CONSOLIDATED BALANCE SHEETS

	September 30, 2020	December 31, 2019
(C$000s) (unaudited)	***($)***	*($)*
ASSETS		
Current assets		
Cash and cash equivalents	**40,132**	42,562
Accounts receivable	**95,560**	216,647
Income taxes recoverable	**4,428**	1,608
Inventories (note 4)	**88,720**	127,620
Prepaid expenses and deposits	**30,773**	17,489
	259,613	405,926
Non-current assets		
Property, plant and equipment (note 5)	**666,670**	969,944
Right-of-use assets (note 9)	**27,923**	29,760
Deferred income tax assets	**—**	120,292
Total assets	**954,206**	1,525,922
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**120,038**	143,225
Current portion of lease obligations (note 9)	**11,586**	13,929
	131,624	157,154
Non-current liabilities		
Long-term debt (note 6)	**887,647**	976,693
Lease obligations (note 9)	**15,968**	16,990
Deferred income tax liabilities	**—**	6,462
Total liabilities	**1,035,239**	1,157,299
Capital stock (note 7)	**510,510**	509,235
Contributed surplus	**44,140**	44,316
Loan receivable for purchase of common shares	**(2,500)**	(2,500)
Accumulated deficit	**(635,306)**	(185,174)
Accumulated other comprehensive income	**2,123**	2,746
Total equity	**(81,033)**	368,623
Total liabilities and equity	**954,206**	1,525,922

Going Concern (note 2)
Contingencies (note 18)
See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2020	2019	**2020**	2019
(C$000s, except per share data) (unaudited)	***($)***	*($)*	***($)***	*($)*
Revenue (note 15)	**127,776**	399,220	**524,714**	1,303,870
Cost of sales (note 16)	**141,429**	392,174	**621,154**	1,309,353
Gross (loss) profit	**(13,653)**	7,046	**(96,440)**	(5,483)
Expenses				
Selling, general and administrative	**10,058**	18,694	**38,338**	55,065
Foreign exchange losses	**7,822**	5,038	**9,744**	6,469
(Gain) loss on disposal of property, plant and equipment	**(1,272)**	1,322	**284**	3,756
Impairment of property, plant and equipment (note 5)	**—**	—	**227,208**	—
Impairment of inventory (note 4)	**—**	584	**27,868**	584
Impairment of other assets	**—**	—	**507**	—
Gain on exchange of debt (note 6)	**—**	—	**(130,444)**	—
Interest	**19,588**	21,605	**66,354**	64,314
	36,196	47,243	**239,859**	130,188
Loss before income tax	**(49,849)**	(40,197)	**(336,299)**	(135,671)
Income tax expense (recovery) (note 3)				
Current	**151**	965	**228**	3,613
Deferred	**—**	(11,738)	**113,605**	(32,481)
	151	(10,773)	**113,833**	(28,868)
Net loss	**(50,000)**	(29,424)	**(450,132)**	(106,803)
Loss per share (note 7)				
Basic	**(0.34)**	(0.20)	**(3.10)**	(0.74)
Diluted	**(0.34)**	(0.20)	**(3.10)**	(0.74)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2020	2019	**2020**	2019
(C$000s) (unaudited)	***($)***	*($)*	***($)***	*($)*
Net loss	**(50,000)**	(29,424)	**(450,132)**	(106,803)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustment	**2,566**	(1,026)	**(623)**	3,690
Comprehensive loss	**(47,434)**	(30,450)	**(450,755)**	(103,113)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Contributed Surplus	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	**Total Equity**
(C$000s) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Balance – Jan. 1, 2020	**509,235**	**44,316**	**(2,500)**	**2,746**	**(185,174)**	**368,623**
Net loss	—	—	—	—	(450,132)	**(450,132)**
Other comprehensive income (loss):						
Cumulative translation adjustment	—	—	—	(623)	—	**(623)**
Comprehensive loss	—	—	—	(623)	(450,132)	**(450,755)**
Stock options:						
Stock-based compensation recognized	—	682	—	—	—	**682**
Performance share units:						
Stock-based compensation recognized	—	417	—	—	—	**417**
Shares issued (note 7)	1,275	(1,275)	—	—	—	**—**
Balance – Sept. 30, 2020	**510,510**	**44,140**	**(2,500)**	**2,123**	**(635,306)**	**(81,033)**
Balance – Jan. 1, 2019	508,276	40,453	(2,500)	(3,438)	(28,971)	513,820
Net loss	—	—	—	—	(106,803)	(106,803)
Other comprehensive income (loss):						
Cumulative translation adjustment	—	—	—	3,690	—	3,690
Comprehensive income (loss)	—	—	—	3,690	(106,803)	(103,113)
Stock options:						
Stock-based compensation recognized	—	2,195	—	—	—	2,195
Proceeds from issuance of shares (note 7)	252	(56)	—	—	—	196
Performance share units:						
Stock-based compensation recognized	—	1,097	—	—	—	1,097
Shares issued (note 7)	707	(707)	—	—	—	—
Balance – Sept. 30, 2019	**509,235**	**42,982**	**(2,500)**	**252**	**(135,774)**	**414,195**

