



First Quarter Interim Report

FOR THE THREE MONTHS ENDED MARCH 31, 2019

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

HIGHLIGHTS

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

Three Months Ended March 31,	2019	2018	Change
(C\$000s, except per share and unit data)	(\$)	(\$)	(%)
(unaudited)			
Financial			
Revenue	475,012	582,838	(19)
Operating income (loss) ⁽¹⁾	43,623	67,974	(36)
Per share – basic	0.30	0.47	(36)
Per share – diluted	0.30	0.46	(35)
Adjusted EBITDA ⁽¹⁾	44,086	72,953	(40)
Per share – basic	0.31	0.51	(39)
Per share – diluted	0.30	0.50	(40)
Net income (loss) attributable to the shareholders of Calfrac before foreign exchange gains or losses ⁽²⁾	(35,105)	1,905	NM
Per share – basic	(0.24)	0.01	NM
Per share – diluted	(0.24)	0.01	NM
Net income (loss) attributable to the shareholders of Calfrac	(36,334)	3,234	NM
Per share – basic	(0.25)	0.02	NM
Per share – diluted	(0.25)	0.02	NM
Working capital (end of period)	276,785	360,654	(23)
Total equity (end of period)	481,675	546,018	(12)
Weighted average common shares outstanding (000s)			
Basic	144,404	143,722	—
Diluted	146,239	146,624	—

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 17 and 18 for further information.

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

CEO MESSAGE

Calfrac's President and Chief Executive Officer, Fernando Aguilar commented on the results: "Despite very challenging weather conditions across a number of operating areas, Calfrac delivered results underlined by the strength of our North American platform while showing again the potential of our operations in Argentina. I'd like to extend my thanks to all our employees for their ongoing dedication to executing on our Brand Promise - Do it Better, Do it Safely, Do it on Time."

During the quarter, Calfrac:

- generated \$72.7 million in operating cash flow, enabling a further reduction in its credit facility borrowings by \$20.0 million;
- secured incremental contracted work volumes in Argentina with a major client in that region; and
- commenced work to extend the Company's revolving credit facility, which was executed subsequent to the quarter.

Update on Canadian Divisional Management

Near the end of the first quarter, Calfrac implemented a change in the management of its Canadian Division. Tom Medvedic, the former President of Calfrac's Canadian Division, left the Company in March to pursue a new career opportunity in the pipeline infrastructure industry. Tom joined Calfrac in 2004 and occupied a number of senior management roles at the Company, including Chief Financial Officer, Vice President, Corporate Development and, most recently, as President of Calfrac's Canadian Division.

"On behalf of everyone at Calfrac, I would like to thank Tom for his many years of outstanding service across a number of key senior management roles and for the leadership that he provided during his time at the Company." - Fernando Aguilar, Calfrac President and CEO.

"I would also like to thank Tom for his partnership and efforts over the past 15 years and for being such an integral part of the Calfrac family. His focus on details and an unwavering commitment to safety and service quality have helped make Calfrac the company it is today. " - Doug Ramsay, Calfrac Vice Chairman and Co-Founder.

On Tom's departure, Chad Leier has assumed the role of President of Calfrac's Canadian Division. Chad joined Calfrac in 2005 and has worked in a number of sales and marketing roles in both Canada and the United States, most recently as Vice-President of Sales and Marketing for the Canadian Division.

"Chad's long tenure at Calfrac and strong relationships with our customer base and within our organization position him well to lead the Canadian Division, and he will benefit greatly from the support of the strong divisional and corporate team around him." - Fernando Aguilar, Calfrac President and CEO.

