



Second Quarter Interim Report

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

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

HIGHLIGHTS

On January 1, 2019, Calfrac applied IFRS 16 using the modified retrospective approach under which comparative information has not been restated and continues to be reported under IAS 17 and related interpretations. Please refer to note 2 of the financial statements for additional information on the impact to the Company's financial information.

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

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

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

PRESIDENT'S MESSAGE

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

During the quarter, Calfrac:

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

SECOND QUARTER 2019 OVERVIEW

CONSOLIDATED HIGHLIGHTS

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

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

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

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

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

Adjusted EBITDA of \$45.1 million for the second quarter of 2019 decreased from \$81.9 million in the comparable period in 2018 primarily due to lower utilization and pricing in Canada and the United States.

Net loss attributable to shareholders of Calfrac was \$41.0 million or \$0.28 per share diluted compared to a net loss of \$32.8 million or \$0.23 per share diluted in the same period last year. The second quarter of 2019 included higher depreciation of \$14.4 million primarily due to a change in depreciation policy and the adoption of IFRS 16.

Three Months Ended	June 30, 2019	March 31, 2019	Change
<i>(C\$000s, except operational information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	429,638	475,012	(10)
Expenses			
Operating	371,368	412,185	(10)
SG&A	17,167	19,204	(11)
	388,535	431,389	(10)
Operating income ⁽¹⁾	41,103	43,623	(6)
Operating income (%)	9.6	9.2	4
Adjusted EBITDA ⁽¹⁾	45,123	44,086	2
Adjusted EBITDA (%)	10.5	9.3	13
Fracturing revenue per job (\$)	44,767	33,093	35
Number of fracturing jobs	8,852	13,100	(32)
Active pumping horsepower, end of period (000s)	1,346	1,344	—
Idle pumping horsepower, end of period (000s)	59	36	64
Total pumping horsepower, end of period (000s)	1,405	1,380	2
Coiled tubing revenue per job (\$)	22,339	30,463	(27)
Number of coiled tubing jobs	823	843	(2)
Active coiled tubing units, end of period (#)	21	21	—
Idle coiled tubing units, end of period (#)	8	8	—
Total coiled tubing units, end of period (#)	29	29	—
Cementing revenue per job (\$)	41,595	39,389	6
Number of cementing jobs	134	118	14
Active cementing units, end of period (#)	14	11	27
Idle cementing units, end of period (#)	9	12	(25)
Total cementing units, end of period (#)	23	23	—

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

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

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

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

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

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

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 July 31, 2019 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 three and six months ended June 30, 2019 and 2018. It should be read in conjunction with the interim consolidated financial statements for the three and six months ended June 30, 2019 as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2018.

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 22 and 23.

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 June 30, 2019 were as follows:

Segment	Active	Idle	Total	Active Fleets
	(hhp)	(hhp)	(hhp)	(#)
United States	877,000	10,000	887,000	17
Canada	257,000	49,000	306,000	7
Argentina	135,000	—	135,000	5
Russia	77,000	—	77,000	6
Total	1,346,000	59,000	1,405,000	35

- 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 June 30, 2019, Calfrac's United States operations had combined active horsepower of approximately 877,000 and no active cementing or coiled tubing units. At the end of the second quarter, the United States segment had temporarily idled approximately 10,000 horsepower, nine cementing units and two coiled tubing units.
- 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 June 30, 2019, Calfrac's Canadian operations had active horsepower of approximately 257,000 and 11 active coiled tubing units. At the end of the second quarter, the Canadian segment had temporarily idled approximately 49,000 horsepower and three 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 135,000 active horsepower, 14 active cementing units and six active coiled tubing units in its Argentinean segment at June 30, 2019.
- The Company's Russian segment provides fracturing and coiled tubing services in Western Siberia. During the second quarter of 2019, the Company operated under a mix of annual and multi-year agreements to provide services to a number of Russia's largest oil producers. At June 30, 2019, 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 June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
<i>(C\$000s, except per share amounts)</i>				<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>						
Revenue	429,638	544,602	(21)	904,650	1,127,440	(20)
Operating income ⁽¹⁾	41,103	66,528	(38)	84,726	134,502	(37)
Per share – basic	0.28	0.46	(39)	0.59	0.94	(37)
Per share – diluted	0.28	0.45	(38)	0.58	0.92	(37)
Adjusted EBITDA ⁽¹⁾	45,123	81,910	(45)	89,209	154,863	(42)
Per share – basic	0.31	0.57	(46)	0.62	1.08	(43)
Per share – diluted	0.31	0.56	(45)	0.61	1.06	(42)
Net loss attributable to the shareholders of Calfrac	(41,045)	(32,838)	25	(77,379)	(29,604)	NM
Per share – basic	(0.28)	(0.23)	22	(0.54)	(0.21)	NM
Per share – diluted	(0.28)	(0.23)	22	(0.54)	(0.21)	NM
As at			June 30	December 31,		Change
			2019	2018		
<i>(C\$000s)</i>				<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>						
Working capital, end of period			291,056	329,871		(12)
Total assets, end of period			1,664,793	1,782,657		(7)
Long-term debt, end of period			970,896	989,614		(2)
Total equity, end of period			443,361	513,820		(14)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

SECOND QUARTER OVERVIEW

In the second quarter of 2019, the Company:

- generated revenue of \$429.6 million, a decrease of 21 percent from the second quarter in 2018, resulting primarily from lower activity and pricing in Canada and the United States;
- reported adjusted EBITDA of \$45.1 million versus \$81.9 million in the comparable period in 2018, mainly as a result of lower pricing and weaker utilization in Canada and the United States;
- reported a net loss attributable to shareholders of Calfrac of \$41.0 million or \$0.28 per share diluted compared to a net loss of \$32.8 million or \$0.23 per share diluted in 2018;
- reported a \$14.4 million increase in depreciation expense primarily due to a reduction in useful life estimates and salvage values for certain components, combined with the implementation of IFRS 16;
- extended the Company's revolving credit facilities to June 1, 2022;
- reported period-end working capital of \$291.1 million versus \$329.9 million at December 31, 2018; and
- incurred capital expenditures of \$37.8 million, focused on maintenance and sustaining activities to primarily support the Company's United States and Argentinean fracturing operations.

