CONSOLIDATED BALANCE SHEETS

(C$000s) (unaudited)	June 30, 2021 ($)	December 31, 2020 ($)
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	**20,665**	29,830
Accounts receivable	**162,440**	139,486
Income taxes recoverable	**1,227**	1,530
Inventories	**91,929**	83,294
Prepaid expenses and deposits	**20,395**	17,050
	296,656	271,190
Non-current assets		
Property, plant and equipment (note 4)	**573,484**	618,488
Right-of-use assets (note 8)	**20,665**	22,785
Total assets	**890,805**	912,463
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**137,002**	101,784
Current portion of lease obligations (note 8)	**7,478**	7,958
	144,480	109,742
Non-current liabilities		
Long-term debt (note 5)	**347,377**	324,633
Lease obligations (note 8)	**12,210**	14,013
Deferred income tax liabilities	**36,107**	53,841
Total liabilities	**540,174**	502,229
Capital stock (note 6)	**800,522**	800,184
Conversion rights on convertible notes (note 5)	**4,788**	4,873
Contributed surplus	**66,263**	65,986
Warrants (notes 3 and 7)	**40,548**	40,797
Loan receivable for purchase of common shares	**(2,500)**	(2,500)
Accumulated deficit	**(562,362)**	(509,409)
Accumulated other comprehensive income	**3,372**	10,303
Total equity	**350,631**	410,234
Total liabilities and equity	**890,805**	912,463

Contingencies (note 16)
See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
(C$000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue (note 13)	**207,311**	91,423	**448,886**	396,938
Cost of sales (note 14)	**222,635**	133,715	**471,706**	479,725
Gross loss	**(15,324)**	(42,292)	**(22,820)**	(82,787)
Expenses				
Selling, general and administrative	**10,048**	11,210	**21,236**	28,280
Foreign exchange losses	**2,346**	2,012	**5,691**	1,922
Loss (gain) on disposal of property, plant and equipment	**741**	(113)	**354**	1,556
Impairment of property, plant and equipment (note 4)	**—**	173,684	**—**	227,208
Impairment of inventory	**—**	27,868	**—**	27,868
Impairment of other assets	**—**	—	**—**	507
Gain on exchange of debt (note 5)	**—**	—	**—**	(130,444)
Interest	**9,297**	20,723	**18,398**	46,766
	22,432	235,384	**45,679**	203,663
Loss before income tax	**(37,756)**	(277,676)	**(68,499)**	(286,450)
Income tax expense (recovery)				
Current	**791**	20	**876**	77
Deferred	**(8,012)**	(421)	**(16,422)**	113,605
	(7,221)	(401)	**(15,546)**	113,682
Net loss	**(30,535)**	(277,275)	**(52,953)**	(400,132)
Loss per share (note 6)				
Basic	**(0.82)**	(95.61)	**(1.41)**	(138.00)
Diluted	**(0.82)**	(95.61)	**(1.41)**	(138.00)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
(C$000s) (unaudited)	***($)***	*($)*	***($)***	*($)*
Net loss	**(30,535)**	(277,275)	**(52,953)**	(400,132)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustment	**(3,693)**	4,161	**(6,931)**	(3,189)
Comprehensive loss	**(34,228)**	(273,114)	**(59,884)**	(403,321)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Conversion Rights on Convertible Notes	Contributed Surplus	Warrants	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	**Total Equity**
(C$000s) (unaudited)	*($)*		*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2021	**800,184**	**4,873**	**65,986**	**40,797**	**(2,500)**	**10,303**	**(509,409)**	**410,234**
Net loss	—		—	—	—	—	(52,953)	**(52,953)**
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	—	—	(6,931)	—	**(6,931)**
Comprehensive loss	—	—	—	—	—	(6,931)	(52,953)	**(59,884)**
Stock options:								
Stock-based compensation recognized	—	—	277	—	—	—	—	**277**
Rescission of equity portion of 1.5 Lien Notes	—	(85)	—	—	—	—	—	**(85)**
Warrants:								
Proceeds from issuance of shares (note 7)	338	—	—	(249)	—	—	—	**89**
Balance – June 30, 2021	**800,522**	**4,788**	**66,263**	**40,548**	**(2,500)**	**3,372**	**(562,362)**	**350,631**
Balance – January 1, 2020	509,235	—	44,316	—	(2,500)	2,746	(185,174)	368,623
Net loss	—	—	—	—	—	—	(400,132)	(400,132)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	—	—	(3,189)	—	(3,189)
Comprehensive loss	—	—	—	—	—	(3,189)	(400,132)	(403,321)
Stock options:								
Stock-based compensation recognized	—	—	264	—	—	—	—	264
Performance share units:								
Stock-based compensation recognized	—	—	239	—	—	—	—	239
Shares issued (note 6)	1,275	—	(1,275)	—	—	—	—	—
Balance – June 30, 2020	**510,510**	**—**	**43,544**	**—**	**(2,500)**	**(443)**	**(585,306)**	**(34,195)**