CONSOLIDATED HIGHLIGHTS

Three Months Ended March 31,	2019	2018	Change
(C\$000s, except operational information)	(\$)	(\$)	(%)
(unaudited)			
Revenue	475,012	582,838	(19)
Expenses			
Operating	412,185	490,106	(16)
Selling, general and administrative (SG&A)	19,204	24,758	(22)
	431,389	514,864	(16)
Operating income ⁽¹⁾	43,623	67,974	(36)
Operating income (%)	9.2	11.7	(21)
Adjusted EBITDA ⁽¹⁾	44,086	72,953	(40)
Adjusted EBITDA (%)	9.3	12.5	(26)
Fracturing revenue per job (\$)	33,093	36,783	(10)
Number of fracturing jobs	13,100	14,752	(11)
Active pumping horsepower, end of period (000s)	1,344	1,259	7
Idle pumping horsepower, end of period (000s)	36	134	(73)
Total pumping horsepower, end of period (000s)	1,380	1,393	(1)
Coiled tubing revenue per job (\$)	30,463	33,283	(8)
Number of coiled tubing jobs	843	729	16
Active coiled tubing units, end of period (#)	21	22	(5)
Idle coiled tubing units, end of period (#)	8	8	—
Total coiled tubing units, end of period (#)	29	30	(3)
Cementing revenue per job (\$)	39,389	37,728	4
Number of cementing jobs	118	69	71
Active cementing units, end of period (#)	11	12	(8)
Idle cementing units, end of period (#)	12	11	9
Total cementing units, end of period (#)	23	23	—

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 17 and 18 for further information.

Revenue in the first quarter of 2019 was \$475.0 million, a decrease of 19 percent from the same period in 2018. The Company's fracturing job count decreased by 11 percent while consolidated revenue per fracturing job decreased by 10 percent. The number of cementing jobs increased by 71 percent due to higher cementing activity in northern Argentina, while coiled tubing activity was 16 percent higher due to better utilization in Canada and Argentina.

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

Adjusted EBITDA of \$44.1 million for the first quarter of 2019 decreased from \$73.0 million in the comparable period in 2018 primarily due to lower utilization and pricing in Canada and the United States.

Net loss attributable to shareholders of Calfrac was \$36.3 million or \$0.25 per share diluted compared to income of \$3.2 million or \$0.02 per share diluted in the same period last year. The first quarter of 2019 included higher depreciation of \$23.2 million primarily due to a change in depreciation policy and the adoption of IFRS 16.

Three Months Ended	March 31, 2019	December 31, 2018	Change
(C\$000s, except operational information) (unaudited)	(\$)	(\$)	(%)
Revenue	475,012	498,858	(5)
Expenses			
Operating	412,185	416,886	(1)
SG&A	19,204	19,980	(4)
	431,389	436,866	(1)
Operating income ⁽¹⁾	43,623	61,992	(30)
Operating income (%)	9.2	12.4	(26)
Adjusted EBITDA ⁽¹⁾	44,086	62,914	(30)
Adjusted EBITDA (%)	9.3	12.6	(26)
Fracturing revenue per job (\$)	33,093	38,264	(14)
Number of fracturing jobs	13,100	12,068	9
Active pumping horsepower, end of period (000s)	1,344	1,328	1
Idle pumping horsepower, end of period (000s)	36	42	(14)
Total pumping horsepower, end of period (000s)	1,380	1,370	1
Coiled tubing revenue per job (\$)	30,463	29,567	3
Number of coiled tubing jobs	843	715	18
Active coiled tubing units, end of period (#)	21	22	(5)
Idle coiled tubing units, end of period (#)	8	7	14
Total coiled tubing units, end of period (#)	29	29	—
Cementing revenue per job (\$)	39,389	46,403	(15)
Number of cementing jobs	118	130	(9)
Active cementing units, end of period (#)	11	11	—
Idle cementing units, end of period (#)	12	12	—
Total cementing units, end of period (#)	23	23	—

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 17 and 18 for further information.

Revenue in the first quarter of 2019 was \$475.0 million, a decrease of 5 percent from the fourth quarter of 2018, primarily due to lower pricing in North America offset partially by increased fracturing and coiled tubing activity. Revenue in Russia and Argentina was higher sequentially due to increased activity and job sizes. Revenue per fracturing job decreased by 14 percent primarily due to lower pricing and job mix in Canada and the United States.

In Canada, first-quarter revenue decreased by 9 percent from the fourth quarter to \$131.4 million despite a 14 percent increase in the number of fracturing jobs completed, primarily due to lower average pricing and the completion of smaller jobs. Operating income as a percentage of revenue was 10 percent versus 11 percent in the fourth quarter.