In the six months ended June 30, 2019, the Company:

- generated revenue of \$904.7 million, a decrease of 20 percent from the first six months in 2018, resulting primarily from lower activity and pricing in Canada and the United States;
- reported adjusted EBITDA of \$89.2 million versus \$154.9 million in the comparable period in 2018, mainly as a result of weaker utilization and pricing in Canada and the United States;
- reported a net loss attributable to shareholders of Calfrac of \$77.4 million or \$0.54 per share diluted compared to a net loss of \$29.6 million or \$0.21 per share diluted in 2018;
- reported a \$40.5 million increase in depreciation expense primarily due to a reduction in useful life estimates and salvage values for certain components combined with the implementation of IFRS 16; and
- incurred capital expenditures of \$66.0 million focused on maintenance and sustaining activities to primarily support the Company's North American and Argentinean fracturing operations.

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

CANADA

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

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

REVENUE

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

OPERATING INCOME

Operating income in Canada during the second quarter of 2019 was \$8.1 million compared to \$11.2 million in the same period of 2018. The decrease in operating income was due to the lower revenue base and pricing as compared to the same quarter in 2018. The Company made the decision to suspend operations for one fleet at the beginning of 2019 based on weaker demand for its fracturing services and reduced its fixed cost structure accordingly. In addition, the Canadian division revised its field work schedule during the second quarter in order to better align costs with the expected level of activity, which helped maintain profitability through the spring break-up period. Pricing was lower compared to the second quarter in 2018. However, the impact was partially mitigated by reductions in logistical and material costs. The reported operating income was impacted positively by the adoption of IFRS 16 at the beginning of 2019, which resulted in \$2.2 million of lease payments no longer being recognized as operating costs during the second quarter of 2019. In addition, the \$1.2 million decrease in SG&A expenses compared to the second quarter in 2018 was primarily due to a lower bonus accrual being recorded in the second quarter of 2019.

UNITED STATES

Three Months Ended June 30,	2019	2018	Change
(C\$000s, except operational and exchange rate information) (unaudited)	(\$)	(\$)	(%)
Revenue	259,085	342,036	(24)
Expenses			
Operating	218,215	268,407	(19)
SG&A	3,820	4,605	(17)
	222,035	273,012	(19)
Operating income ⁽¹⁾	37,050	69,024	(46)
Operating income (%)	14.3	20.2	(29)
Fracturing revenue per job (\$)	47,469	58,298	(19)
Number of fracturing jobs	5,458	5,845	(7)
Active pumping horsepower, end of period (000s)	877	806	9
Idle pumping horsepower, end of period (000s)	10	47	(79)
Total pumping horsepower, end of period (000s)	887	853	4
Active coiled tubing units, end of period (#)	—	—	—
Idle coiled tubing units, end of period (#)	2	2	—
Total coiled tubing units, end of period (#)	2	2	—
Active cementing units, end of period (#)	—	—	—
Idle cementing units, end of period (#)	9	10	(10)
Total cementing units, end of period (#)	9	10	(10)
US\$/C\$ average exchange rate ⁽²⁾	1.3377	1.2911	4

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac's United States operations decreased to \$259.1 million during the second quarter of 2019 from \$342.0 million in the comparable quarter of 2018 due to lower pricing and a 7 percent decrease in the number of fracturing jobs completed period-over-period. The number of jobs completed in Colorado decreased relative to the same period in 2018 as a result of the Company transferring a crew to San Antonio, which resulted in higher activity but did not fully offset revenue as the new customer provided its own sand. Oil and natural gas takeaway capacity constraints in the Permian basin continued to negatively impact activity for the Company's Artesia operations during the quarter as the total number of jobs completed by Calfrac was lower by 51 percent year-over-year. These declines were partially offset by an increase in activity in Pennsylvania, North Dakota and South Texas. The 19 percent decrease in revenue per job year-over-year was primarily due to lower pricing ranging from 5 to 10 percent across all of the Company's operating areas, combined with the impact of job mix and certain customers providing their own sand. The 4 percent appreciation in the U.S. dollar versus the Canadian dollar partially offset the decrease in revenue.

OPERATING INCOME

The Company's United States operations generated operating income of \$37.1 million during the second quarter of 2019 compared to \$69.0 million in the same period in 2018. The year-over-year decline in operating results was primarily due to lower realized pricing and decreased utilization on a similar operating footprint and fixed cost structure. Overall activity was 7 percent lower, which impacted utilization levels and efficiencies. Activity in Artesia and North Dakota experienced more unplanned scheduling gaps than in the same period in 2018, which resulted in lower utilization of Calfrac's active equipment operating in those areas. Operating results in the second quarter of 2019 did not include any fleet reactivation costs, while \$5.0 million was incurred in the comparable quarter in 2018. The reported operating income was positively impacted by the adoption of IFRS 16 at the beginning of 2019, which resulted in \$3.4 million of lease payments no longer being recognized as operating costs during the second quarter of 2019. SG&A expenses decreased by 17 percent primarily due to a lower bonus accrual recorded in the quarter.

RUSSIA

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

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 22 and 23 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

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

OPERATING INCOME (LOSS)

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

ARGENTINA

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

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

⁽²⁾ Source: Bank of Canada and Bloomberg.

REVENUE

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

OPERATING INCOME

The Company's operations in Argentina generated operating income of \$3.8 million during the second quarter of 2019 compared to \$2.1 million during the second quarter in 2018. The Company was able to generate higher operating income through a combination of improved utilization and crew efficiencies during the quarter as it continued to transition to unconventional operations in Argentina. SG&A expenses were \$1.0 million higher during the second quarter in 2019 compared to the second quarter in 2018 due to higher personnel costs, combined with additional fees associated with a new exploration contract that was executed during the quarter.

CORPORATE

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

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

OPERATING LOSS

Corporate expenses for the second quarter of 2019 were \$8.0 million compared to \$14.9 million in the second quarter of 2018. The decrease was primarily due to lower stock-based compensation expense and a lower bonus provision when compared to the same period in 2018. The reduction in stock-based compensation was mainly due to a lower share price and fewer restricted share units outstanding. The implementation of IFRS 16 also resulted in lower reported corporate expenses as lease payments related to corporate office space are no longer recorded in SG&A.

DEPRECIATION

For the three months ended June 30, 2019, depreciation expense increased by \$14.4 million to \$61.5 million from \$47.1 million in the corresponding quarter of 2018. The increase was primarily due to the Company decreasing its useful life estimates and salvage values, effective January 1, 2019, for certain components of its fracturing equipment. Higher depreciation on these components, combined with additions during the quarter, increased depreciation expense by \$10.0 million. In addition, the adoption of IFRS 16 at the beginning of 2019 resulted in a \$5.8 million increase to depreciation expense. The 4 percent appreciation in the U.S. dollar relative to the Canadian dollar also contributed to the increase in reported depreciation expense.