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
(C$000s) (unaudited)	*($)*	*($)*	*($)*	*($)*
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss	**(30,535)**	(277,275)	**(52,953)**	(400,132)
Adjusted for the following:				
Depreciation	**31,415**	46,195	**63,039**	109,458
Stock-based compensation	**277**	(180)	**277**	503
Unrealized foreign exchange losses (gains)	**901**	1,962	**2,987**	(318)
Loss (gain) on disposal of property, plant and equipment	**741**	(113)	**354**	1,556
Impairment of property, plant and equipment (note 4)	**—**	173,684	**—**	227,208
Impairment of inventory	**—**	27,868	**—**	27,868
Impairment of other assets	**—**	—	**—**	507
Non-cash gain on exchange of debt (note 5)	**—**	—	**—**	(130,444)
Interest	**9,297**	20,723	**18,398**	46,766
Interest paid	**(1,038)**	(2,612)	**(11,674)**	(9,080)
Deferred income taxes	**(8,012)**	(421)	**(16,422)**	113,605
Changes in items of working capital (note 10)	**15,782**	127,077	**(5,040)**	83,072
Cash flows provided by (used in) operating activities	**18,828**	116,908	**(1,034)**	70,569
FINANCING ACTIVITIES				
Issuance of long-term debt, net of debt issuance costs	**3,421**	34,146	**22,191**	58,404
Long-term debt repayments	**—**	(43,727)	**(1,050)**	(43,727)
Lease obligation principal repayments	**(1,738)**	(3,718)	**(3,545)**	(8,644)
Proceeds on issuance of common shares from the exercising of warrants	**21**	—	**89**	—
Cash flows provided by (used in) financing activities	**1,704**	(13,299)	**17,685**	6,033
INVESTING ACTIVITIES				
Purchase of property, plant and equipment (note 10)	**(14,584)**	(10,203)	**(25,458)**	(37,016)
Proceeds on disposal of property, plant and equipment	**461**	379	**648**	1,028
Proceeds on disposal of right-of-use assets	**578**	104	**759**	412
Cash flows used in investing activities	**(13,545)**	(9,720)	**(24,051)**	(35,576)
Effect of exchange rate changes on cash and cash equivalents	**(287)**	(2,972)	**(1,765)**	4,332
Increase (decrease) in cash and cash equivalents	**6,700**	90,917	**(9,165)**	45,358
Cash and cash equivalents (bank overdraft), beginning of period	**13,965**	(2,997)	**29,830**	42,562
Cash and cash equivalents, end of period	**20,665**	87,920	**20,665**	87,920

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 six months ended June 30, 2021 and 2020

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

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Income Taxes

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

3. RECAPITALIZATION TRANSACTION

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

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

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

[1] Includes $1,266 of other associated costs related to the Plan of Arrangement, of which $1,092 were non-cash expenses.
[2] $198,847 of the total gain on settlement of debt was non-cash in nature.

(a) Unsecured Notes Settlement

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

(b) Warrants

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

(c) Shareholder Cash Election

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

(d) Common Share Consolidation

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

(e) Share-Based Compensation

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

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

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

In connection with the approval of the Recapitalization Transaction, shareholders approved an omnibus incentive plan which permits the granting of various types of equity awards, including stock options, share appreciation rights, restricted shares, restricted share units, deferred share units and other share-based awards as determined by the Board of Directors. The number of shares reserved under the omnibus incentive plan is equal to 10 percent of the Company's issued and outstanding common shares. See note 7 for further information.