In the United States, revenue in the first quarter of 2019 decreased by 7 percent from the fourth quarter to \$259.1 million, mainly as a result of lower pricing as activity was fairly consistent on a sequential basis. The U.S. division's operating income margin decreased to 15 percent in the first quarter from 18 percent in the fourth quarter of 2018.

In Russia, revenue of \$29.1 million in the first quarter of 2019 was 17 percent higher than the fourth quarter due to a seasonal increase in fracturing and coiled tubing activity. The operating loss position in the first quarter was primarily due to higher costs associated with extremely cold weather during parts of the quarter while the closing of one facility also impacted profitability.

In Argentina, revenue in the first quarter of 2019 increased by 12 percent from the fourth quarter to \$55.4 million, while operating income improved to \$4.9 million from \$4.4 million in the fourth quarter. The improvement was due to higher activity in Neuquén as better operational efficiencies were achieved in the first quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of April 30, 2019 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the three months ended March 31, 2019 and 2018. It should be read in conjunction with the interim consolidated financial statements for the three months ended March 31, 2019 as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2018.

Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used are included on pages 17 and 18.

CALFRAC'S BUSINESS

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

The Company's reportable business segments during the three months ended March 31, 2019 were as follows:

Segment	Active	Idle	Total	Active Fleets
	(hhp)	(hhp)	(hhp)	(#)
United States	858,000	31,000	889,000	17
Canada	301,000	5,000	306,000	7
Argentina	108,000	—	108,000	5
Russia	77,000	—	77,000	6
Total	1,344,000	36,000	1,380,000	35

- The Company's United States segment provides fracturing services to oil companies operating in the Bakken oil shale play in North Dakota; in the Rockies area, including the Powder River Basin in Wyoming, as well as in Texas and New Mexico, where it services the Eagle Ford and Permian basins. Calfrac also provides fracturing services to natural gas-focused customers operating in the Marcellus and Utica shale plays in Pennsylvania, Ohio and West Virginia. At March 31, 2019, Calfrac's United States operations had combined active horsepower of approximately 858,000 and no active cementing or coiled tubing units. At the end of the first quarter, the United States segment had temporarily idled approximately 31,000 horsepower, ten cementing units and two coiled tubing units.
- The Canadian segment is focused on the provision of fracturing and coiled tubing services to a diverse group of oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia, Saskatchewan and Manitoba. The Company's customer base in Canada ranges from large multinational public companies to small private companies. At March 31, 2019, Calfrac's Canadian operations had active horsepower of approximately 301,000 and 11 active coiled tubing units. At the end of the first quarter, the Canadian segment had temporarily idled approximately 5,000 horsepower and three coiled tubing units.
- The Argentinean segment provides pressure pumping services from its operating bases in Argentina. The Company provides fracturing, cementing and coiled tubing services to oil and natural gas companies operating in the Neuquén, Las Heras and Comodoro regions. The Company had approximately 108,000 active horsepower, 11 active cementing units and five active coiled tubing units in its Argentinean segment at March 31, 2019. At the end of the first quarter, the Argentinean segment had two idle cementing units and one idle coiled tubing unit.
- The Company's Russian segment provides fracturing and coiled tubing services in Western Siberia. During the first quarter of 2019, the Company operated under a mix of annual and multi-year agreements to provide services to a number of Russia's largest oil producers. At March 31, 2019, the Russian segment had seven deep coiled tubing units, of which five were active, and approximately 77,000 active horsepower forming six fracturing spreads in Russia.

CONSOLIDATED HIGHLIGHTS

Three months ended March 31,	2019	2018	Change
<i>(C\$000s, except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	475,012	582,838	(19)
Operating income ⁽¹⁾	43,623	67,974	(36)
Per share – basic	0.30	0.47	(36)
Per share – diluted	0.30	0.46	(35)
Adjusted EBITDA ⁽¹⁾	44,086	72,953	(40)
Per share – basic	0.31	0.51	(39)
Per share – diluted	0.30	0.50	(40)
Net income (loss) attributable to the shareholders of Calfrac	(36,334)	3,234	NM
Per share – basic	(0.25)	0.02	NM
Per share – diluted	(0.25)	0.02	NM
As at	March 31	December 31,	Change
	2019	2018	
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Working capital, end of period	276,785	329,871	(16)
Total assets, end of period	1,739,308	1,782,657	(2)
Long-term debt, end of period	952,384	989,614	(4)
Total equity, end of period	481,675	513,820	(6)

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 17 and 18 for further information.