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

FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange loss of \$0.9 million during the second quarter of 2019 versus a loss of \$32.5 million in the comparative three-month period of 2018. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada, net monetary assets or liabilities that were held in pesos in Argentina, and liabilities held in Canadian dollars in Russia. The Company's foreign exchange loss for the second quarter of 2019 was largely attributable to U.S. dollar-denominated assets held in Canada as the U.S. dollar depreciated against the Canadian dollar during the quarter.

INTEREST

The Company's net interest expense of \$21.5 million for the second quarter of 2019 was \$21.6 million lower than the comparable period in 2018 primarily due to \$21.2 million in one-time charges associated with the debt refinancing transactions that were completed in the second quarter in 2018. Excluding these one-time items, interest expense decreased by \$0.4 million. The reduction in interest expense was due to the impact of replacing its \$200.0 million second lien term loan that carried an interest rate of 9.0 percent with lower interest rate credit facility borrowings. This was partially offset by higher reported interest expense on Calfrac's senior notes during the second quarter in 2019 due to a stronger U.S. dollar. Additionally, the adoption of IFRS 16 resulted in a further \$0.6 million in interest expense during the second quarter in 2019.

INCOME TAXES

The Company recorded an income tax recovery of \$4.6 million during the second quarter of 2019 compared to a recovery of \$19.4 million in the comparable period of 2018. The recovery position was the result of pre-tax losses incurred during the

quarter, offset partially by a \$9.8 million income tax expense related to the planned reduction in the Alberta corporate tax rates, which reduced the Company's deferred tax asset.

SUMMARY OF QUARTERLY RESULTS

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

Operating (end of period)

Active pumping horsepower (000s)	1,057	1,115	1,259	1,313	1,344	1,328	1,344	1,346
Idle pumping horsepower (000s)	338	280	134	80	49	42	36	59
Total pumping horsepower (000s)	1,395	1,395	1,393	1,393	1,393	1,370	1,380	1,405
Active coiled tubing units (#)	21	21	22	22	22	22	21	21
Idle coiled tubing units (#)	11	9	8	8	8	7	8	8
Total coiled tubing units (#)	32	30	30	30	30	29	29	29
Active cementing units (#)	12	12	12	11	11	11	11	14
Idle cementing units (#)	13	11	11	12	12	12	12	9
Total cementing units (#)	25	23	23	23	23	23	23	23

⁽¹⁾ With the adoption of IFRS 16, the accounting treatment for operating leases when Calfrac is the lessee, changed effective January 1, 2019. Calfrac adopted IFRS 16 using the modified retrospective approach and the comparative information was not restated. As a result, the Company's 2019 Operating Income and Adjusted EBITDA are not comparable to periods prior to January 1, 2019. Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

SEASONALITY OF OPERATIONS

The Company's North American business is seasonal. The lowest activity is typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up weather conditions and access to well sites in Canada and North Dakota is reduced (refer to "Business Risks - Seasonality" in the 2018 Annual Report).

FOREIGN EXCHANGE FLUCTUATIONS

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in the exchange rates for United States, Russian and Argentinean currency (refer to "Business Risks - Fluctuations in Foreign Exchange Rates" in the 2018 Annual Report).

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

CANADA

Six Months Ended June 30,	2019	2018	Change
(C\$000s, except operational information)	(\$)	(\$)	(%)
(unaudited)			
Revenue	219,815	321,600	(32)
Expenses			
Operating	192,863	271,881	(29)
Selling, general and administrative (SG&A)	5,117	6,859	(25)
	197,980	278,740	(29)
Operating income ⁽¹⁾	21,835	42,860	(49)
Operating income (%)	9.9	13.3	(26)
Fracturing revenue per job (\$)	18,765	21,762	(14)
Number of fracturing jobs	10,349	13,408	(23)
Active pumping horsepower, end of period (000s)	257	322	(20)
Idle pumping horsepower, end of period (000s)	49	33	48
Total pumping horsepower, end of period (000s)	306	355	(14)
Coiled tubing revenue per job (\$)	20,023	22,891	(13)
Number of coiled tubing jobs	1,200	1,119	7
Active coiled tubing units, end of period (#)	11	11	—
Idle coiled tubing units, end of period (#)	3	4	(25)
Total coiled tubing units, end of period (#)	14	15	(7)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

REVENUE

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

OPERATING INCOME

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

UNITED STATES

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

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

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

OPERATING INCOME

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

RUSSIA

Six Months Ended June 30,	2019	2018	Change
(C\$000s, except operational and exchange rate information)	(\$)	(\$)	(%)
(unaudited)			
Revenue	57,782	56,260	3
Expenses			
Operating	58,642	56,386	4
SG&A	1,795	1,627	10
	60,437	58,013	4
Operating loss ⁽¹⁾	(2,655)	(1,753)	51
Operating loss (%)	(4.6)	(3.1)	48
Fracturing revenue per job (\$)	87,257	84,827	3
Number of fracturing jobs	590	561	5
Pumping horsepower, end of period (000s)	77	77	—
Coiled tubing revenue per job (\$)	44,059	38,716	14
Number of coiled tubing jobs	143	224	(36)
Active coiled tubing units, end of period (#)	4	6	(33)
Idle coiled tubing units, end of period (#)	3	1	—
Total coiled tubing units, end of period (#)	7	7	—
Rouble/C\$ average exchange rate ⁽²⁾	0.0204	0.0215	(5)

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 22 and 23 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

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

OPERATING LOSS

The Company’s Russian division incurred an operating loss of \$2.7 million during the first half of 2019 compared to a loss of \$1.8 million in the same period in 2018, primarily due to higher operating costs during the first quarter in 2019. Calfrac’s operations in the first quarter of 2019 were impacted by extremely cold temperatures experienced for portions of January and February, combined with higher equipment repair expenses. In addition, the Company closed its operations in Noyabrsk during the first quarter and incurred mobilization costs to transfer equipment to Khanty-Mansiysk to work for an existing customer in that region. The second quarter experienced lower activity for both fracturing and coiled tubing services with Calfrac’s major customer in Western Siberia being impacted by the issues associated with the contamination of the Transneft pipeline network.

ARGENTINA

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

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

⁽²⁾ Source: Bank of Canada and Bloomberg.

REVENUE

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

OPERATING INCOME (LOSS)

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

CORPORATE

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

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.

OPERATING LOSS

Corporate expenses during the first six months in 2019 were \$17.9 million compared to \$27.9 million in the comparable period in 2018. The decrease was primarily due to lower stock-based compensation expense and a lower bonus provision when compared to the same period in 2018. The reduction in stock-based compensation was mainly due to a lower share price and fewer restricted share units outstanding. The implementation of IFRS 16 also resulted in lower reported corporate expenses as lease payments related to corporate office space are no longer recorded in SG&A.