(f) 1.5 Lien Notes

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

(g) Commitment Fee on the 1.5 Lien Notes

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

(h) Transaction Costs

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

(i) Court Appeals and Regulatory Application

Appeals of Chapter 15 Enforcement Order

On December 11, 2020, Wilks Brothers, LLC and its affiliated funds (collectively "Wilks Brothers") filed a notice of appeal (the "District Court Appeal") to the United States District Court for the Southern District of Texas ("U.S. District Court") appealing an order by the United States Bankruptcy Court for the Southern District of Texas under Chapter 15 of the United States Bankruptcy Code entered effective December 1, 2020 ("Chapter 15 Enforcement Order"), granting enforcement of the October 30, 2020 order of the Court of Queen's Bench of Alberta approving the Plan of Arrangement pursuant to the Canada Business Corporations Act (the "CBCA Final Order"). At a hearing held on April 23, 2021, the U.S. District Court affirmed the Chapter 15 Enforcement Order and effectively denied the District Court Appeal (the "District Court Decision"). On June 1, 2021, Wilks Brothers filed a notice of appeal to the United States Court of Appeals for the Fifth Circuit (the "Fifth Circuit Appeal"). The briefing schedule and hearing dates for the Fifth Circuit Appeal remain to be determined. The Company believes it is well-positioned to prevail on the merits of the appeal.

Appeal of CBCA Final Order

On January 29, 2021, Wilks Brothers filed an application to the Supreme Court of Canada seeking leave to appeal the December 1, 2020 decision of the Court of Appeal of Alberta upholding the CBCA Final Order. On May, 27, 2021, the Supreme Court of Canada dismissed the leave to appeal application with costs. The Supreme Court of Canada's dismissal of the leave to appeal application means that the CBCA Final Order, pursuant to which the Company implemented its Recapitalization Transaction, is no longer subject to any further Canadian appeal rights, and remains in full force and effect.

Review of Toronto Stock Exchange Decision

On April 22, 2021, the Wilks Brothers filed an application to the Ontario Securities Commission (the "OSC"), requesting a hearing and review by the OSC of the decision of the Toronto Stock Exchange (the "TSX") in March 2021 granting exemptive relief (the "TSX Decision") in respect of the rescission of the purchase of 1.5 Lien Notes acquired by an institutional shareholder (the "Subject Notes").

The TSX Decision confirmed that the conditional listing approval of the TSX in respect of the common shares issuable upon conversion of the remaining $58,950 of 1.5 Lien Notes had been satisfied. Such confirmation was subject to, among other conditions, the completion of the rescission and cancellation of the Subject Notes, which was completed on April 15, 2021, as disclosed in note 5. Among the conditions imposed by the TSX Decision, the Company is subject to enhanced review by the TSX until at least March 2022.

On July 13, 2021, the OSC issued an order dismissing Wilks Brothers' application to set aside the TSX Decision following a hearing before the OSC on July 12, 2021. The OSC's reasons will be released at a later date.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tested for impairment in accordance with the Company's accounting policy. The Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. Since the impairment test that was carried out as at December 31, 2020, the Company did not identify any changes in the indicators of impairment or any new indicators of impairment. Therefore, no further assessment on impairment was performed as there have been no changes in circumstances that indicate that the carrying amount of property, plant and equipment exceeded its recoverable amount as at June 30, 2021. During the three and six months ended June 30, 2020, the Company recorded an impairment charge of $173,684 and 227,208, respectively.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2021	2020	**2021**	2020
(C$000s)			***($)***	*($)*
Canada	—	78,136	—	116,280
United States	—	—	—	15,380
Argentina	—	68,669	—	68,669
Russia	—	26,879	—	26,879
	—	173,684	—	227,208

5. LONG-TERM DEBT

	June 30,	December 31,
	2021	2020
(C$000s)	***($)***	*($)*
$225,000 extendible revolving term loan facility, secured by the Canadian and U.S. assets of the Company on a first priority basis	**155,000**	130,000
$58,950 1.5 Lien Notes due December 18, 2023, bearing interest at 10.00% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis ahead of the Second Lien Notes	**54,907**	55,171
US$120,000 Second Lien Notes due March 15, 2026, bearing interest at 10.875% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis	**148,728**	152,784
Less: unamortized debt issuance costs	**(11,258)**	(13,322)
	347,377	324,633