FIRST QUARTER OVERVIEW

In the first quarter of 2019, the Company:

- generated revenue of \$475.0 million, a decrease of 19 percent from the first quarter in 2018, resulting primarily from lower activity and pricing in Canada and the United States;
- reported adjusted EBITDA of \$44.1 million versus \$73.0 million in the comparable period in 2018, mainly as a result of weaker utilization in Canada and the United States;
- reported a net loss attributable to shareholders of Calfrac of \$36.3 million or \$0.25 per share diluted compared to net income of \$3.2 million or \$0.02 per share diluted in 2018;
- reported a \$23.2 million increase in depreciation expense primarily due to a reduction in useful life estimate and salvage value for certain components combined with the implementation of IFRS 16;
- generated \$72.7 million in operating cash flow, enabling a further reduction in its credit facility borrowings by \$20.0 million;
- commenced work to extend the Company’s revolving credit facilities to June 1, 2022, which was executed subsequent to the end of the quarter;
- reported period-end working capital of \$276.8 million versus \$329.9 million at December 31, 2018; and
- incurred capital expenditures of \$28.2 million, focused on maintenance and sustaining activities to support the Company’s North American fracturing operations.

FINANCIAL OVERVIEW – THREE MONTHS ENDED MARCH 31, 2019 VERSUS 2018

CANADA

Three Months Ended March 31,	2019	2018	Change
(C\$000s, except operational information)	(\$)	(\$)	(%)
(unaudited)			
Revenue	131,395	189,728	(31)
Expenses			
Operating	114,668	154,442	(26)
SG&A	3,001	3,576	(16)
	117,669	158,018	(26)
Operating income ⁽¹⁾	13,726	31,710	(57)
Operating income (%)	10.4	16.7	(38)
Fracturing revenue per job (\$)	15,466	19,326	(20)
Number of fracturing jobs	7,474	8,930	(16)
Active pumping horsepower, end of period (000s)	301	322	(7)
Idle pumping horsepower, end of period (000s)	5	51	(90)
Total pumping horsepower, end of period (000s)	306	373	(18)
Coiled tubing revenue per job (\$)	24,585	26,255	(6)
Number of coiled tubing jobs	602	495	22
Active coiled tubing units, end of period (#)	11	10	10
Idle coiled tubing units, end of period (#)	3	5	(40)
Total coiled tubing units, end of period (#)	14	15	(7)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 17 and 18 for further information.

REVENUE

Revenue from Calfrac's Canadian operations during the first quarter of 2019 was \$131.4 million versus \$189.7 million in the same period of 2018 primarily due to lower activity and pricing. In the first quarter of 2019, the number of fracturing jobs was 16 percent lower than the comparable period in 2018 due to lower activity in the Viking and Cardium oil plays, combined with delays caused by extremely cold weather in February. Revenue per job decreased 20 percent due to a combination of lower pricing and job mix. The number of coiled tubing jobs increased by 22 percent from the first quarter in 2018 mainly due to a larger operating scale combined with higher utilization throughout the quarter.

OPERATING INCOME

Operating income in Canada during the first quarter of 2019 was \$13.7 million compared to \$31.7 million in the same period of 2018. The decrease in operating income was due to lower utilization and pricing experienced during the quarter. The Company made the decision to suspend operations for one fleet at the beginning of the quarter based on weaker demand for its fracturing services and reduced its fixed cost structure accordingly. Despite certain reductions in costs for logistics and materials, overall pricing was lower on a net basis quarter-over-quarter. The reported operating income was impacted by the adoption of IFRS 16 at the beginning of 2019 which resulted in \$2.2 million of lease payments no longer being recognized as operating costs during the first quarter of 2019. In addition, the \$0.6 million decrease in SG&A expenses compared to the first quarter in 2018 was primarily due to a lower bonus accrual being recorded in the first quarter of 2018.