DEPRECIATION

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

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

FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange loss of \$1.4 million during the first six months in 2019 versus a loss of \$33.1 million in the same period in 2018. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada and Argentina, net monetary assets or liabilities that were held in pesos in Argentina, and liabilities held in Canadian dollars in Russia. The Company's foreign exchange loss for the first six months in 2019 was largely attributable to U.S. dollar-denominated assets held in Canada as the U.S. dollar depreciated against the Canadian dollar during the period.

INTEREST

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

INCOME TAXES

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

LIQUIDITY AND CAPITAL RESOURCES

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

OPERATING ACTIVITIES

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

FINANCING ACTIVITIES

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

On April 30, 2019, Calfrac amended and extended its credit facilities while maintaining its total facility capacity at \$375.0 million. The facilities consist of an operating facility of \$40.0 million and a syndicated facility of \$335.0 million. The Company's credit facilities were extended by a term of two years and mature on June 1, 2022 and can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 0.50 percent to prime plus 2.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 3.50 percent above the respective base rates. The accordion feature of the syndicated facility remains at \$100.0 million, and is available to the Company during the term of the agreement. The Company incurs interest at the high end of the ranges outlined above if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00, certain restrictions would apply including the following: (a) acquisitions will be subject to majority lender consent; (b) distributions will be restricted other than those relating to the Company's share unit plans; and (c) no increase in the rate of dividends will be permitted. As at June 30, 2019, the Company's net Total Debt to Adjusted EBITDA ratio was 3.79:1.00.

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

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

At June 30, 2019, the Company had used \$0.8 million of its credit facilities for letters of credit and had \$136.2 million of borrowings under its credit facilities, leaving \$238.0 million in available capacity under its credit facilities. As described above, the Company's credit facilities are subject to a monthly borrowing base, as determined using the previous month's results, which at June 30, 2019 resulted in a liquidity amount of \$166.2 million.

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

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

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

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

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

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

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

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

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

The indenture governing the senior unsecured notes, which is available on SEDAR, contains restrictions on the Company's ability to pay dividends, purchase and redeem shares of the Company and make certain restricted investments, that are not defined as Permitted Investments under the indenture, in circumstances where:

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

⁽¹⁾ The Fixed Charge Coverage Ratio is defined as cash flow to interest expense. Cash flow is a non-GAAP measure and does not have a standardized meaning under IFRS and is defined under the indenture as net income (loss) attributable to the shareholders of Calfrac before depreciation, extraordinary gains or losses, unrealized foreign exchange gains or losses,

gains or losses on disposal of property, plant and equipment, impairment or reversal of impairment of assets, restructuring charges, provision for settlement of litigation, stock-based compensation, interest, and income taxes. Interest expense is adjusted to exclude any non-recurring charges associated with redeeming or retiring any indebtedness prior to its maturity.

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US\$20.0 million. As at June 30, 2019 this basket was not utilized. The indenture also restricts the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of \$375.0 million or 30 percent of the Company's consolidated tangible assets.

As at June 30, 2019, the Company's Fixed Charge Coverage Ratio of 3.08:1 was higher than the required 2:1 ratio so the aforementioned prohibitions will not be applicable as long as the Company remains above this ratio.

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

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

INVESTING ACTIVITIES

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

Calfrac's Board of Directors have approved a capital budget of \$149.6 million. In addition, approximately \$6.4 million remaining from Calfrac's 2018 capital program is expected to be spent in 2019.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the three months ended June 30, 2019 was a loss of \$4.0 million versus a loss of \$16.1 million during the comparable period in 2018. These losses relate to movements of cash and cash equivalents held by the Company in a foreign currency during the period.

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

At June 30, 2019, the Company had cash and cash equivalents of \$41.2 million.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Employees have been granted both performance share units as well as options to purchase common shares under the Company's shareholder-approved equity compensation plans. The number of shares reserved for issuance under the performance share unit plan and stock option plan is equal to 10 percent of the Company's issued and outstanding common shares. As at July 31, 2019, the Company had issued and outstanding 144,666,072 common shares, 725,626 equity-based performance share units and 10,321,619 options to purchase common shares.

BUSINESS UPDATE AND OUTLOOK

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

CANADA

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

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

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

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

UNITED STATES

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

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

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

RUSSIA

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

ARGENTINA

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

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

the long term growth potential of the Vaca Muerta remains compelling and could be a catalyst for significant fracturing demand growth in Argentina going forward.

CORPORATE

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

NON-GAAP MEASURES

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

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

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

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

⁽¹⁾ Comparatives have been reclassified to conform with the current financial statement presentation (note 2c).

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

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

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

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 2018 annual consolidated financial statements.

GREEK LITIGATION

As described in note 15 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 and six months ended June 30, 2019 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.

ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE

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 provision for doubtful accounts receivable, which was \$0.6 million at June 30, 2019, 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.

Effective January 1, 2019, the Company revised its useful life depreciation estimate and salvage value for certain of its components relating to field equipment. This change was adopted as a change in accounting estimate on a prospective basis, which resulted in a one-time depreciation charge of \$9.5 million to the statement of operations for the six months ended June 30, 2019.

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 senior unsecured notes based on the closing market price at June 30, 2019 was \$597.6 million before deduction of unamortized debt issuance costs and debt discount (December 31, 2018 – \$661.5 million). The carrying value of the senior unsecured notes at June 30, 2019 was \$850.7 million before deduction of unamortized debt issuance costs and debt discount (December 31, 2018 – \$886.7 million). The fair values of the remaining long-term debt and lease obligations approximate their carrying values, as described in note 3 to the interim consolidated financial statements.

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 5 to the 2018 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.

The decrease in crude oil prices during the fourth quarter of 2018 combined with the impact of significant oil and natural gas differentials in Canada, which were expected to affect completion activity and pricing in Canada, were an indicator of impairment and the Company estimated the recoverable amount of its property, plant and equipment. A comparison of the recoverable amounts of each cash-generating unit with their respective carrying amounts resulted in no impairment against property, plant and equipment in the fourth quarter of 2018. There were no further triggers or indications of impairment that warranted an assessment of impairment of the Company's property, plant and equipment during the three months ended June 30, 2019.

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.

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, cash-based performance share units and restricted 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

The Company leases certain premises from a company controlled by Ronald P. Mathison, one of the Company's directors. The rent charged for these premises during the six months ended June 30, 2019 was \$0.9 million (six months ended June 30, 2018 – \$0.9 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

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

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

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

- Leases with a remaining lease term of less than twelve months as at January 1, 2019 are considered short-term leases. As such, payments for such leases will be expensed as incurred.
- Leases of low dollar value will continue to be expensed as incurred.

