as reported in the statement of operations during the fourth quarter of 2020 was as follows:

	Unsecured Notes	Warrants	1.5 Lien Notes	Total (\$)
<i>(C\$000s)</i>				
Settlement of Unsecured Notes against shares issued to noteholders (note 3a)	(250,867)	—	—	(250,867)
Forgiveness of accrued interest on Unsecured Notes (note 3a)	(47,272)	—	—	(47,272)
Issuance of warrants (note 3b)	—	40,797	—	40,797
Transaction and associated costs ⁽¹⁾ (notes 3h and 7)	20,815	—	—	20,815
Issuance of shares in respect of the commitment fee related to the 1.5 Lien Notes (note 3g)	—	—	10,131	10,131
Withholding taxes on shares issued in respect of commitment fee on 1.5 Lien Notes (note 3g)	—	—	77	77
Total (gain) loss on settlement of debt⁽²⁾	(277,324)	40,797	10,208	(226,319)

⁽¹⁾ Includes \$1,266 of other associated costs related to the Plan of Arrangement, of which \$1,092 were non-cash expenses.

⁽²⁾ \$198,847 of the total gain on settlement of debt was non-cash in nature.

(a) Unsecured Notes Settlement

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

(b) Warrants

Under the Recapitalization Transaction, shareholders were entitled to receive two warrants for each common share held. Pursuant to the Plan of Arrangement, the Company issued 5,824,433 warrants to shareholders of record (i.e. registered shareholders) as of market close on December 17, 2020. Each warrant is exercisable for a period of three years into one common share at a price of \$2.50 per common shares subject to customary adjustments and restrictions. The fair value of the warrants of \$40,797 was estimated using a Black-Scholes pricing model, and was accounted for as a reduction of the gain on settlement of debt. See note 7 for further information on the warrants.

(c) Shareholder Cash Election

Under the Recapitalization Transaction, shareholders were provided the opportunity to elect for the Company to purchase all or any portion of their common shares for \$7.50 per share up to an aggregate maximum of \$10,000 in consideration available for shareholder cash elections. On December 18, 2020, 121,231 common shares were purchased for an aggregate cash election amount of \$926 including transaction costs. See note 6 for further information on the shareholder cash election.

(d) Common Share Consolidation

Immediately prior to the Unsecured Notes settlement, and after the issuance of warrants and settlement of shareholder cash elections noted above, the Company initiated a 50:1 share consolidation. See note 6 for further information on the share consolidation.

(e) Share-Based Compensation

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

The cancellation of the stock options was accounted for as an acceleration of vesting and the remaining fair value of the options of \$780 was recorded as a reduction of the gain on settlement of debt during the fourth quarter of 2020.

The immediate vesting of the equity-based performance share units was accounted for as an acceleration of vesting and the remaining fair value of the share units of \$312 along with the cash consideration of \$174 was recognized during the fourth quarter of 2020 as a reduction of the gain on settlement of debt.

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

(f) 1.5 Lien Notes

In conjunction with the Recapitalization Transaction, the Company issued \$60,000 of 1.5 lien senior convertible notes due December 18, 2023 ("1.5 Lien Notes") on a private placement basis. The gross proceeds of the 1.5 Lien Notes were used to reduce the Company's revolving credit facility, providing additional liquidity. During the first quarter of 2021, the Company recorded the rescission of \$1,050 of its 1.5 Lien Notes. See note 5 for further information.

(g) Commitment Fee on the 1.5 Lien Notes

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

(h) Transaction Costs

The Company incurred transaction costs totaling \$27,145 in connection with the Recapitalization Transaction. Of that amount, \$19,549 was related to the settlement of the Unsecured Notes and was recorded as a reduction of the gain of settlement of debt. The remaining \$7,596 was allocated to the issuance of the 1.5 Lien Notes as debt issuance costs or share issue costs, see note 5 for further information.