UNITED STATES

Three Months Ended March 31,	2019	2018	Change
(C\$000s, except operational and exchange rate information) (unaudited)	(\$)	(\$)	(%)
Revenue	259,125	315,980	(18)
Expenses			
Operating	216,714	257,606	(16)
SG&A	4,667	5,125	(9)
	221,381	262,731	(16)
Operating income ⁽¹⁾	37,744	53,249	(29)
Operating income (%)	14.6	16.9	(14)
Fracturing revenue per job (\$)	50,806	59,348	(14)
Number of fracturing jobs	5,095	5,309	(4)
Active pumping horsepower, end of period (000s)	858	752	14
Idle pumping horsepower, end of period (000s)	31	83	(63)
Total pumping horsepower, end of period (000s)	889	835	6
Active coiled tubing units, end of period (#)	—	—	—
Idle coiled tubing units, end of period (#)	2	1	100
Total coiled tubing units, end of period (#)	2	1	100
Active cementing units, end of period (#)	—	—	—
Idle cementing units, end of period (#)	10	9	11
Total cementing units, end of period (#)	10	9	11
US\$/C\$ average exchange rate ⁽²⁾	1.3295	1.2647	5

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 17 and 18 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac's United States operations decreased to \$259.1 million during the first quarter of 2019 from \$316.0 million in the comparable quarter of 2018 due to lower pricing and a 4 percent decrease in the number of fracturing jobs completed period-over-period. Activity in North Dakota and Pennsylvania was impacted by weather-related delays during the first quarter of 2019 while activity in Colorado was also down relative to the same period in 2018. These declines were partially offset by an increase in activity in Pennsylvania due to a larger operating scale while activity in Texas was flat year-over year. The 14 percent decrease in revenue per job year-over-year was primarily due to lower pricing and the impact of job mix. The 5 percent appreciation in the U.S. dollar versus the Canadian dollar partially offset the decrease in revenue.

OPERATING INCOME

The Company's United States operations generated operating income of \$37.7 million during the first quarter of 2019 compared to \$53.2 million in the same period in 2018. The year-over-year decline in operating results was primarily due to lower realized pricing and decreased utilization on a larger operating footprint and fixed cost structure. Overall activity was 4 percent lower, however, the Company operated two additional crews compared to the same quarter in 2018. Activity in North Dakota and Pennsylvania was negatively impacted by extended periods of cold weather within the quarter while Texas and Colorado experienced more scheduling gaps than in the same period in 2018. Operating results in the first quarter of 2019 did not include any fleet reactivation costs, while \$5.0 million was incurred in the comparable quarter in 2018. The reported operating income was impacted by the adoption of IFRS 16 at the beginning of 2019, which resulted in \$3.5 million of lease payments no longer being recognized as operating costs during the first quarter of 2019. SG&A expenses decreased by 9 percent in the first quarter of 2019 primarily due to a lower bonus accrual recorded in the first quarter in 2019.

RUSSIA

Three Months Ended March 31,	2019	2018	Change
(C\$000s, except operational and exchange rate information)	(\$)	(\$)	(%)
(unaudited)			
Revenue	29,078	31,235	(7)
Expenses			
Operating	30,866	31,317	(1)
SG&A	988	876	13
	31,854	32,193	(1)
Operating loss ⁽¹⁾	(2,776)	(958)	NM
Operating loss (%)	(9.5)	(3.1)	NM
Fracturing revenue per job (\$)	89,290	87,710	2
Number of fracturing jobs	290	305	(5)
Pumping horsepower, end of period (000s)	77	77	—
Coiled tubing revenue per job (\$)	43,618	37,678	16
Number of coiled tubing jobs	73	119	(39)
Active coiled tubing units, end of period (#)	5	6	(17)
Idle coiled tubing units, end of period (#)	2	1	100
Total coiled tubing units, end of period (#)	7	7	—
Rouble/C\$ average exchange rate ⁽²⁾	0.0202	0.0222	(9)

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 17 and 18 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac’s Russian operations decreased by 7 percent during the first quarter of 2019 to \$29.1 million from \$31.2 million in the corresponding three-month period of 2018. The decrease in revenue was attributable to a decrease in fracturing activity in Noyabrsk and Usinsk, offset partially by higher activity in Khanty-Mansiysk. Revenue per fracturing job increased by 2 percent primarily due to job mix. Coiled tubing activity decreased by 39 percent, primarily due to cold weather-related delays combined with lower utilization than expected with one of Calfrac’s customers. The 9 percent depreciation of the Russian rouble in the first quarter of 2019 versus the same period in 2018 also contributed to the decrease in reported revenue.