The fair value of the Second Lien Notes (as defined below), as measured based on the closing market price at June 30, 2021 was $113,915 (December 31, 2020 – $106,706). The carrying values of the revolving term loan facility and 1.5 Lien Notes approximate their fair value as the interest rate is not significantly different from current interest rates for similar loans.

a) 1.5 Lien Notes

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

The liability portion of the 1.5 Lien Notes was recorded at an initial fair value of $55,127 using a discount rate of 13.4 percent, representing the discount rate of a comparable debt instrument without a conversion feature. The remaining $4,873 is the difference between the initial principal amount and the fair value of the liability component and was recorded as the equity portion of the conversion feature in shareholders’ equity. The Company incurred transaction costs of $7,596 associated with the issuance of the 1.5 Lien Notes which was allocated to debt issuance costs and share issuance costs on a proportional basis to the initial fair value of the liability and equity components.

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

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

b) Second Lien Notes

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

c) Revolving Credit Facility

On June 30, 2021, the Company amended its revolving credit facility agreement to reduce its total facility capacity from $290,000 to $225,000 and extended the maturity date to July 1, 2023. The amended agreement includes a $25,000 accordion feature that is available to the Company during the term of the agreement. The Company’s Funded Debt to Adjusted EBITDA covenant continues to be waived for the quarter ended June 30, 2021 and is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021 (“Covenant Relief Period”) and 3.00x for each quarter end thereafter. The Covenant Relief Period terminates on the earlier of December 31, 2021 and any prior quarter end for which the Company has requested early termination and has provided a compliance certificate to its lenders certifying compliance with all financial covenants and where the Funded Debt to Adjusted EBITDA ratio is less than 3.00x at such quarter end. The facilities consist of an operating facility of $45,000 and a syndicated facility of $180,000.

The Company’s credit facilities mature on July 1, 2023, and can be extended by one or more years at the Company’s request and lenders’ acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.00 percent to prime plus 3.50 percent. For LIBOR-based loans and bankers’ acceptance-based loans, the margin thereon ranges from 2.00 percent to 4.50 percent above the respective base rates. The Company incurs interest at the high end of the ranges outlined above during the Covenant Relief Period or if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company’s net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00 and also during the Covenant Relief Period, certain restrictions apply including the following: (a) acquisitions are subject to consent of the lenders; (b) distributions are restricted other than those relating to the Company’s equity compensation plans; (c) no increase in the rate of dividends are permitted; and (d) additional permitted debt is restricted to $5,000. As at June 30, 2021, the Company’s net Total Debt to Adjusted EBITDA ratio exceeded the 5.00:1.00 threshold and the Company was also subject to the Covenant Relief Period restrictions.

At June 30, 2021, the Company held $10,261 of restricted cash in a segregated account. On July 6, 2021, the restricted funds were released as part of the maturity of a bankers’ acceptance under the revolving credit facilities.

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, 2021 was $18,529 (six months ended June 30, 2020 – $45,860).

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

	2021
(C$000s)	*($)*
Balance, January 1	324,633
Issuance of long-term debt, net of debt issuance costs	22,191
Long-term debt repayments	(965)
Amortization of compound financial instrument discount	701
Amortization of debt issuance costs and debt discount	4,768
Foreign exchange adjustments	(3,951)
Balance, June 30	347,377

At June 30, 2021, the Company had utilized $806 of its loan facility for letters of credit, had $155,000 outstanding under its revolving term loan facility, leaving $69,194 in available credit, subject to a monthly borrowing base, which was most recently calculated at $192,159 using June 30, 2021 results. The borrowing base at June 30 will govern borrowings for the month of August 2021. Under the terms of the amended credit facility agreement, the Company must maintain a minimum liquidity amount of $15,000 during the Covenant Relief Period.