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2020	2019	**2020**	2019
(C$000s) (unaudited)	***($)***	*($)*	***($)***	*($)*
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss	**(50,000)**	(29,424)	**(450,132)**	(106,803)
Adjusted for the following:				
Depreciation	**31,720**	58,669	**141,178**	192,295
Stock-based compensation	**596**	1,284	**1,099**	3,292
Unrealized foreign exchange losses (gains)	**5,202**	(249)	**4,884**	1,182
(Gain) loss on disposal of property, plant and equipment	**(1,272)**	1,322	**284**	3,756
Impairment of property, plant and equipment (note 5)	**—**	—	**227,208**	—
Impairment of inventory (note 4)	**—**	584	**27,868**	584
Impairment of other assets	**—**	—	**507**	—
Gain on exchange of debt (note 6)	**—**	—	**(130,444)**	—
Interest	**19,588**	21,605	**66,354**	64,314
Interest paid	**(10,797)**	(2,654)	**(19,877)**	(42,840)
Deferred income taxes	**—**	(11,738)	**113,605**	(32,481)
Changes in items of working capital (note 11)	**(26,188)**	15,672	**56,884**	32,933
Cash flows (used in) provided by operating activities	**(31,151)**	55,071	**39,418**	116,232
FINANCING ACTIVITIES				
Issuance of long-term debt, net of debt issuance costs	**(1,064)**	13,850	**57,340**	55,008
Long-term debt repayments	**(5,000)**	(26,625)	**(48,727)**	(53,180)
Lease obligation principal repayments	**(3,129)**	(4,983)	**(11,773)**	(15,588)
Proceeds on issuance of common shares	**—**	—	**—**	196
Cash flows used in financing activities	**(9,193)**	(17,758)	**(3,160)**	(13,564)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment (note 11)	**(2,135)**	(37,200)	**(39,151)**	(106,960)
Proceeds on disposal of property, plant and equipment	**563**	989	**1,591**	803
Proceeds on disposal of right-of-use assets	**924**	—	**1,336**	—
Cash flows used in investing activities	**(648)**	(36,211)	**(36,224)**	(106,157)
Effect of exchange rate changes on cash and cash equivalents	**(6,796)**	1,862	**(2,464)**	(4,255)
(Decrease) increase in cash and cash equivalents	**(47,788)**	2,964	**(2,430)**	(7,744)
Cash and cash equivalents, beginning of period	**87,920**	41,193	**42,562**	51,901
Cash and cash equivalents, end of period	**40,132**	44,157	**40,132**	44,157

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2020 and 2019

(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 Suite 500, 407 - 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E5. The Company provides specialized oilfield services, including hydraulic fracturing, coiled tubing, cementing and other well completion services to the oil and natural gas industries in Canada, the United States, Russia, and Argentina.

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC). They should be read in conjunction with the annual financial statements for the year ended December 31, 2019. Unless otherwise noted, the Company has consistently applied the same accounting policies throughout all periods presented, as if these policies were always in effect.

These financial statements were approved for issuance by the Board of Directors on November 10, 2020.

2. GOING CONCERN

These interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business as they become due. The global economy has been significantly disrupted by the COVID-19 pandemic. This has resulted in significant demand destruction for crude oil and related hydrocarbons. In addition, the delayed response by the OPEC+ group to an oversupply of crude oil on a global basis has caused further damage to the global oil and gas industry which, in turn, has negatively impacted the Company’s year-to-date results and its near-term outlook.

Given the wide range of possible outcomes and scenarios resulting from the combination of the COVID-19 pandemic’s impact on demand and the supply response relating to the OPEC+ agreement on crude oil production cuts, the Company has very limited insight on the economic conditions that will exist in its near-term outlook. The pervasive impact and influence of these factors have a direct correlation with the Company’s customers’ capital spending plans and, as a result, the demand for the Company’s services.

During the second quarter of 2020, the Company elected to defer its cash interest payment that was due on June 15, 2020 in respect of its outstanding 8.50% senior unsecured notes due 2026. Under the terms of the unsecured notes indenture, the Company had a 30-day grace period from the periodic interest payment date of June 15 in order to make this cash interest payment before an event of default would have occurred. The Company had both the ability and financial capacity to make this interest payment. During the third quarter of 2020, the Company announced and subsequently amended the recapitalization transaction (the “Recapitalization Transaction”) aimed at reducing the Company’s debt and restructuring its balance sheet. Subsequent to the end of the third quarter of 2020, the Company’s senior unsecured noteholders and shareholders voted in favor of the Recapitalization Transaction, and such transaction was approved by the Court of Queen’s Bench of Alberta on October 30, 2020 under the provisions of the Canada Business Corporations Act. See note 21 for further information.