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

On January 1, 2019, the adoption of IFRS 16 resulted in the recognition of ROU assets and lease liabilities of \$44.9 million. The Company is subject to financial covenants relating to working capital, leverage and the generation of cash flow in respect of its operating and revolving credit facilities. The adoption of IFRS 16 has no impact on the Company's reported bank covenants as the effects of the new standard are excluded from the covenant calculations.

See note 6 of the interim consolidated financial statements for more information on the IFRS 16 standard.

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

The change in accounting policy was adopted on a retrospective basis, with each prior period presented in the statements of operations being restated to reflect the change. The change in policy resulted in \$5.4 million of loss on disposal of property, plant, and equipment being reclassified to depreciation expense on the statement of operations for the three months ended June 30, 2019 (three months ended June 30, 2018 – \$8.1 million) and \$16.0 million for the six months ended June 30, 2019 (six months ended June 30, 2018 – \$15.8 million).

RECENT ACCOUNTING PRONOUNCEMENTS

There are no recently issued accounting standards not yet applied that are applicable to the Company.

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 June 30, 2019 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 411 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E3, 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 expected operating strategies and targets, capital expenditure programs, future financial resources, anticipated equipment utilization levels, future oil and natural gas well activity in each of the Company's operating jurisdictions, results of acquisitions, the impact of environmental regulations and economic reforms and sanctions on the Company's business, future costs or potential liabilities, projections of market prices and costs, supply and demand for oilfield services, expectations regarding the Company's ability to maintain its competitive position, anticipated benefits of the Company's competitive position, expectations regarding the Company's financing activities and restrictions, including with regard to its credit agreement and the indenture pursuant to which its senior notes were issued, and its ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events (including exposure under existing legal proceedings), expectations regarding trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth strategy and prospects, and the impact of changes in accounting policies and standards on the Company and its financial statements. These statements are derived from certain assumptions and analyses made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the economic and political environment in which the Company operates, the Company's expectations for its current and prospective customers' capital budgets and geographical areas of focus, the

Company's existing contracts and the status of current negotiations with key customers and suppliers, the effect unconventional gas projects have had on supply and demand fundamentals for natural gas and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include: excess oilfield equipment levels; regional competition; the availability of capital on satisfactory terms; restrictions resulting from compliance with debt covenants and risk of acceleration of indebtedness; direct and indirect exposure to volatile credit markets, including credit rating risk; currency exchange rate risk; risks associated with foreign operations; operating restrictions and compliance costs associated with legislative and regulatory initiatives relating to hydraulic fracturing and the protection of workers and the environment; changes in legislation and the regulatory environment; dependence on, and concentration of, major customers; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; liabilities and risks associated with prior operations; failure to maintain the Company's safety standards and record; failure to realize anticipated benefits of acquisitions and dispositions; the ability to integrate technological advances and match advances from competitors; intellectual property risks; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; and the effect of accounting pronouncements issued periodically. Further information about these and other risks and uncertainties may be found under "Business Risks" 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 MD&A 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

	June 30, 2019	December 31, 2018
<i>(C\$000s) (unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>
ASSETS		
Current assets		
Cash and cash equivalents	41,193	51,901
Accounts receivable	286,958	349,431
Income taxes recoverable	2,290	582
Inventories	143,392	150,123
Prepaid expenses and deposits	21,089	17,527
	494,922	569,564
Non-current assets		
Property, plant and equipment	1,029,271	1,116,677
Right-of-use assets (note 6)	35,087	—
Deferred income tax assets	105,513	96,416
Total assets	1,664,793	1,782,657
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	188,998	239,507
Current portion of lease obligations (note 6)	14,868	186
	203,866	239,693
Non-current liabilities		
Long-term debt (note 3)	970,896	989,614
Lease obligations (note 6)	20,590	552
Deferred income tax liabilities	26,080	38,978
Total liabilities	1,221,432	1,268,837
Equity attributable to the shareholders of Calfrac		
Capital stock (note 4)	509,235	508,276
Contributed surplus	41,698	40,453
Loan receivable for purchase of common shares	(2,500)	(2,500)
Accumulated deficit	(106,350)	(28,971)
Accumulated other comprehensive income (loss)	1,278	(3,438)
Total equity	443,361	513,820
Total liabilities and equity	1,664,793	1,782,657

Contingencies (note 15)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<i>(C\$000s, except per share data) (unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Revenue (note 12)	429,638	544,602	904,650	1,127,440
Cost of sales (note 13)	432,858	500,874	917,179	1,036,992
Gross (loss) profit	(3,220)	43,728	(12,529)	90,448
Expenses				
Selling, general and administrative	17,167	24,323	36,371	49,081
Foreign exchange losses	918	32,471	1,431	33,149
Loss (gain) on disposal of property, plant and equipment	2,907	(124)	2,434	(82)
Impairment of inventory	—	2,058	—	2,058
Interest	21,479	43,060	42,709	63,814
	42,471	101,788	82,945	148,020
Loss before income tax	(45,691)	(58,060)	(95,474)	(57,572)
Income tax expense (recovery)				
Current	1,003	(569)	2,648	(319)
Deferred	(5,649)	(18,802)	(20,743)	(19,660)
	(4,646)	(19,371)	(18,095)	(19,979)
Net loss	(41,045)	(38,689)	(77,379)	(37,593)
Net loss attributable to:				
Shareholders of Calfrac	(41,045)	(32,838)	(77,379)	(29,604)
Non-controlling interest	—	(5,851)	—	(7,989)
	(41,045)	(38,689)	(77,379)	(37,593)
Loss per share (note 4)				
Basic	(0.28)	(0.23)	(0.54)	(0.21)
Diluted	(0.28)	(0.23)	(0.54)	(0.21)

See accompanying notes to the consolidated financial statements.

Certain of the comparatives have been reclassified to conform with the current presentation (note 2c).