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

6. CAPITAL STOCK

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

	Six Months Ended June 30, 2021		Year Ended December 31, 2020	
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	*($000s)*	*(#)*	*($000s)*
Balance, beginning of period	**37,408,490**	**800,184**	2,897,778	506,735
Issued upon exercise of warrants	**35,517**	**338**	—	—
Issued upon vesting of performance share units	**—**	**—**	5,646	1,275
Issued on acquisition	**—**	**—**	8,913	2,500
Issued upon settlement of Unsecured Notes (note 3)	**—**	**—**	33,491,870	301,427
Issued for commitment fee on 1.5 Lien Notes (note 3)	**—**	**—**	1,125,703	10,131
Shares repurchased by shareholder cash election (note 3)	**—**	**—**	(121,231)	(21,268)
Cancellation of fractional shares upon 50:1 share consolidation	**(114)**	**—**	(189)	—
Share issue costs on 1.5 Lien Notes	**—**	**—**	—	(616)
Balance, end of period	**37,443,893**	**800,522**	37,408,490	800,184

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2021	2020	**2021**	2020
	($)	*($)*	*(#)*	*(#)*
Weighted average number of common shares outstanding				
Basic	**37,434,240**	2,900,040	**37,428,050**	2,899,432
Diluted	**83,422,250**	2,912,337	**83,625,449**	2,911,799

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

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

7. SHARE-BASED PAYMENTS

(a) Stock Options

Six Months Ended June 30,	**2021**		2020	
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	*($)*	*(#)*	*($)*
Balance, January 1	**—**	**—**	244,060	158.00
Granted	**3,540,000**	**3.54**	1,098	31.00
Forfeited	**—**	**—**	(45,720)	196.50
Expired	**—**	**—**	(2,142)	426.50
Balance, June 30	**3,540,000**	**3.54**	197,296	145.50

Stock options vest equally over three years and expire five years from the date of grant. The exercise price of outstanding options is $3.54 with a weighted average remaining life of 4.93 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 2021, determined using the Black-Scholes valuation method, was $2.15 per option (six months ended June 30, 2020 – $0.27 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,	**2021**	2020
Expected life (years)	**3.00**	3.00
Expected volatility	**100.25 %**	71.18 %
Risk-free interest rate	**0.50 %**	0.87 %
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,	**2021**		2020
Continuity of Stock Units	**Deferred Share Units**	Deferred Share Units	Performance Share Units
	(#)	*(#)*	*(#)*
Balance, January 1	**2,400**	2,900	25,891
Granted	**105,000**	2,100	19,723
Exercised	**—**	—	(5,646)
Forfeited	**—**	—	(6,708)
Balance, June 30	**107,400**	5,000	33,260

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2021	2020	**2021**	2020
	($)	*($)*	*($)*	*($)*
Expense (recovery) from:				
Stock options	**277**	(235)	**277**	264
Deferred share units	**36**	(5)	**55**	(132)
Performance share units	**—**	55	**—**	239
Total stock-based compensation expense	**313**	(185)	**332**	371

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

The Company grants deferred share units to its outside directors. These units vest on the first anniversary of the date of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred share units is recognized equally over the vesting period, based on the current market price of the Company's shares. At June 30, 2021, the liability pertaining to deferred share units was $45 (December 31, 2020 – $9).

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

(c) Warrants

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

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

At June 30, 2021, 35,517 warrants were exercised for total proceeds of $89.

8. LEASES

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

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

	June 30, 2021	December 31, 2020
(C$000s)	***($)***	*($)*
Field equipment	**12,984**	13,688
Buildings	**7,681**	9,097
	20,665	22,785

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

	2021
(C$000s)	*($)*
Balance, January 1	21,971
Additions	10,116
Disposals/retirements	(8,581)
Principal portion of payments	(3,545)
Foreign exchange adjustments	(273)
Balance, June 30	19,688

9. FINANCIAL INSTRUMENTS

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

(a) Fair Values of Financial Assets and Liabilities

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value and carrying value of the Second Lien Notes, as measured based on the closing market price at June 30, 2021 was $113,915 and $148,728, respectively (December 31, 2020 – $106,706 and $152,784).

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

(b) Credit Risk

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers. At June 30, 2021, the Company had a loss allowance provision for accounts receivable of $1,883 (December 31, 2020 – $1,726).

IFRS 9 *Financial Instruments* requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Company's assessment using the lifetime expected credit loss model, a loan loss allowance of $87 was recorded during the six months ended June 30, 2021. The expected credit loss rates are based on actual credit loss experience over the past several years for each operating segment.