Subsequent to the end of the third quarter of 2020 and following court approval of the Recapitalization Transaction, the Company was granted a waiver on its Funded Debt to Adjusted EBITDA covenant from its banking syndicate for the quarter ended September 30, 2020. The waiver granted is a precursor to additional amendments to the existing credit facilities that will become effective on closing of the Recapitalization Transaction and will provide increased flexibility for the Company to navigate material uncertainty in the near-term. See note 21 for further information regarding the Company’s credit facilities.

As a result of the factors noted above, there are material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern entity. Such material uncertainties may include: satisfaction or waiver of all conditions precedent to the completion of the Recapitalization Transaction, customer credit risk, compliance with financial covenants in future periods, liquidity, capital structure, valuation of long-lived assets and inventory valuation.

These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) 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.

(b) 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.

(c) Income Taxes

For purposes of calculating income taxes during interim periods, the Company utilizes estimated annualized income tax rates. Current income tax expense is only recognized when taxable income is such that current income tax becomes payable. During the first quarter of 2020, the Company derecognized its net deferred tax asset totaling $113,830 after assessing the utilization of available tax losses based on estimates of the Company's future taxable income.

(d) Government Subsidies

The Company adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy ("CEWS") program. Government subsidies are recognized when there is reasonable assurance that the Company will comply with the relevant conditions and that subsidy will be received. Government subsidies related to period expenses are recorded as a reduction of related expenses. During the nine months ended September 30, 2020, the Company qualified for the CEWS program and recognized $9,207 as a reduction of salaries and wages expense.

4. INVENTORIES

The Company reviews the carrying value of its inventory on an ongoing basis for obsolescence and to verify that the carrying value exceeds the net realizable amount. This resulted in an inventory write-down of $27,868 in the second quarter of 2020. During the third quarter of 2020, the Company reviewed the carrying value of its inventories across all operating segments and found no further indicators of impairment.

The inventory impairment recorded for the three and nine months ended September 30, 2020 are as follows:

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2020	2019	**2020**	2019
(C$000s)	***($)***	*($)*	***($)***	*($)*
Canada	**—**	—	**6,200**	—
United States	**—**	—	**10,668**	—
Argentina	**—**	584	**11,000**	584
	—	584	**27,868**	584

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tested for impairment in accordance with the Company's accounting policy. The Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. The Company's financial results continue to be negatively impacted by the global economic slowdown due to events such as the OPEC+ crude oil supply war, the COVID-19 pandemic and the related global response to the COVID-19 demand reductions for crude oil. The Company performed an assessment on the recoverable amount of its property, plant and equipment as at March 31, 2020 and again at June 30, 2020 and recognized total impairment of $227,208 as a result of those impairment tests. The Company is continually monitoring these macroeconomic challenges and has determined there were no further impairment indicators as at September 30, 2020 that would warrant an assessment on the recoverable amount of its property, plant and equipment.

The Company's cash-generating units (CGUs) are determined to be at the country level, consisting of Canada, the United States, Russia and Argentina.

The recoverable amount of property, plant and equipment is determined using the value in use method, based on multi-year discounted cash flows to be generated from the continuing operations of each CGU. Cash flow assumptions are based on a combination of historical and expected future results, using the following main key assumptions:

- Commodity price forecasts
- Expected revenue growth
- Expected operating income growth
- Discount rate

Revenue and operating income growth rates for each CGU are based on a combination of commodity price assumptions, historical results and forecasted activity levels, which incorporates pricing, utilization and cost improvements over the forecast period. The cumulative annual growth rates for revenue used in the June 30, 2020 impairment test ranged from 6.5 percent to 33.3 percent depending on the CGU over the forecast period from 2020 to 2024.

The cash flows are prepared on a five-year basis. The June 30, 2020 impairment test used a discount rate ranging from 13.1 percent to 21.2 percent depending on the CGU. Discount rates are derived from the Company's weighted average cost of capital, adjusted for risk factors specific to each CGU. Cash flows beyond that five-year period are extrapolated using a steady 2.0 percent growth rate.

During the third quarter, the Company identified specific assets within its CGUs in Argentina and Canada whose individual carrying amounts differed from their recoverable amounts, resulting in a reclassification of the impairment charge recorded in the second quarter of 2020 between these CGUs.