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<i>(C\$000s) (unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss	(41,045)	(38,689)	(77,379)	(37,593)
Adjusted for the following:				
Depreciation	61,490	47,123	133,626	93,135
Stock-based compensation	1,196	1,495	2,008	2,626
Unrealized foreign exchange losses	1,287	41,075	1,431	42,116
Loss (gain) on disposal of property, plant and equipment	2,907	(124)	2,434	(82)
Impairment of inventory	—	2,058	—	2,058
Interest	21,479	43,060	42,709	63,814
Interest paid	(38,613)	(43,224)	(40,186)	(47,838)
Deferred income taxes	(5,649)	(18,802)	(20,743)	(19,660)
Changes in items of working capital (note 8)	(14,639)	(11,254)	17,261	(84,091)
Cash flows (used in) provided by operating activities	(11,587)	22,718	61,161	14,485
FINANCING ACTIVITIES				
Issuance of long-term debt, net of debt issuance costs	42,350	1,019,367	41,158	1,048,848
Long-term debt repayments	(6,555)	(1,010,368)	(26,555)	(1,010,992)
Lease obligation principal repayments	(5,234)	(44)	(10,605)	(87)
Proceeds on issuance of common shares	171	844	196	1,313
Cash flows provided by financing activities	30,732	9,799	4,194	39,082
INVESTING ACTIVITIES				
Purchase of property, plant and equipment (note 8)	(36,747)	(36,553)	(69,760)	(85,774)
Proceeds on disposal of property, plant and equipment	2,626	2,903	(186)	4,824
Other	—	—	—	(7)
Cash flows used in investing activities	(34,121)	(33,650)	(69,946)	(80,957)
Effect of exchange rate changes on cash and cash equivalents	(3,995)	(16,057)	(6,117)	(12,353)
Decrease in cash and cash equivalents	(18,971)	(17,190)	(10,708)	(39,743)
Cash and cash equivalents, beginning of period	60,164	30,196	51,901	52,749
Cash and cash equivalents, end of period	41,193	13,006	41,193	13,006

See accompanying notes to the consolidated financial statements.

Certain of the comparatives have been reclassified to conform with the current presentation (note 2c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2019 and 2018

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

1. 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 originally incorporated on June 28, 1999) and Denison Energy Inc. (“Denison”) on March 24, 2004 under the Business Corporations Act (Alberta). The registered office is at 411 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E3. 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, 2018. 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 Audit Committee of the Board of Directors on July 31, 2019.

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.

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

(a) Changes in Accounting Policies and Disclosure

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

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

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

- Leases with a remaining lease term of twelve months or less as at January 1, 2019 are considered short-term leases. As such, payments for such leases will be expensed as incurred.
- Leases of low dollar value based on the value of the asset when it is new, regardless of the age of the asset, will be expensed as incurred.

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

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

See note 6 for further information on leases.

(b) Changes in Accounting Estimates

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

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

(c) Changes in Accounting Policies

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

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

3. LONG-TERM DEBT

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

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at June 30, 2019, was \$597,560 (December 31, 2018 – \$661,492). The carrying value of the revolving term loan facility approximates its fair value as the interest rate is not significantly different from current interest rates for similar loans.

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

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

On April 30, 2019, Calfrac amended and extended its credit facilities while maintaining its total facility capacity at \$375,000. The facilities consist of an operating facility of \$40,000 and a syndicated facility of \$335,000. The Company's credit facilities were extended by a term of two years and mature on June 1, 2022 and can be extended by one or more years at the Company's

request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 0.50 percent to prime plus 2.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 3.50 percent above the respective base rates. The accordion feature of the syndicated facility remains at \$100,000, and is available to the Company during the term of the agreement. The Company incurs interest at the high end of the ranges outlined above if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00, certain restrictions would apply including the following: (a) acquisitions will be subject to majority lender consent; (b) distributions will be restricted other than those relating to the Company's share unit plans; and (c) no increase in the rate of dividends will be permitted. As at June 30, 2019, the Company's net Total Debt to Adjusted EBITDA ratio was 3.79:1.00 (December 31, 2018 – 2.92:1.00).

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

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the six months ended June 30, 2019 was \$41,526 (six months ended June 30, 2018 – \$64,023).

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

	2019
(C\$000s)	(\$)
Balance, January 1	989,614
Issuance of long-term debt, net of debt issuance costs	41,158
Long-term debt repayments	(26,555)
Amortization of debt issuance costs and debt discount	2,604
Foreign exchange adjustments	(35,925)
Balance, June 30	970,896

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

See note 10 for further details on the covenants in respect of the Company's long-term debt.

4. CAPITAL STOCK

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

	Six Months Ended		Year Ended	
	June 30, 2019		December 31, 2018	
Continuity of Common Shares	Shares	Amount	Shares	Amount
	(#)	(\$000s)	(#)	(\$000s)
Balance, beginning of period	144,462,532	504,526	143,755,741	501,456
Issued upon exercise of stock options	98,675	252	483,974	1,820
Issued upon vesting of performance share units	104,865	707	—	—
Issued on acquisition (note 9)	—	—	222,817	1,250
Balance, end of period	144,666,072	505,485	144,462,532	504,526
Shares to be issued (note 9)	668,449	3,750	668,449	3,750
	145,334,521	509,235	145,130,981	508,276

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

diluted shares is attributable to the dilutive effect of stock options issued by the Company as disclosed in note 5, and the shares to be issued as disclosed in note 9.

5. SHARE-BASED PAYMENTS

(a) Stock Options

Six Months Ended June 30,	2019		2018	
Continuity of Stock Options	Options	Average Exercise Price	Options	Average Exercise Price
	(#)	(\$)	(#)	(\$)
Balance, January 1	9,392,095	4.70	9,616,173	5.30
Granted during the period	1,564,300	2.49	1,411,719	5.79
Exercised for common shares	(98,675)	1.99	(460,999)	2.85
Forfeited	(496,501)	4.94	(324,398)	5.64
Expired	(35,000)	18.59	(95,650)	12.56
Balance, June 30	10,326,219	4.33	10,146,845	5.40

Stock options vest equally over three to four years and expire five years from the date of grant. The exercise price of outstanding options range from \$1.34 to \$20.81 with a weighted average remaining life of 2.48 years. When stock options are exercised, the proceeds together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

The weighted average fair value of options granted during 2019, determined using the Black-Scholes valuation method, was \$1.02 per option (six months ended June 30, 2018 – \$2.55 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

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

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

(b) Share Units

Six Months Ended June 30,	2019			2018		
Continuity of Stock Units	Deferred Share Units	Performance Share Units	Restricted Share Units	Deferred Share Units	Performance Share Units	Restricted Share Units
	(#)	(#)	(#)	(#)	(#)	(#)
Balance, January 1	145,000	1,108,300	3,139,150	145,000	683,665	4,275,183
Granted during the period	145,000	1,112,531	—	145,000	754,700	—
Exercised	(145,000)	(556,683)	(1,998,600)	(145,000)	(232,249)	(866,933)
Forfeited	—	(62,661)	(71,750)	—	(102,516)	(181,500)
Balance, June 30	145,000	1,601,487	1,068,800	145,000	1,103,600	3,226,750

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

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

The Company grants deferred share units to its outside directors. These units vest in November of the year of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred share units is recognized equally over the vesting period, based on the current market price of the Company's shares. At June 30, 2019, the liability pertaining to deferred share units was \$126 (December 31, 2018 – \$354).