The loss allowance provision for trade accounts receivable as at June 30, 2021 reconciles to the opening loss allowance provision as follows:

	2021
(C$000s)	*($)*
At January 1, 2021	1,726
Increase in loan loss allowance recognized in statement of operations	87
Specific receivables deemed as uncollectible and written off	—
Foreign exchange adjustments	70
At June 30, 2021	1,883

(c) Liquidity Risk

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

10. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
(C$000s)	*($)*	*($)*	*($)*	*($)*
Accounts receivable	**22,231**	160,511	**(22,954)**	145,112
Inventory	**(4,874)**	7,015	**(8,813)**	7,184
Prepaid expenses and deposits	**(6,480)**	(7,104)	**(3,345)**	(5,391)
Accounts payable and accrued liabilities	**4,421**	(30,440)	**29,769**	(60,809)
Income taxes recoverable	**484**	(2,905)	**303**	(3,024)
	15,782	127,077	**(5,040)**	83,072

Purchase of property, plant and equipment is comprised of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
(C$000s)	*($)*	*($)*	*($)*	*($)*
Property, plant and equipment additions	**(18,065)**	(6,068)	**(29,651)**	(35,351)
Change in liabilities related to the purchase of property, plant and equipment	**3,481**	(4,135)	**4,193**	(1,665)
	(14,584)	(10,203)	**(25,458)**	(37,016)

11. CAPITAL STRUCTURE

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

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

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

For the Twelve Months Ended	**June 30, 2021**	December 31, 2020
(C$000s)	***($)***	*($)*
Net income (loss)	**22,944**	(324,235)
Adjusted for the following:		
Depreciation	**125,602**	172,021
Foreign exchange losses	**19,246**	15,477
(Gain) loss on disposal of property, plant and equipment	**(1,178)**	24
Impairment of property, plant and equipment	**—**	227,208
Impairment of inventory	**—**	27,868
Impairment of other assets	**—**	507
Gain on settlement of debt	**(226,319)**	(226,319)
Gain on exchange of debt	**—**	(130,444)
Interest	**62,899**	91,267
Income taxes	**39,395**	168,623
Operating income	**42,589**	21,997

Net debt for this purpose is calculated as follows:

	June 30, 2021	December 31, 2020
(C$000s)	***($)***	*($)*
Long-term debt, net of debt issuance costs and debt discount	**347,377**	324,633
Lease obligations	**19,688**	21,971
Less: cash and cash equivalents	**(20,665)**	(29,830)
Net debt	**346,400**	316,774

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

At June 30, 2021, the net debt to operating income ratio was 8.13:1 (December 31, 2020 – 14.40:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended	**June 30, 2021**	December 31, 2020
(C$000s, except ratio)	***($)***	*($)*
Net debt	**346,400**	316,774
Operating income	**42,589**	21,997
Net debt to operating income ratio	**8.13:1**	14.40:1

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

As at June 30,	Covenant 2021	**Actual 2021**
Working capital ratio not to fall below	1.15x	**2.17x**
Funded Debt to Adjusted EBITDA not to exceed(1)(2)	N/A	**5.44x**
Funded Debt to Capitalization not to exceed(1)(3)	0.30x	**0.22x**

(1) Funded Debt is defined as Total Debt excluding all outstanding Second Lien Notes, 1.5 Lien Notes, and lease obligations. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit. For the purposes of the Total Debt to Adjusted EBITDA ratio, the Funded Debt to Capitalization Ratio and the Funded Debt to Adjusted EBITDA ratio, the amount of Total Debt or Funded Debt, as applicable, is reduced by the amount of cash on hand with lenders (excluding any cash held in a segregated account for a specified purpose, including a potential equity cure).
(2) Adjusted EBITDA is defined as net income or loss for the period adjusted for interest, taxes, depreciation and amortization, non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring.
(3) Capitalization is Total Debt plus equity.

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2021	2020	**2021**	2020
(C$000s)			***($)***	*($)*
Net loss	**(30,535)**	(277,275)	**(52,953)**	(400,132)
Add back (deduct):				
Depreciation	**31,415**	46,195	**63,039**	109,458
Unrealized foreign exchange losses (gains)	**901**	1,962	**2,987**	(318)
Loss (gain) on disposal of property, plant and equipment	**741**	(113)	**354**	1,556
Impairment of property, plant and equipment	**—**	173,684	**—**	227,208
Impairment of inventory	**—**	27,868	**—**	27,868
Impairment of other assets	**—**	—	**—**	507
Gain on exchange of debt	**—**	—	**—**	(130,444)
Litigation settlements	**(700)**	—	**(700)**	—
Restructuring charges	**218**	2,352	**473**	4,973
Stock-based compensation	**277**	(180)	**277**	503
Interest	**9,297**	20,723	**18,398**	46,766
Income taxes	**(7,221)**	(401)	**(15,546)**	113,682
Adjusted EBITDA(1)	**4,393**	(5,185)	**16,329**	1,627