(i) Court Appeals and Regulatory Application

Appeal of Chapter 15 Enforcement Order

On December 11, 2020, Wilks Brothers, LLC and its affiliated funds (collectively "Wilks Brothers") filed a notice of appeal (the "Chapter 15 Appeal") to the United States District Court for the Southern District of Texas ("U.S. District Court") appealing an order by the United States Bankruptcy Court for the Southern District of Texas under Chapter 15 of the United States Bankruptcy Code entered effective December 1, 2020 ("Chapter 15 Enforcement Order"), recognizing and granting enforcement of the October 30, 2020 order of the Court of Queen's Bench of Alberta approving the Plan of Arrangement pursuant to the Canada Business Corporations Act (the "CBCA Final Order"). At a hearing held on April 23, 2021, the U.S. District Court affirmed the Chapter 15 Enforcement Order and effectively denied the Chapter 15 Appeal (the "District Court Decision"). Wilks Brothers may appeal the District Court Decision as a matter of right to the United States Court of Appeals for the Fifth Circuit by filing a notice of appeal within thirty days of the entry of an order or judgment by the U.S. District Court. In such event, the Company believes it is well-positioned to prevail on the merits of the appeal.

Appeal of CBCA Final Order

On January 29, 2021, Wilks Brothers filed an application to the Supreme Court of Canada seeking leave to appeal the December 1, 2020 decision of the Court of Appeal of Alberta upholding the CBCA Final Order. Calfrac filed its response on April 9, 2021, and Wilks Brothers filed its reply to Calfrac's response on April 19, 2021. The materials will be considered by the Supreme Court and it will issue a written decision as to whether or not it is granting leave upon the completion of its review. The Company believes it is well-positioned to succeed in having the leave to appeal application dismissed.

Ontario Securities Commission Application

On April 22, 2021, the Company received notice that Wilks Brothers has filed an application to the Ontario Securities Commission (the "OSC"), requesting a hearing and review by the OSC of the decision of the Toronto Stock Exchange (the "TSX") granting exemptive relief in respect of the rescission of the purchase of 1.5 Lien Notes acquired by an institutional shareholder, as is further discussed under note 5. The Company believes that the TSX acted appropriately within its jurisdiction in granting exemptive relief, and that it is well-positioned to succeed in opposing the application.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tested for impairment in accordance with the Company's accounting policy. The Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. Since the impairment test that was carried out as at December 31, 2020, the Company did not identify any changes in the indicators of impairment or any new indicators of impairment. Therefore, no further assessment on impairment was performed as there have been changes in circumstances that indicate that the carrying amount of property, plant and equipment does not exceed its recoverable amount as at March 31, 2021. During the three months ended March 31, 2020, the Company recorded an impairment charge of \$53,524.

Three Months Ended March 31,	2021	2020
(C\$000s)	(\$)	(\$)
Canada	—	38,144
United States	—	15,380
	—	53,524

5. LONG-TERM DEBT

	March 31,	December 31,
	2021	2020
(C\$000s)	(\$)	(\$)
\$290,000 extendible revolving term loan facility, secured by the Canadian and U.S. assets of the Company on a first priority basis	150,000	130,000
\$58,950 1.5 Lien Notes due December 18, 2023, bearing interest at 10.00% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis ahead of the Second Lien Notes	54,553	55,171
US\$120,000 Second Lien Notes due March 15, 2026, bearing interest at 10.875% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis	150,900	152,784
Less: unamortized debt issuance costs	(12,141)	(13,322)
	343,312	324,633

The fair value of the Second Lien Notes (as defined below), as measured based on the closing market price at March 31, 2021 was \$111,287 (December 31, 2020 – \$106,706). The carrying values of the revolving term loan facility and 1.5 Lien Notes approximate their fair value as the interest rate is not significantly different from current interest rates for similar loans.

a) 1.5 Lien Notes

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

The liability portion of the 1.5 Lien Notes was recorded at an initial fair value of \$55,127 using a discount rate of 13.4 percent, representing the discount rate of a comparable debt instrument without a conversion feature. The remaining \$4,873 is the difference between the initial principal amount and the fair value of the liability component and was recorded

as the equity portion of the conversion feature in shareholders' equity. The Company incurred transaction costs of \$7,596 associated with the issuance of the 1.5 Lien Notes which was allocated to debt issuance costs and share issuance costs on a proportional basis to the initial fair value of the liability and equity components.

During the first quarter of 2021, the Company recorded the rescission of \$1,050 of its 1.5 Lien Notes. For accounting purposes, the \$1,050 principal amount was recorded on a proportional basis as a reduction of the liability and equity portion of the 1.5 Lien Notes for \$965 and \$85, respectively.