The Company granted performance share units to a former senior officer who has since retired from the Company. These performance share units contain a cash-based component and an equity-based component. The cash-based component vests over three years based on corporate financial performance thresholds and are settled either in cash (equal to the market value of the underlying shares at the time of vesting) or in Company shares purchased on the open market. The equity-based component vests over three years without any further conditions and are settled in treasury shares issued by the Company. At June 30, 2019, the liability pertaining to the cash based component of performance share units was \$nil (December 31, 2018 – \$761).

In 2018, the Company expanded its performance share unit plan to its employees. These performance share units contain a cash-based component and an equity-based component. The cash-based component vests over three years based on corporate financial performance thresholds and are settled either in cash (equal to the market value of the underlying shares at the time of vesting) or in Company shares purchased on the open market. The equity-based component vests over three years without any further conditions and are settled in treasury shares issued by the Company. At June 30, 2019, the liability pertaining to the cash-based component of performance share units was \$nil (December 31, 2018 – \$200).

Prior to 2018, the Company granted restricted share units to its employees. These units vest over three years and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the restricted share units is recognized over the vesting period, based on the current market price of the Company's shares. At June 30, 2019, the liability pertaining to restricted share units was \$nil (December 31, 2018 – \$3,158).

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

6. LEASES

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

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

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

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

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

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

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

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

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

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

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

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

7. 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.

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 senior unsecured notes based on the closing market price at June 30, 2019 was \$597,560 before deduction of unamortized debt issuance costs (December 31, 2018 – \$661,492). The carrying value of the senior unsecured notes at June 30, 2019 was \$850,655 before deduction of unamortized debt issuance costs and debt discount (December 31, 2018 – \$886,730). The fair values of the remaining long-term debt approximate their carrying values, as described in note 3.

8. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(C\$000s)	(\$)	(\$)	(\$)	(\$)
Accounts receivable	23,055	71,758	62,473	(48,116)
Inventory	(791)	(17,657)	6,731	(29,257)
Prepaid expenses and deposits	(6,197)	(3,843)	(3,562)	(1,943)
Accounts payable and accrued liabilities	(28,511)	(60,450)	(46,673)	(3,539)
Income taxes recoverable	(2,195)	(1,062)	(1,708)	(1,236)
	(14,639)	(11,254)	17,261	(84,091)

Purchase of property, plant and equipment is comprised of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(C\$000s)	(\$)	(\$)	(\$)	(\$)
Property, plant and equipment additions	(37,784)	(42,404)	(66,002)	(93,738)
Change in liabilities related to the purchase of property, plant and equipment	1,037	5,851	(3,758)	7,964
	(36,747)	(36,553)	(69,760)	(85,774)

9. ACQUISITION

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

During the period July 21, 2018 to December 31, 2018, the acquisition contributed immaterial income to the Company. The pro-forma estimated effects on revenue and operating income, had the acquisition occurred on January 1, 2018, would have been insignificant.

Subsequent to the acquisition, the purchase agreement was amended to include a price adjustment mechanism. If the operating income of Calfrac Well Services (Argentina) S.A. reaches certain target levels in 2019 and 2020, additional shares may be issued

or additional cash consideration may be paid. The amount of contingent consideration, if it becomes payable, is not expected to be material.

10. CAPITAL STRUCTURE

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

The Company manages its capital structure and makes adjustments in light of changing market conditions and new opportunities, while remaining cognizant of the cyclical nature of the oilfield services sector. To maintain or adjust its capital structure, the Company may revise its capital spending, adjust dividends, if any, paid to shareholders, issue new shares or new debt or repay existing debt.

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

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

Net debt for this purpose is calculated as follows:

	June 30, 2019	December 31, 2018
As at		
(C\$000s)	(\$)	(\$)
Long-term debt, net of debt issuance costs and debt discount (note 3)	970,896	989,614
Lease obligations	35,458	738
Less: cash and cash equivalents	(41,193)	(51,901)
Net debt	965,161	938,451

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

At June 30, 2019, the net debt to operating income ratio was 3.68:1 (December 31, 2018 – 3.01:1) calculated on a 12-month trailing basis as follows:

	June 30, 2019	December 31, 2018
For the Twelve Months Ended		
(C\$000s, except ratio)	(\$)	(\$)
Net debt	965,161	938,451
Operating income	262,049	311,825
Net debt to operating income ratio	3.68:1	3.01:1

The Company is subject to certain financial covenants relating to working capital, leverage and the generation of cash flow in respect of its operating and revolving credit facilities. These covenants are monitored on a monthly basis. At June 30, 2019 and December 31, 2018, the Company was in compliance with its covenants with respect to its credit facilities.

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

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

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

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

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

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

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

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

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

The indenture governing the senior unsecured notes contains restrictions on the Company's ability to pay dividends, purchase and redeem shares of the Company, and make certain restricted investments in circumstances where

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

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US\$20,000. As at June 30, 2019, this basket was not utilized.

The indenture also restricts the incurrence of additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of \$375,000 or 30 percent of the Company's consolidated tangible assets.

As at June 30, 2019, the Company's Fixed Charge Coverage Ratio of 3.08:1 was higher than the required 2:1 ratio and the aforementioned prohibitions will not be applicable as long as the Company remains above this ratio.

The Company has measures in place to ensure that it has sufficient liquidity to navigate the cyclical nature of the oilfield services sector and safeguard the Company's ability to continue as a going concern. The Company negotiated amendments to its credit facilities to provide increased financial flexibility. These amendments include an "Equity Cure" feature pursuant to which proceeds from equity offerings may be applied as both an adjustment in the calculation of Adjusted EBITDA and as a reduction of Funded Debt towards the Funded Debt to Adjusted EBITDA ratio covenant for any of the quarters ending prior to and including June 30, 2022, subject to certain conditions including:

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

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

11. RELATED-PARTY TRANSACTIONS

The Company leases certain premises from a company controlled by Ronald P. Mathison, one of the Company's directors. The rent charged for these premises during the six months ended June 30, 2019 was \$871 (six months ended June 30, 2018 – \$871), as measured at the exchange amount which is based on market rates at the time the lease arrangements were made.