The impairment losses by CGU for the three and nine months ended September 30, 2020 are as follows:

	Three Months Ended Sept. 30,		**Nine Months Ended Sept. 30,**	
	2020	2019	**2020**	2019
(C$000s)	***($)***	*($)*	***($)***	*($)*
Canada	**16,203**	—	**132,483**	—
United States	**—**	—	**15,380**	—
Argentina	**(16,203)**	—	**52,466**	—
Russia	**—**	—	**26,879**	—
	—	—	**227,208**	—

6. LONG-TERM DEBT

	September 30,	December 31,
	2020	2019
(C$000s)	***($)***	*($)*
US$431,818 senior unsecured notes (December 31, 2019 – US$650,000) due June 15, 2026, bearing interest at 8.50% payable semi-annually	**576,002**	844,220
US$120,000 second lien senior notes due March 15, 2026, bearing interest at 10.875% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis	**160,068**	—
$375,000 extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company	**165,000**	147,988
Less: unamortized debt issuance costs	**(13,423)**	(15,515)
	887,647	976,693

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at September 30, 2020, was $56,673 (December 31, 2019 – $342,078). The fair value of the second lien senior notes, as measured based on the closing market price at September 30, 2020 was $115,619 (December 31, 2019 – not applicable). 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 February 24, 2020, the Company completed an exchange offer of US$120,000 of new 10.875% second lien secured notes ("New Notes") due March 15, 2026 to holders of its existing 8.50% senior unsecured notes ("Old Notes") due June 15, 2026. The New Notes are secured by a second lien on the same assets that secure obligations under the Company's existing senior secured credit facility. The exchange was completed at an average exchange price of US$550 per each US$1,000 of Old Notes resulting in US$218,182 being exchanged for US$120,000 of New Notes, resulting in a non-cash gain on exchange of debt of $130,444.

The Company's credit facility capacity is $375,000, which consists of an operating facility of $40,000 and a syndicated facility of $335,000. The credit facilities mature on June 1, 2022 and can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 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 September 30, 2020, the Company's net Total Debt to Adjusted EBITDA ratio exceeded the 5.00:1.00 threshold.

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

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the nine months ended September 30, 2020 was $65,376 (nine months ended September 30, 2019 – $62,660).

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

	2020
(C$000s)	*($)*
Balance, January 1	976,693
Issuance of long-term debt, net of debt issuance costs	57,340
Long-term debt repayments	(48,727)
Gain on exchange of debt	(130,444)
Amortization of debt issuance costs and debt discount	10,032
Foreign exchange adjustments	22,753
Balance, September 30	887,647

At September 30, 2020, the Company had utilized $867 of its loan facility for letters of credit, had $165,000 outstanding under its revolving term loan facility, leaving $209,133 in available credit, subject to a monthly borrowing base, as determined using the previous month's results, which at September 30, 2020, resulted in liquidity in the amount of $45,482.

See note 13 for further details on the covenants in respect of the Company's long-term debt. See notes 2 and 21 for further details regarding the Company's senior unsecured notes and its credit facilities.

7. CAPITAL STOCK

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

	Nine Months Ended September 30, 2020		Year Ended December 31, 2019	
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	*($000s)*	*(#)*	*($000s)*
Balance, beginning of period	**144,888,888**	**506,735**	144,462,532	504,526
Issued upon exercise of stock options	**—**	**—**	98,675	252
Issued upon vesting of performance share units	**282,306**	**1,275**	104,865	707
Issued on acquisition (note 12)	**445,633**	**2,500**	222,816	1,250
Balance, end of period	**145,616,827**	**510,510**	144,888,888	506,735
Shares to be issued (note 12)	**—**	**—**	445,633	2,500
	145,616,827	**510,510**	145,334,521	509,235

The weighted average number of common shares outstanding for the three months ended September 30, 2020 was 145,311,999 basic and 145,481,199 diluted (three months ended September 30, 2019 – 144,673,672 basic and 145,334,206 diluted). The weighted average number of common shares outstanding for the nine months ended September 30, 2020 was 145,085,884 basic and 145,255,670 diluted (nine months ended September 30, 2019 – 144,512,322 basic and 145,712,546 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 8.

8. SHARE-BASED PAYMENTS

(a) Stock Options

Nine Months Ended September 30,	**2020**		2019	
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	*($)*	*(#)*	*($)*
Balance, January 1	**12,203,008**	**3.16**	9,392,095	4.70
Granted	**54,900**	**0.62**	1,564,300	2.49
Exercised for common shares	**—**	**—**	(98,675)	1.99
Forfeited	**(2,411,622)**	**3.89**	(549,317)	4.85
Expired	**(167,100)**	**7.33**	(47,000)	19.07
Balance, September 30	**9,679,186**	**2.89**	10,261,403	4.31

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 $0.26 to $7.78 with a weighted average remaining life of 2.23 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 2020, determined using the Black-Scholes valuation method, was $0.27 per option (nine months ended September 30, 2019 – $1.02 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

Nine Months Ended September 30,	**2020**	2019
Expected life (years)	**3.00**	3.00
Expected volatility	**71.18 %**	59.16 %
Risk-free interest rate	**0.87 %**	1.66 %
Expected dividends	**$0.00**	$0.00

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

(b) Share Units

Nine Months Ended September 30,	**2020**		2019		
Continuity of Stock Units	**Deferred Share Units**	**Performance Share Units**	Deferred Share Units	Performance Share Units	Restricted Share Units
	(#)	*(#)*	*(#)*	*(#)*	*(#)*
Balance, January 1	**145,000**	**1,294,564**	145,000	1,108,300	3,139,150
Granted	**105,000**	**998,394**	145,000	1,112,531	—
Exercised	**—**	**(282,306)**	(145,000)	(556,683)	(1,998,600)
Forfeited	**(50,000)**	**(378,409)**	—	(74,162)	(81,000)
Balance, September 30	**200,000**	**1,632,243**	145,000	1,589,986	1,059,550