The Company also opted to pay its first interest payment on the 1.5 Lien Notes in cash during the first quarter of 2021 rather than utilizing the payment-in-kind option.

b) Second Lien Notes

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

c) Revolving Credit Facility

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

The Company's credit facilities mature on June 1, 2022, and can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.00 percent to prime plus 3.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.00 percent to 4.50 percent above the respective base rates. The Company incurs interest at the high end of the ranges outlined above during the Covenant Relief Period or if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00, certain restrictions apply including the following: (a) acquisitions are subject to majority lender consent; (b) distributions are restricted other than those relating to the Company's equity compensation plans; and (c) no increase in the rate of dividends are permitted. As at March 31, 2021, the Company's net Total Debt to Adjusted EBITDA ratio exceeded the 5.00:1.00 threshold.

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

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the three months ended March 31, 2021 was \$9,212 (three months ended March 31, 2020 – \$25,448).

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

<i>(C\$000s)</i>	2021 <i>(\$)</i>
Balance, January 1	324,633
Issuance of long-term debt, net of debt issuance costs	18,770
Long-term debt repayments	(965)
Amortization of compound financial instrument discount	347
Amortization of debt issuance costs and debt discount	2,363
Foreign exchange adjustments	(1,836)
Balance, March 31	343,312

At March 31, 2021, the Company had utilized \$817 of its loan facility for letters of credit, had \$150,000 outstanding under its revolving term loan facility, leaving \$139,183 in available credit, subject to a monthly borrowing base, as determined using the previous month's results, which at March 31, 2021, resulted in liquidity of \$64,221. Under the terms of the amended credit facility agreement, the Company must maintain a minimum liquidity amount of \$15,000 during the Covenant Relief Period.

See note 11 for further details on the covenants in respect of the Company's long-term debt.

6. CAPITAL STOCK

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

	Three Months Ended		Year Ended	
	March 31, 2021		December 31, 2020	
Continuity of Common Shares	Shares	Amount	Shares	Amount
	<i>(#)</i>	<i>(\$000s)</i>	<i>(#)</i>	<i>(\$000s)</i>
Balance, beginning of period	37,408,490	800,184	2,897,778	506,735
Issued upon exercise of warrants	27,372	260	—	—
Issued upon vesting of performance share units	—	—	5,646	1,275
Issued on acquisition	—	—	8,913	2,500
Issued upon settlement of Unsecured Notes (note 3)	—	—	33,491,870	301,427
Issued for commitment fee on 1.5 Lien Notes (note 3)	—	—	1,125,703	10,131
Shares repurchased by shareholder cash election (note 3)	—	—	(121,231)	(21,268)
Cancellation of fractional shares upon 50:1 share consolidation	(114)	—	(189)	—
Share issue costs on 1.5 Lien Notes	—	—	—	(616)
Balance, end of period	37,435,748	800,444	37,408,490	800,184

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

Three Months Ended March 31,	2021	2020
	<i>(#)</i>	<i>(#)</i>
Weighted average number of common shares outstanding		
Basic	37,421,792	2,898,824
Diluted	83,813,876	2,911,125

The difference between basic and diluted shares is attributable to: warrants issued as part of the Recapitalization Transaction as disclosed in note 3, the dilutive effect of the conversion of the 1.5 Lien Notes as disclosed in note 5, and the dilutive effect of stock options issued by the Company as disclosed in note 7.

As disclosed in note 3, in conjunction with the Recapitalization Transaction, the Company purchased 121,231 common shares at a cost of \$926 and, of the amount paid, \$21,268 was charged to capital stock and \$20,342 to contributed surplus. These common shares were cancelled prior to December 31, 2020.

7. SHARE-BASED PAYMENTS

(a) Stock Options

Three Months Ended March 31,	2021		2020	
	Options	Average Exercise Price	Options	Average Exercise Price
	(#)	(\$)	(#)	(\$)
Balance, January 1	—	—	244,060	158.00
Granted	—	—	498	52.50
Forfeited	—	—	(3,962)	145.50
Expired	—	—	(1,142)	418.50
Balance, March 31	—	—	239,454	157.00

As disclosed in note 3, the Company cancelled all outstanding stock options and performance share units in conjunction with the Recapitalization Transaction and has not yet issued any equity-based awards under its omnibus incentive plan.