(1) For bank covenant purposes, EBITDA includes the deduction of an additional $4,099 of lease payments for the six months ended June 30, 2021 (six months ended June 30, 2020 – $9,592) 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 a specified purpose, including a potential equity cure; and

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

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

i. the Company is in default under either of the indentures or the making of such payment would result in a default;
ii. the Company would not meet the Fixed Charge Coverage Ratio(1) under either of the indentures of at least 2:1 for the most recent four fiscal quarters, after giving pro forma effect to such restricted payment as if it had been made at the beginning of the applicable four fiscal quarter period; or
iii. there is insufficient room for such payment within the builder baskets included in the indentures.

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20,000 in each of the indentures. As at June 30, 2021, these baskets were not utilized.

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

As at June 30, 2021, the Company's Fixed Charge Coverage Ratio of 0.69:1 was below the required 2:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the indentures, and the baskets highlighted in the preceding paragraphs provide sufficient flexibility, subject to the $5,000 cap during the Covenant Relief Period discussed above, for the Company to incur additional indebtedness and make anticipated restricted payments which may be required to conduct its operations.

Proceeds from equity offerings may be applied, as an equity cure, in the calculation of Adjusted EBITDA towards the Funded Debt to Adjusted EBITDA covenant for any of the quarters ending prior to and including June 30, 2023, 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.

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, 2023 will increase Adjusted EBITDA over the relevant twelve-month rolling period and may also serve to reduce Funded Debt unless used for other purposes.

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

12. RELATED-PARTY TRANSACTIONS

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

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

The Company leases certain premises from a company controlled by Ronald P. Mathison. The rent charged for these premises during the six months ended June 30, 2021 was $478 (six months ended June 30, 2020 – $847), as measured at the exchange amount, which is based on market rates at the time the lease arrangements were made and is under the normal course of business.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	Canada	United States	Russia	Argentina	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*
Three Months Ended June 30, 2021					
Fracturing	**45,698**	**86,623**	**30,715**	**22,556**	**185,592**
Coiled tubing	**5,068**	**—**	**2,827**	**4,838**	**12,733**
Cementing	**—**	**—**	**—**	**5,579**	**5,579**
Product sales	**—**	**65**	**—**	**—**	**65**
Subcontractor	**—**	**—**	**—**	**3,341**	**3,341**
	50,766	**86,688**	**33,542**	**36,314**	**207,310**
Three Months Ended June 30, 2020					
Fracturing	25,710	38,113	21,682	1,032	86,537
Coiled tubing	2,103	—	2,255	192	4,550
Cementing	—	—	—	257	257
Product sales	—	79	—	—	79
Subcontractor	—	—	—	—	—
	27,813	38,192	23,937	1,481	91,423

	Canada	United States	Russia	Argentina	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*
Six Months Ended June 30, 2021					
Fracturing	**123,091**	**179,536**	**55,840**	**44,434**	**402,901**
Coiled tubing	**13,255**	**—**	**5,323**	**9,270**	**27,848**
Cementing	**—**	**—**	**—**	**10,291**	**10,291**
Product sales	**3**	**65**	**—**	**—**	**68**
Subcontractor	**—**	**—**	**—**	**7,777**	**7,777**
	136,349	**179,601**	**61,163**	**71,772**	**448,885**
Six Months Ended June 30, 2020					
Fracturing	120,293	192,225	40,013	13,159	365,690
Coiled tubing	12,140	—	4,915	6,359	23,414
Cementing	—	—	—	7,756	7,756
Product sales	(1)	79	—	—	78
Subcontractor	—	—	—	—	—
	132,432	192,304	44,928	27,274	396,938

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

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

14. PRESENTATION OF EXPENSES

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

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

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2021	2020	**2021**	2020
(C$000s)	***($)***	*($)*	***($)***	*($)*
Product costs	**70,938**	28,366	**148,306**	109,275
Personnel costs	**53,909**	33,116	**108,879**	128,216
Depreciation on property, plant and equipment	**29,771**	42,582	**59,748**	102,182
Depreciation on right-of-use assets (note 8)	**1,644**	3,613	**3,291**	7,276
Other operating costs	**66,373**	26,038	**151,482**	132,776
	222,635	133,715	**471,706**	479,725

During the six months ended June 30, 2021, the Company qualified for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs and recognized $4,261 as a reduction of salaries and wages expense (six months ended June 30, 2020 – $4,515), and $318 as a reduction in rent expense (six months ended June 30, 2020 – $nil), respectively.