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2020	2019	**2020**	2019
	($)	($)	**($)**	($)
Expense (recovery) from:				
Stock options	**418**	826	**682**	2,195
Deferred share units	**(6)**	26	**(138)**	182
Performance share units	**178**	457	**417**	1,409
Restricted share units	**—**	(71)	**—**	(197)
Total stock-based compensation expense	**590**	1,238	**961**	3,589

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 on the first anniversary of the date of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred share units is recognized equally over the vesting period, based on the current market price of the Company's shares. At September 30, 2020, the liability pertaining to deferred share units was $28 (December 31, 2019 – $166).

The Company grants performance share units to its employees. These performance share units contain a cash-based component and an equity-based component. The cash-based component vests over three years based on corporate financial performance thresholds and are settled either in cash (equal to the market value of the underlying shares at the time of vesting) or in Company shares purchased on the open market. The equity-based component vests over three years without any further conditions and are settled in treasury shares issued by the Company. At September 30, 2020, the liability pertaining to the cash-based component of performance share units was $nil (December 31, 2019 – $nil).

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

9. LEASES

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

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. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. The Company initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at the commencement of the lease is equal to or higher than the guaranteed amount, and the Company does not expect to pay anything under the guarantees.

Payments associated with variable lease payments, 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.

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

	September 30, 2020	December 31, 2019
(C$000s)	***($)***	*($)*
Field equipment	**16,432**	24,403
Buildings	**11,491**	5,357
	27,923	29,760

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

	2020
(C$000s)	*($)*
Balance, January 1	30,919
Additions	11,220
Disposals/retirements	(3,520)
Principal portion of payments	(11,773)
Foreign exchange adjustments	708
Balance, September 30	27,554

10. FINANCIAL INSTRUMENTS

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

(a) Fair Values of Financial Assets and Liabilities

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes based on the closing market price at September 30, 2020 was $56,673 before deduction of unamortized debt issuance costs (December 31, 2019 – $342,078). The carrying value of the senior unsecured notes at September 30, 2020 was $576,002 before deduction of unamortized debt issuance costs and debt discount (December 31, 2019 – $844,220). The fair value of the second lien senior notes based on the closing market price at September 30, 2020 was $115,619 before deduction of unamortized debt issuance costs (December 31, 2019 – not applicable). The carrying value of the second lien senior unsecured notes at September 30, 2020 was $160,068 before deduction of unamortized debt issuance costs and debt discount (December 31, 2019 – not applicable).

The fair values of the remaining long-term debt approximate their carrying values, as described in note 6.

(b) Credit Risk

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers. At September 30, 2020, the Company had a loss allowance provision for accounts receivable of $1,036 (December 31, 2019 – $1,931).

IFRS 9 *Financial Instruments* requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Company's assessment using the lifetime expected credit loss model, a loan loss allowance of $695 was recorded during the nine months ended September 30, 2020. The expected credit loss rates are based on actual credit loss experience over the past several years for each operating segment.

The loss allowance provision for trade accounts receivable as at September 30, 2020 reconciles to the opening loss allowance provision as follows:

	2020
(C$000s)	*($)*
At January 1, 2020	1,931
Increase in loan loss allowance recognized in statement of operations	695
Specific receivables deemed as uncollectible and written off	(1,609)
Foreign exchange adjustments	19
At September 30, 2020	1,036

(c) Liquidity Risk

The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities and new share equity. The Company monitors its liquidity to ensure it has sufficient funds to complete planned capital and other expenditures. See note 13 for further details on the Company's capital structure. See notes 2 and 21 for further details regarding the Company's senior unsecured notes and its credit facilities.

11. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended Sept. 30,		**Nine Months Ended Sept. 30,**	
	2020	2019	**2020**	2019
(C$000s)	***($)***	*($)*	***($)***	*($)*
Accounts receivable	**(24,025)**	42,748	**121,087**	105,221
Inventory	**3,848**	4,962	**11,032**	11,693
Prepaid expenses and deposits	**(8,400)**	(1,968)	**(13,791)**	(5,530)
Accounts payable and accrued liabilities	**2,186**	(31,106)	**(58,623)**	(77,779)
Income taxes recoverable	**203**	1,036	**(2,821)**	(672)
	(26,188)	15,672	**56,884**	32,933

Purchase of property, plant and equipment is comprised of:

	Three Months Ended Sept. 30,		**Nine Months Ended Sept. 30,**	
	2020	2019	**2020**	2019
(C$000s)	***($)***	*($)*	***($)***	*($)*
Property, plant and equipment additions	**(2,793)**	(38,885)	**(38,143)**	(104,887)
Change in liabilities related to the purchase of property, plant and equipment	**658**	1,685	**(1,008)**	(2,073)
	(2,135)	(37,200)	**(39,151)**	(106,960)

12. 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.