(b) Share Units

Three Months Ended March 31,	2021		2020	
	Deferred Share Units	Performance Share Units	Deferred Share Units	Performance Share Units
	(#)	(#)	(#)	(#)
Balance, January 1	2,400	—	2,900	25,891
Granted	—	—	2,100	19,723
Exercised	—	—	—	(5,646)
Forfeited	—	—	—	(3,170)
Balance, March 31	2,400	—	5,000	36,798

Three Months Ended March 31,	2021	2020
	(\$)	(\$)
Expense (recovery) from:		
Stock options	—	499
Deferred share units	19	(127)
Performance share units	—	184
Total stock-based compensation expense	19	556

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

The Company grants deferred share units to its outside directors. These units vest on the first anniversary of the date of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred share units is recognized equally over the vesting period, based on the current market price of the Company's shares. At March 31, 2021, the liability pertaining to deferred share units was \$9 (December 31, 2020 – \$9).

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

(c) Warrants

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

Expected life (years)	3.00
Share price at grant date	\$9.00
Exercise price	\$2.50
Expected volatility	73.90 %
Risk-free interest rate	1.27 %
Expected dividends	\$0.00

At March 31, 2021, 27,372 warrants were exercised for total proceeds of \$68.

8. LEASES

The Company's leasing activities comprise of buildings and various field equipment including railcars and motor vehicle leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

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

	March 31,	December 31,
	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Field equipment	13,084	13,688
Buildings	8,242	9,097
	21,326	22,785

The following table sets out the movement in the lease obligation:

	2021
<i>(C\$000s)</i>	<i>(\$)</i>
Balance, January 1	21,971
Additions	7,486
Disposals/retirements	(7,093)
Principal portion of payments	(1,807)
Foreign exchange adjustments	(140)
Balance, March 31	20,417

9. FINANCIAL INSTRUMENTS

The Company's financial instruments included in the consolidated balance sheets are comprised of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, long-term debt and lease obligations.

(a) Fair Values of Financial Assets and Liabilities

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value and carrying value of the Second Lien Notes, as measured based on the closing market price at March 31, 2021 was \$111,287 and \$150,900, respectively (December 31, 2020 – \$106,706 and \$152,784).

The fair values of the remaining long-term debt approximate their carrying values, as described in note 5.

(b) Credit Risk

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers. At March 31, 2021, the Company had a loss allowance provision for accounts receivable of \$1,724 (December 31, 2020 – \$1,726).

IFRS 9 *Financial Instruments* requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Company's assessment using the lifetime expected credit loss model, no loan loss allowance was required for the three months ended March 31, 2021. The expected credit loss rates are based on actual credit loss experience over the past several years for each operating segment.

The loss allowance provision for trade accounts receivable as at March 31, 2021 reconciles to the opening loss allowance provision as follows:

	2021
<i>(C\$000s)</i>	<i>(\$)</i>
At January 1, 2021	1,726
Increase in loan loss allowance recognized in statement of operations	—
Specific receivables deemed as uncollectible and written off	—
Foreign exchange adjustments	(2)
At March 31, 2021	1,724

(c) Liquidity Risk

The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities and new share equity. The Company monitors its liquidity to ensure it has sufficient funds to complete planned capital and other expenditures. The Company mitigates liquidity risk by maintaining adequate banking and credit facilities and monitoring its forecast and actual cash flows. The Company may also adjust its capital spending to maintain liquidity. See note 11 for further details on the Company's capital structure.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating assets and liabilities are as follows:

Three Months Ended March 31,	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Accounts receivable	(45,185)	(15,399)
Inventory	(3,939)	169
Prepaid expenses and deposits	3,135	1,713
Accounts payable and accrued liabilities	25,348	(30,369)
Income taxes recoverable	(181)	(119)
	(20,822)	(44,005)

Purchase of property, plant and equipment is comprised of:

Three Months Ended March 31, (C\$000s)	2021 (\$)	2020 (\$)
Property, plant and equipment additions	(11,586)	(29,283)
Change in liabilities related to the purchase of property, plant and equipment	712	2,470
	(10,874)	(26,813)

11. CAPITAL STRUCTURE

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

The Company manages its capital structure and makes adjustments in light of changing market conditions and new opportunities, while remaining cognizant of the cyclical nature of the oilfield services sector. To maintain or adjust its capital structure, the Company may revise its capital spending, issue new shares or new debt or repay existing debt. The Company recently completed its Recapitalization Transaction aimed at addressing its capital structure, see note 3 for further information.