12. 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 June 30, 2019					
Fracturing	78,612	259,085	25,588	32,994	396,279
Coiled tubing	9,227	—	3,116	6,042	18,385
Cementing	—	—	—	5,574	5,574
Product sales	581	—	—	—	581
Subcontractor	—	—	—	8,819	8,819
	88,420	259,085	28,704	53,429	429,638

Three Months Ended June 30, 2018					
Fracturing	119,198	340,752	20,837	25,775	506,562
Coiled tubing	12,619	—	4,188	9,637	26,444
Cementing	—	—	—	3,216	3,216
Product sales	55	1,284	—	—	1,339
Subcontractor	—	—	—	7,041	7,041
	131,872	342,036	25,025	45,669	544,602

	Canada	United States	Russia	Argentina	Consolidated
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)
Six Months Ended June 30, 2019					
Fracturing	194,203	517,941	51,482	66,166	829,792
Coiled tubing	24,027	—	6,300	13,738	44,065
Cementing	—	—	—	10,222	10,222
Product sales	1,585	269	—	—	1,854
Subcontractor	—	—	—	18,717	18,717
	219,815	518,210	57,782	108,843	904,650

Six Months Ended June 30, 2018					
Fracturing	291,781	655,831	47,588	53,983	1,049,183
Coiled tubing	25,615	—	8,672	16,421	50,708
Cementing	—	—	—	5,819	5,819
Product sales	4,204	2,185	—	—	6,389
Subcontractor	—	—	—	15,341	15,341
	321,600	658,016	56,260	91,564	1,127,440

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.

13. 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(C\$000s)	(\$)	(\$)	(\$)	(\$)
Product costs	120,357	169,650	252,532	355,831
Personnel costs	108,566	122,727	229,468	242,801
Depreciation on property, plant and equipment	55,691	47,123	122,790	93,135
Depreciation on ROU assets (note 6)	5,799	—	10,836	—
Other operating costs	142,445	161,374	301,553	345,225
	432,858	500,874	917,179	1,036,992

14. EMPLOYEE BENEFITS EXPENSE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(C\$000s)	(\$)	(\$)	(\$)	(\$)
Salaries and short-term employee benefits	111,844	123,109	234,371	244,086
Post-employment benefits (group retirement savings plan)	2,506	2,764	5,142	4,944
Share-based payments	80	4,957	2,351	10,048
Termination benefits	2,416	279	2,638	1,391
	116,846	131,109	244,502	260,469

15. CONTINGENCIES

GREEK LITIGATION

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

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately \$10,192 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the

matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. As a result of Denison's participation in the consortium that was named in the lawsuit, the Company has been served with three separate payment orders, one on March 24, 2015 and two others on December 29, 2015. The Company was also served with an enforcement order on November 23, 2015. Oppositions have been filed on behalf of the Company in respect of each of these orders which oppose the orders on the basis that they were improperly issued and are barred from a statute of limitations perspective. The salaries in arrears sought to be recovered through these orders are part of the \$10,192 (6,846 euros) cited above and the interest being sought in respect of these orders is part of the \$27,444 (18,435 euros) cited below. Provisional orders granting a temporary suspension of any enforcement proceedings have been granted in respect of all of the orders that have been served. The order served on March 24, 2015 was heard on November 24, 2015 and a decision was issued on November 25, 2016 accepting the Company's opposition on the basis that no lawful service had taken place until the filing of the opponents' petition and/or the issuance of the payment order. The plaintiffs have filed an appeal against the above decision which was heard on October 16, 2018 and was rejected in June 2019. A hearing in respect of the order served on November 23, 2015 took place on October 31, 2018 and a decision in respect of such order is currently pending. A hearing in respect of the orders served in December of 2015 scheduled for September 20, 2016 was adjourned until November 21, 2016 and two decisions were issued on January 9, 2017 accepting the Company's oppositions on a statute of limitations basis. The plaintiffs filed appeals against the above decisions which were heard on October 16, 2018 and were rejected in June 2019.

NAPC is also the subject of a claim for approximately \$4,261 (2,862 euros) plus associated penalties and interest from the Greek social security agency for social security obligations associated with the salaries in arrears that are the subject of the above-mentioned decision.

The maximum aggregate interest and penalties payable under the claims noted above, as well as three other immaterial claims against NAPC totaling \$860 (578 euros), amounted to \$27,444 (18,435 euros) as at June 30, 2019.

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

16. SEGMENTED INFORMATION

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

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

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

	Canada	United States	Russia	Argentina	Corporate	Consolidated
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Six Months Ended June 30, 2019						
Revenue	219,815	518,210	57,782	108,843	—	904,650
Operating income (loss) ⁽¹⁾	21,835	74,794	(2,655)	8,648	(17,896)	84,726
Segmented assets	532,981	859,519	106,178	166,115	—	1,664,793
Capital expenditures	10,465	39,343	2,453	13,741	—	66,002

Six Months Ended June 30, 2018

Revenue	321,600	658,016	56,260	91,564	—	1,127,440
Operating income (loss) ⁽¹⁾	42,860	122,273	(1,753)	(937)	(27,941)	134,502
Segmented assets	635,880	965,905	101,248	140,639	—	1,843,672
Capital expenditures	23,929	65,556	1,762	2,491	—	93,738

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

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

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

17. 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.

Lindsay R. Link
President & Chief Operating Officer
Calfrac Well Services Ltd.

Kevin R. Baker, Q.C. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
President & Managing Director
Baycor Capital Inc.

James S. Blair ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
President & Chief Executive Officer
Glenogle Energy Inc.

Gregory S. Fletcher ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾
President
Sierra Energy Inc.

Lorne A. Gartner ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
Independent Businessman

- (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

Armando J. Bertolin
Director General, Latin American Division

Chad Leier
President, Canadian Division

Robert L. Sutherland
President, Russian Division

Fred L. Toney
President, United States Division

J. Michael Brown
Vice President, Technical Services

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Vice President, Sales & Marketing, United States Division

Chris K. Gall
Vice President, Global Supply Chain

Roderick P. Kuntz
Vice President, HS&E

Gordon T. Milgate
Vice President, Operations, Canadian Division

Edward L. Oke
Vice President, Human Resources

B. Mark Paslawski
Vice President, Corporate Development

Gary J. Rokosh
Vice President, Business Development, Canadian Division

Mark D. Rosen
Vice President, Operations, United States Division

Scott A. Treadwell
Vice President, Capital Markets & Strategy

Joel S. Gaucher
General Counsel & Corporate Secretary

Matthew L. Mignault
Corporate Controller

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Royal Bank of Canada
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Export Development Canada
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LEGAL COUNSEL

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STOCK EXCHANGE LISTING

Trading Symbol: CFW

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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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