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.

During the third quarter of 2020, a letter of agreement was signed by the parties which included (i) an acceleration of the issuance of the final tranche of shares referenced above in advance of the Company's Recapitalization Transaction and (ii) an acknowledgment and release from the vendors that the additional contingent consideration for 2019 and 2020 is not payable. As a result, the remaining 445,633 shares were issued in the third quarter of 2020.

13. 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. See note 21 for further information related to the Company's plan for addressing its capital structure.

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

For the Twelve Months	**September 30, 2020**	December 31, 2019
(C$000s)	***($)***	*($)*
Net loss	**(499,532)**	(156,203)
Adjusted for the following:		
Depreciation	**210,110**	261,227
Foreign exchange losses	**9,616**	6,341
(Gain) loss on disposal of property, plant and equipment	**(1,602)**	1,870
Impairment of property, plant and equipment	**229,373**	2,165
Impairment of inventory	**31,028**	—
Impairment of other assets	**507**	3,744
Gain on exchange of debt	**(130,444)**	—
Interest	**87,866**	85,826
Income taxes	**90,475**	(52,226)
Operating income	**27,397**	152,744

Net debt for this purpose is calculated as follows:

As at	**September 30, 2020**	December 31, 2019
(C$000s)	***($)***	*($)*
Long-term debt, net of debt issuance costs and debt discount	**887,647**	976,693
Lease obligations	**27,554**	30,919
Less: cash and cash equivalents	**(40,132)**	(42,562)
Net debt	**875,069**	965,050

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

At September 30, 2020, the net debt to operating income ratio was 31.94:1 (December 31, 2019 – 6.32:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended	**September 30, 2020**	December 31, 2019
(C$000s, except ratio)	***($)***	*($)*
Net debt	**875,069**	965,050
Operating income	**27,397**	152,744
Net debt to operating income ratio	**31.94:1**	6.32:1

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. The Company obtained a waiver of its Funded Debt to Adjusted EBITDA covenant for the quarter ended September 30, 2020 from its first lien lenders following court approval of the Company's Recapitalization Transaction as disclosed in note 21.

As at September 30,	Covenant 2020	**Actual 2020**
Working capital ratio not to fall below	1.15x	**2.16x**
Funded Debt to Adjusted EBITDA not to exceed[1][2]	N/A	**7.34x**
Funded Debt to Capitalization not to exceed[1][3]	0.30x	**0.18x**

[1] Funded Debt is defined as Total Debt excluding all outstanding senior unsecured notes, second lien senior notes, and lease obligations. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit. For the purposes of the Total Debt to Adjusted EBITDA ratio, the Funded Debt to Capitalization Ratio and the Funded Debt to Adjusted EBITDA ratio, the amount of Total Debt or Funded Debt, as applicable, is reduced by the amount of cash on hand with lenders (excluding any cash held in a segregated account for the purposes of a potential equity cure).
[2] Adjusted EBITDA is defined as net income or loss for the period adjusted for interest, taxes, depreciation and amortization, non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring.
[3] Capitalization is Total Debt plus equity.

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

	Three Months Ended Sept. 30,		**Nine Months Ended Sept. 30,**	
	2020	2019	**2020**	2019
(C$000s)			***($)***	*($)*
Net loss	**(50,000)**	(29,424)	**(450,132)**	(106,803)
Add back (deduct):				
Depreciation	**31,720**	58,669	**141,178**	192,295
Unrealized foreign exchange losses (gains)	**5,202**	(249)	**4,884**	1,182
(Gain) loss on disposal of property, plant and equipment	**(1,272)**	1,322	**284**	3,756
Impairment of property, plant and equipment	**—**	—	**227,208**	—
Impairment of inventory	**—**	584	**27,868**	584
Impairment of other assets	**—**	—	**507**	—
Restructuring charges	**400**	10	**5,373**	2,485
Stock-based compensation	**596**	1,284	**1,099**	3,292
Gain on exchange of debt	**—**	—	**(130,444)**	—
Non-cash purchase commitment termination settlement	**2,082**	—	**2,082**	—
Interest	**19,588**	21,605	**66,354**	64,314
Income taxes	**151**	(10,773)	**113,833**	(28,868)
Adjusted EBITDA[1]	**8,467**	43,028	**10,094**	132,237

[1] For bank covenant purposes, EBITDA includes an additional $13,077 of lease payments for the nine months ended September 30, 2020 (nine months ended September 30, 2019 – $16,982) that would have been recorded as operating expenses prior to the adoption of IFRS 16.