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

For the Twelve Months Ended (C\$000s)	March 31, 2021 (\$)	December 31, 2020 (\$)
Net loss	(223,796)	(324,235)
Adjusted for the following:		
Depreciation	140,382	172,021
Foreign exchange losses	18,912	15,477
(Gain) loss on disposal of property, plant and equipment	(2,032)	24
Impairment of property, plant and equipment	173,684	227,208
Impairment of inventory	27,868	27,868
Impairment of other assets	—	507
Gain on settlement of debt	(226,319)	(226,319)
Gain on exchange of debt	—	(130,444)
Interest	74,325	91,267
Income taxes	46,215	168,623
Operating income	29,239	21,997

Net debt for this purpose is calculated as follows:

	March 31, 2021 (\$)	December 31, 2020 (\$)
Long-term debt, net of debt issuance costs and debt discount	343,312	324,633
Lease obligations	20,417	21,971
Less: cash and cash equivalents	(13,965)	(29,830)
Net debt	349,764	316,774

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

At March 31, 2021, the net debt to operating income ratio was 11.96:1 (December 31, 2020 – 14.40:1) calculated on a 12-month trailing basis as follows:

	March 31, 2021	December 31, 2020
For the Twelve Months Ended		
<i>(C\$000s, except ratio)</i>	<i>(\$)</i>	<i>(\$)</i>
Net debt	349,764	316,774
Operating income	29,239	21,997
Net debt to operating income ratio	11.96:1	14.40:1

The Company is subject to certain financial covenants relating to working capital, leverage and the generation of cash flow in respect of its operating and revolving credit facilities. These covenants are monitored on a monthly basis. As per the amended credit facility agreement as disclosed in note 5, the Company's Funded Debt to Adjusted EBITDA covenant is waived for the quarters ended March 31, 2021 to June 30, 2021, and is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021, and 3.00x for each quarter end thereafter. As shown in the table below, the Company was in full compliance with its financial covenants associated with its credit facilities as at December 31, 2020.

	Covenant	Actual
As at March 31,	2021	2021
Working capital ratio not to fall below	1.15x	2.44x
Funded Debt to Adjusted EBITDA not to exceed ⁽¹⁾⁽²⁾	N/A	8.61x
Funded Debt to Capitalization not to exceed ⁽¹⁾⁽³⁾	0.30x	0.20x

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

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

⁽³⁾ Capitalization is Total Debt plus equity.

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

Three Months Ended March 31,	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Net loss	(22,418)	(122,857)
Add back (deduct):		
Depreciation	31,624	63,263
Unrealized foreign exchange losses (gains)	2,086	(2,280)
(Gain) loss on disposal of property, plant and equipment	(387)	1,669
Impairment of property, plant and equipment	—	53,524
Impairment of other assets	—	507
Gain on exchange of debt	—	(130,444)
Restructuring charges	255	2,621
Stock-based compensation	—	683
Interest	9,101	26,043
Income taxes	(8,325)	114,083
Adjusted EBITDA ⁽¹⁾	11,936	6,812

⁽¹⁾ For bank covenant purposes, EBITDA includes the deduction of an additional \$2,095 of lease payments for the three months ended March 31, 2021 (three months ended March 31, 2020 – \$5,466) that would have been recorded as operating expenses prior to the adoption of IFRS 16.

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

- i. Eligible North American accounts receivable, which is based on 75 percent of accounts receivable owing by companies rated BB+ or lower by Standard & Poor's (or a similar rating agency) and 85 percent of accounts receivable from companies rated BBB- or higher;
- ii. 100 percent of unencumbered cash of the parent company and its U.S. operating subsidiary, excluding any cash held in a segregated account for the purposes of a potential equity cure; and
- iii. 25 percent of the net book value of property, plant and equipment (PP&E) of the parent company and its U.S. operating subsidiary. The value of PP&E excludes assets under construction and is limited to \$150,000.

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

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

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US\$20,000 in each of the indentures. As at March 31, 2021, these baskets were not utilized.

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

As at March 31, 2021, the Company's Fixed Charge Coverage Ratio of 0.43:1 was below the required 2:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the indentures, and the baskets highlighted in the preceding paragraphs provide sufficient flexibility for the Company to incur additional indebtedness and make anticipated restricted payments which may be required to conduct its operations.