15. EMPLOYEE BENEFITS EXPENSE

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2021	2020	**2021**	2020
(C$000s)	***($)***	*($)*	***($)***	*($)*
Salaries and short-term employee benefits	**57,593**	34,738	**114,518**	128,322
Post-employment benefits (group retirement savings plan)	**—**	180	**—**	2,447
Share-based payments	**313**	(185)	**332**	371
Termination benefits	**581**	2,384	**1,009**	5,301
	58,487	37,117	**115,859**	136,441

16. CONTINGENCIES

GREEK LITIGATION

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

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $10,063 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. As a result of Denison's participation in the consortium that was named in the lawsuit, the Company was served with three separate payment orders, one on March 24, 2015 and two others on December 29, 2015. The Company was also served with an enforcement order on November 23, 2015.

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

NAPC is also the subject of a claim for approximately $3,236 (2,201 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 $849 (578 euros), amounted to $29,467 (20,047 euros) as at June 30, 2021.

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

17. SEGMENTED INFORMATION

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

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

	Canada	United States	Russia	Argentina	Corporate	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Three Months Ended June 30, 2021						
Revenue	**50,766**	**86,688**	**33,542**	**36,314**	**—**	**207,310**
Operating income (loss)(1)	**4,295**	**(2,554)**	**5,287**	**4,928**	**(5,913)**	**6,043**
Segmented assets	**221,043**	**511,361**	**72,555**	**85,846**	**—**	**890,805**
Capital expenditures	**1,747**	**11,935**	**994**	**3,389**	**—**	**18,065**
Three Months Ended June 30, 2020						
Revenue	27,813	38,192	23,937	1,481	—	91,423
Operating income (loss)(1)	6,328	(4,951)	2,752	(6,445)	(4,991)	(7,307)
Segmented assets	263,776	652,030	48,942	54,070	—	1,018,818
Capital expenditures	2,138	2,624	292	1,014	—	6,068

	Canada	United States	Russia	Argentina	Corporate	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Six Months Ended June 30, 2021						
Revenue	**136,349**	**179,601**	**61,163**	**71,772**	**—**	**448,885**
Operating income (loss)(1)	**19,474**	**(5,566)**	**6,763**	**8,842**	**(10,530)**	**18,983**
Segmented assets	**221,043**	**511,361**	**72,555**	**85,846**	**—**	**890,805**
Capital expenditures	**2,840**	**19,978**	**2,077**	**4,756**	**—**	**29,651**
Six Months Ended June 30, 2020						
Revenue	132,432	192,304	44,928	27,274	—	396,938
Operating income (loss)(1)	18,303	236	454	(8,077)	(12,525)	(1,609)
Segmented assets	263,776	652,030	48,942	54,070	—	1,018,818
Capital expenditures	6,372	26,655	879	1,445	—	35,351

(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,	
	2021	2020	**2021**	2020
(C$000s)	*($)*	*($)*	*($)*	*($)*
Net loss	**(30,535)**	(277,275)	**(52,953)**	(400,132)
Add back (deduct):				
Depreciation	**31,415**	46,195	**63,039**	109,458
Foreign exchange losses	**2,346**	2,012	**5,691**	1,922
Loss (gain) on disposal of property, plant and equipment	**741**	(113)	**354**	1,556
Impairment of property, plant and equipment	**—**	173,684	**—**	227,208
Impairment of inventory	**—**	27,868	**—**	27,868
Impairment of other assets	**—**	—	**—**	507
Provision for settlement of litigation	**—**	—	**—**	(130,444)
Interest	**9,297**	20,723	**18,398**	46,766
Income taxes	**(7,221)**	(401)	**(15,546)**	113,682
Operating income (loss)	**6,043**	(7,307)	**18,983**	(1,609)

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

18. SEASONALITY OF OPERATIONS

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