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

i. Eligible North American accounts receivable, which is based on 75 percent of accounts receivable owing by companies rated BB+ or lower by Standard & Poor's (or a similar rating agency) and 85 percent of accounts receivable from companies rated BBB- or higher;

ii. 100 percent of unencumbered cash of the parent company and its U.S. operating subsidiary, excluding any cash held in a segregated account for the purposes of a potential equity cure; and

iii. 25 percent of the net book value of property, plant and equipment (PP&E) of the parent company and its U.S. operating subsidiary. The value of PP&E excludes assets under construction and is limited to $150,000.

The indentures governing the senior unsecured notes and second lien secured notes contain 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) before depreciation, extraordinary gains or losses, unrealized foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, impairment or reversal of impairment of assets, restructuring charges, provision for settlement of litigation, stock-based compensation, interest, and income taxes. Interest expense is adjusted to exclude any non-recurring charges associated with redeeming or retiring any indebtedness prior to its maturity.

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20,000. As at September 30, 2020, this basket was not utilized.

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

As at September 30, 2020, the Company's Fixed Charge Coverage Ratio of 0.47:1 was less than the required 2:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the indenture, and the baskets highlighted in the preceding paragraphs provide sufficient flexibility for the Company to make anticipated restricted payments, such as dividends, and incur additional indebtedness as required to conduct its operations and satisfy its obligations.

See notes 2 and 21 for further details regarding the Company's senior unsecured notes.

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.

14. RELATED-PARTY TRANSACTIONS

The Company leases certain premises from a company controlled by Ronald P. Mathison, the Executive Chairman of the Company. The rent charged for these premises during the nine months ended September 30, 2020 was $1,271 (nine months ended September 30, 2019 – $1,307), as measured at the exchange amount which is based on market rates at the time the lease arrangements were made.

15. 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 September 30, 2020					
Fracturing	**39,823**	**46,577**	**26,248**	**5,090**	**117,738**
Coiled tubing	**4,408**	**—**	**2,282**	**1,608**	**8,298**
Cementing	**—**	**—**	**—**	**1,376**	**1,376**
Product sales	**438**	**(74)**	**—**	**—**	**364**
Subcontractor	**—**	**—**	**—**	**—**	**—**
	44,669	**46,503**	**28,530**	**8,074**	**127,776**
Three Months Ended September 30, 2019					
Fracturing	90,737	223,985	20,952	30,715	366,389
Coiled tubing	13,572	—	2,829	6,912	23,313
Cementing	—	—	—	6,566	6,566
Product sales	450	439	—	—	889
Subcontractor	—	—	—	2,063	2,063
	104,759	224,424	23,781	46,256	399,220

	Canada	United States	Russia	Argentina	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*
Nine Months Ended September 30, 2020					
Fracturing	**160,116**	**238,802**	**66,261**	**18,249**	**483,428**
Coiled tubing	**16,548**	**—**	**7,197**	**7,967**	**31,712**
Cementing	**—**	**—**	**—**	**9,132**	**9,132**
Product sales	**437**	**5**	**—**	**—**	**442**
Subcontractor	**—**	**—**	**—**	**—**	**—**
	177,101	**238,807**	**73,458**	**35,348**	**524,714**
Nine Months Ended September 30, 2019					
Fracturing	284,940	741,926	72,434	96,881	1,196,181
Coiled tubing	37,599	—	9,129	20,650	67,378
Cementing	—	—	—	16,788	16,788
Product sales	2,035	708	—	—	2,743
Subcontractor	—	—	—	20,780	20,780
	324,574	742,634	81,563	155,099	1,303,870

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.

16. 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 Sept. 30,		Nine Months Ended Sept. 30,	
	2020	2019	**2020**	2019
(C$000s)	***($)***	*($)*	***($)***	*($)*
Product costs	**46,256**	107,443	**155,531**	359,974
Personnel costs	**30,450**	108,702	**158,666**	338,170
Depreciation on property, plant and equipment	**28,731**	53,359	**130,913**	176,149
Depreciation on right-of-use assets (note 9)	**2,989**	5,310	**10,265**	16,146
Other operating costs	**33,003**	117,360	**165,779**	418,914
	141,429	392,174	**621,154**	1,309,353

17. EMPLOYEE BENEFITS EXPENSE

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2020	2019	**2020**	2019
(C$000s)	***($)***	*($)*	***($)***	*($)*
Salaries and short-term employee benefits	**33,983**	111,204	**162,305**	345,575
Post-employment benefits (group retirement savings plan)	**50**	2,499	**2,497**	7,641
Share-based payments	**590**	1,238	**961**	3,589
Termination benefits	**602**	291	**5,903**	2,929
	35,225	115,232	**171,666**	359,734

18. 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 $10,701 (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 $10,701 (6,846 euros) cited above and the interest being sought in respect of these orders is part of the $29,869 (19,109 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 opposition against 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 filed an appeal against the above decision which was heard on October 16, 2018 and was rejected in June 2019. The plaintiffs have filed a petition for cassation against appeal judgment, the hearing of which has not yet been scheduled. A hearing in respect of the order served on November 23, 2015 took place on October 31, 2018 and a decision was issued in October 2019 accepting the Company's opposition. The plaintiffs filed an appeal against this decision, the hearing of which was scheduled for March 24, 2020. Due to the COVID-19 pandemic, the hearing did not take place and the new hearing date was rescheduled for September 8, 2020. The case was heard on September 8, 2020 and currently the issuance of judgment is pending. A hearing in respect of the orders served in December 2015 scheduled for September 20, 2016 was adjourned until November 21, 2016 and 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. The plaintiffs have filed petitions for cassation against appeal judgments, the hearings of which have not yet been scheduled.