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

- i. the Company is only permitted to use the proceeds of a common share issuance to increase Adjusted EBITDA a maximum of two times;
- ii. the Company cannot use the proceeds of a common share issuance to increase Adjusted EBITDA in consecutive quarter ends;
- iii. the maximum proceeds of each common share issuance permitted to be attributed to Adjusted EBITDA cannot exceed the greater of 50 percent of Adjusted EBITDA on a rolling four-quarter basis and \$25,000; and

- iv. if proceeds are not used immediately as an equity cure they must be held in a segregated bank account pending an election to use them for such purpose, and if they are removed from such account but not used as an equity cure they will no longer be eligible for such use.

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

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

12. RELATED-PARTY TRANSACTIONS

Entities controlled by George S. Armoyan, a member of the Board of Directors, and Ronald P. Mathison, the Executive Chairman of the Company, hold 44 percent and 19 percent, respectively, of the Company's 1.5 Lien Notes.

In connection with the 1.5 Lien Notes offering, the Company issued 1,125,703 common shares to certain investors that backstopped the issuance of the 1.5 Lien Notes. Certain entities controlled by George S. Armoyan received 734,413 shares for their participation in backstopping the 1.5 Lien Notes, of which 38,023 shares were sold during the first quarter of 2021.

The Company leases certain premises from a company controlled by Ronald P. Mathison. The rent charged for these premises during the three months ended March 31, 2021 was \$239 (three months ended March 31, 2020 – \$436), as measured at the exchange amount, which is based on market rates at the time the lease arrangements were made and is under the normal course of business.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company derives revenue from the provision of goods and services for the following major service lines and geographical regions:

	Canada	United States	Russia	Argentina	Consolidated
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)
Three Months Ended March 31, 2021					
Fracturing	77,393	92,913	25,125	21,878	217,309
Coiled tubing	8,187	—	2,496	4,432	15,115
Cementing	—	—	—	4,712	4,712
Product sales	3	—	—	—	3
Subcontractor	—	—	—	4,436	4,436
	85,583	92,913	27,621	35,458	241,575
Three Months Ended March 31, 2020					
Fracturing	94,583	154,112	18,331	12,127	279,153
Coiled tubing	10,037	—	2,660	6,167	18,864
Cementing	—	—	—	7,499	7,499
Product sales	(1)	—	—	—	(1)
Subcontractor	—	—	—	—	—
	104,619	154,112	20,991	25,793	305,515

The Company recognizes all its revenue from contracts with customers and no other sources (such as lease rental income).

The Company does not incur material costs to obtain contracts with customers and consequently, does not recognize any contract assets. The Company does not have any contract liabilities associated with its customer contracts.

14. PRESENTATION OF EXPENSES

The Company presents its expenses on the consolidated statements of operations using the function of expense method whereby expenses are classified according to their function within the Company. This method was selected as it is more closely aligned with the Company's business structure. The Company's functions under IFRS are as follows:

- operations (cost of sales); and
- selling, general and administrative.

Cost of sales includes direct operating costs (including product costs, direct labour and overhead costs) and depreciation on assets relating to operations.

Three Months Ended March 31, (C\$000s)	2021 (\$)	2020 (\$)
Product costs	77,368	80,909
Personnel costs	54,970	95,100
Depreciation on property, plant and equipment	29,977	59,600
Depreciation on right-of-use assets (note 8)	1,647	3,663
Other operating costs	85,109	106,738
	249,071	346,010

During the three months ended March 31, 2021, the Company qualified for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs and recognized \$1,500 as a reduction of salaries and wages expense, and \$55 as a reduction in rent expense, respectively.

15. EMPLOYEE BENEFITS EXPENSE

Employee benefits include all forms of consideration given by the Company in exchange for services rendered by employees.

Three Months Ended March 31, (C\$000s)	2021 (\$)	2020 (\$)
Salaries and short-term employee benefits	56,925	93,584
Post-employment benefits (group retirement savings plan)	—	2,267
Share-based payments	19	556
Termination benefits	428	2,917
	57,372	99,324

16. 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 \$10,104 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with

the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. As a result of Denison's participation in the consortium that was named in the lawsuit, the Company was served with three separate payment orders, one on March 24, 2015 and two others on December 29, 2015. The Company was also served with an enforcement order on November 23, 2015.

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

NAPC is also the subject of a claim for approximately \$4,224 (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 \$853 (578 euros), amounted to \$28,598 (19,377 euros) as at March 31, 2021.

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.

17. 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 March 31, 2021						
Revenue	85,583	92,913	27,621	35,458	—	241,575
Operating income (loss) ⁽¹⁾	15,179	(3,012)	1,476	3,914	(4,617)	12,940
Segmented assets	239,469	533,225	61,478	82,552	—	916,724
Capital expenditures	1,093	8,043	1,083	1,367	—	11,586
Three Months Ended March 31, 2020						
Revenue	104,619	154,112	20,991	25,793	—	305,515
Operating income (loss) ⁽¹⁾	11,975	5,187	(2,298)	(1,632)	(7,534)	5,698
Segmented assets	389,654	741,929	65,163	158,178	—	1,354,924
Capital expenditures	4,234	24,031	587	431	—	29,283

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

Three Months Ended March 31, (C\$000s)	2021 (\$)	2020 (\$)
Net loss	(22,418)	(122,857)
Add back (deduct):		
Depreciation	31,624	63,263
Foreign exchange losses (gains)	3,345	(90)
(Gain) loss on disposal of property, plant and equipment	(387)	1,669
Impairment of property, plant and equipment	—	53,524
Impairment of other assets	—	507
Gain on exchange of debt	—	(130,444)
Interest	9,101	26,043
Income taxes	(8,325)	114,083
Operating income	12,940	5,698

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

18. SEASONALITY OF OPERATIONS

Certain of the Company's Canadian and United States businesses are seasonal in nature. The lowest activity levels in these areas are typically experienced during the second quarter of the year when road weight restrictions are in place and access to well sites in Canada and North Dakota is reduced.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ronald P. Mathison

*Executive Chairman
President & Chief Executive Officer
Matco Investments Ltd.*

Douglas R. Ramsay ⁽⁴⁾

*Vice Chairman
Calfrac Well Services Ltd.*

Gregory S. Fletcher ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾

*Lead Director
President Sierra Energy Inc.*

George S. Armoyan ⁽²⁾⁽³⁾

*President & CEO
Clarke Inc.*

Anuroop Duggal ⁽¹⁾⁽²⁾⁽³⁾

*Private Investor / Adjunct Professor
Columbia Business School*

Lorne A. Gartner ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Independent Businessman

Lindsay R. Link

*President & Chief Operating Officer
Calfrac Well Services Ltd.*

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

*(3) Member of the Corporate Governance
and Nominating Committee*

*(4) Member of the Health, Safety, Environment
and Quality Committee*

(5) Lead Director

OFFICERS

Ronald P. Mathison

Executive Chairman

Lindsay R. Link

President & Chief Operating Officer

Michael D. Olinek

Chief Financial Officer

Marco A. Aranguren

Director General, Argentina Division

Gordon T. Milgate

President, Canadian Division

Robert L. Sutherland

President, Russian Division

Fred L. Toney

President, United States Division

J. Michael Brown

Vice President, Technical Services

Mark R. Ellingson

Vice President, Sales & Marketing, United States Division

Chris K Gall

Vice President, Global Supply Chain

Edward L. Oke

Vice President, Human Resources

B. Mark Paslawski

*Vice President, Corporate Development & Corporate
Secretary*

Gary J. Rokosh

Vice President, Business Development, Canadian Division

Mark D. Rosen

Vice President, Operations, United States Division

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Royal Bank of Canada

Canadian Imperial Bank of Commerce

Export Development Canada

The Bank of Nova Scotia

LEGAL COUNSEL

Bennett Jones LLP

Calgary, Alberta

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange

Common Share Trading Symbol: CFW

Warrant Trading Symbol: CFW.WT

REGISTRAR & TRANSFER AGENT

For information concerning lost share certificates and estate transfers, or for a change in share registration or address, please contact the transfer agent and registrar:

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FACILITIES & OPERATING BASES

CANADA

ALBERTA

Calgary - Corporate Head Office

Calgary - Technology Centre

Edson

Grande Prairie

Medicine Hat

Red Deer

BRITISH COLUMBIA

Dawson Creek

SASKATCHEWAN

Kindersley

UNITED STATES

ARKANSAS

Beebe

COLORADO

Denver - Regional Office

Grand Junction

NEW MEXICO

Artesia

NORTH DAKOTA

Williston

PENNSYLVANIA

Smithfield

TEXAS

Houston - Regional Office

San Antonio

RUSSIA

Moscow - Regional Office

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ARGENTINA

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