NAPC is also the subject of a claim for approximately $4,474 (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 $903 (578 euros), amounted to $29,869 (19,109 euros) as at September 30, 2020.

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 interim condensed consolidated financial statements.

19. SEGMENTED INFORMATION

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

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

	Canada	United States	Russia	Argentina	Corporate	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Three Months Ended September 30, 2020						
Revenue	**44,669**	**46,503**	**28,530**	**8,074**	**—**	**127,776**
Operating income (loss)[(1)]	**6,491**	**2,790**	**6,033**	**(3,876)**	**(3,429)**	**8,009**
Segmented assets	**235,234**	**597,025**	**52,975**	**68,972**	**—**	**954,206**
Capital expenditures	**1,731**	**1,017**	**—**	**44**	**—**	**2,792**
Three Months Ended September 30, 2019						
Revenue	104,759	224,424	23,781	46,256	—	399,220
Operating income (loss)[(1)]	15,430	27,817	(204)	11,660	(7,682)	47,021
Segmented assets	516,933	833,867	86,920	178,272	—	1,615,992
Capital expenditures	7,874	21,215	439	9,357	—	38,885

	Canada	United States	Russia	Argentina	Corporate	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Nine Months Ended September 30, 2020						
Revenue	**177,101**	**238,807**	**73,458**	**35,348**	**—**	**524,714**
Operating income (loss)[(1)]	**24,794**	**3,026**	**6,487**	**(11,953)**	**(15,954)**	**6,400**
Segmented assets	**235,234**	**597,025**	**52,975**	**68,972**	**—**	**954,206**
Capital expenditures	**8,103**	**27,672**	**879**	**1,489**	**—**	**38,143**
Nine Months Ended September 30, 2019						
Revenue	324,574	742,634	81,563	155,099	—	1,303,870
Operating income (loss)[(1)]	37,265	102,611	(2,859)	20,308	(25,578)	131,747
Segmented assets	516,933	833,867	86,920	178,272	—	1,615,992
Capital expenditures	18,339	60,558	2,892	23,098	—	104,887

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2020	2019	**2020**	2019
(C$000s)	*($)*	*($)*	*($)*	*($)*
Net loss	**(50,000)**	(29,424)	**(450,132)**	(106,803)
Add back (deduct):				
Depreciation	**31,720**	58,669	**141,178**	192,295
Foreign exchange losses	**7,822**	5,038	**9,744**	6,469
(Gain) loss on disposal of property, plant and equipment	**(1,272)**	1,322	**284**	3,756
Impairment of property, plant and equipment	**—**	—	**227,208**	—
Impairment of inventory	**—**	584	**27,868**	584
Impairment of other assets	**—**	—	**507**	—
Gain on exchange of debt	**—**	—	**(130,444)**	—
Interest	**19,588**	21,605	**66,354**	64,314
Income taxes	**151**	(10,773)	**113,833**	(28,868)
Operating income	**8,009**	47,021	**6,400**	131,747

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

20. 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.

21. SUBSEQUENT EVENT

On October 16, 2020, Calfrac's senior unsecured noteholders and common shareholders each voted in favor of the Company's Recapitalization Transaction. The Recapitalization Transaction includes the exchange of the Company's US$431,818 senior unsecured notes for common shares of the Company, in addition to new financing of $60,000. The transaction was approved by the Court of Queen's Bench of Alberta on October 30, 2020, under the provisions of the Canada Business Corporations Act. The completion of the Recapitalization Transaction will significantly reduce the Company's total debt and annual interest expense and provide additional liquidity to fund ongoing operations.

The statutory appeal process launched by Wilks Brothers, LLC after the ruling by the Court of Queen's Bench approving the Company's Recapitalization Transaction is moving ahead. The Alberta Court of Appeal has agreed to hear the appeal on an expedited basis, with a hearing scheduled for November 25, 2020. Calfrac will vigorously oppose the appeal and is confident that the evidence before the Court of Appeal supports this position. The Company will continue to update stakeholders with all significant developments as the process continues, and is continuing preparations to close the Recapitalization Transaction as quickly as practicable following the upcoming appeal hearing.

Subsequent to the end of the third quarter and following court approval of the Recapitalization Transaction, the Company was granted a waiver from its first lien lenders in respect of its Funded Debt to EBITDA covenant for the quarter ending September 30, 2020. The waiver granted is a precursor to additional amendments to the existing credit facilities that will become effective on closing of the Recapitalization Transaction.