OPERATING LOSS

The Company’s Russian division generated an operating loss of \$2.8 million during the first quarter of 2019 versus a loss of \$1.0 million in the comparable quarter in 2018. The increased operating loss was primarily due to lower equipment utilization resulting from extremely cold temperatures experienced for portions of January and February combined with higher equipment repair expenses. In addition, the Company closed its operations in Noyabrsk during the quarter and incurred mobilization costs to transfer equipment to Khanty-Mansiysk to work for an existing customer in that region. SG&A expenses were \$0.1 million higher than the comparable quarter in 2018 due to higher personnel costs.

ARGENTINA

Three Months Ended March 31,	2019	2018	Change
(C\$000s, except operational and exchange rate information)	(\$)	(\$)	(%)
(unaudited)			
Revenue	55,414	45,895	21
Expenses			
Operating	48,486	45,563	6
SG&A	2,073	3,350	(38)
	50,559	48,913	3
Operating income (loss) ⁽¹⁾	4,855	(3,018)	NM
Operating income (loss) (%)	8.8	(6.6)	NM
Active pumping horsepower, end of period (000s)	108	108	—
Idle pumping horsepower, end of period (000s)	—	—	—
Total pumping horsepower, end of period (000s)	108	108	—
Active cementing units, end of period (#)	11	12	(8)
Idle cementing units, end of period (#)	2	2	—
Total cementing units, end of period (#)	13	14	(7)
Active coiled tubing units, end of period (#)	5	6	(17)
Idle coiled tubing units, end of period (#)	1	1	—
Total coiled tubing units, end of period (#)	6	7	(14)
US\$/C\$ average exchange rate ⁽²⁾	1.3295	1.2647	5

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 17 and 18 for further information.

⁽²⁾ Source: Bank of Canada and Bloomberg.

REVENUE

Calfrac's Argentinean operations generated total revenue of \$55.4 million during the first quarter of 2019 versus \$45.9 million in the comparable three-month period in 2018. Revenue in Argentina was 21 percent higher than the comparable quarter primarily due to a 16 percent increase in the number of fracturing jobs completed. The Company's fracturing revenue per job was consistent with the same period in 2018. Coiled tubing revenue increased from the first quarter in 2018 due to higher activity in northern Argentina while cementing revenue also improved as the Company did not experience similar labour-related disruptions in 2019 as it did in 2018.

OPERATING INCOME (LOSS)

The Company's operations in Argentina generated operating income of \$4.9 million during the first quarter of 2019 compared to a loss of \$3.0 million during the first quarter in 2018. The Company achieved positive operating income through a combination of improved utilization and crew efficiencies during the quarter as it continued to transition to unconventional operations in Argentina. SG&A expenses were \$1.3 million lower during the first quarter in 2019 compared to the first quarter in 2018. This was mainly due to \$1.6 million of one-time costs recorded during the first quarter of 2018.

CORPORATE

Three Months Ended March 31,	2019	2018	Change
(C\$000s)	(\$)	(\$)	(%)
(unaudited)			
Expenses			
Operating	1,451	1,178	23
SG&A	8,475	11,831	(28)
	9,926	13,009	(24)
Operating loss ⁽¹⁾	(9,926)	(13,009)	(24)
% of Revenue	2.1	2.2	(5)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 17 and 18 for further information.

OPERATING LOSS

Corporate expenses for the first quarter of 2019 were \$9.9 million compared to \$13.0 million in the first quarter of 2018. The decrease was primarily due to lower stock-based compensation expense of \$2.8 million versus the same period in 2018. The reduction in stock-based compensation was mainly due to a lower number of restricted share units outstanding. The implementation of IFRS 16 also resulted in lower reported corporate expenses as lease payments related to corporate office space are no longer recorded in SG&A.

DEPRECIATION

For the three months ended March 31, 2019, depreciation expense increased by \$23.2 million to \$61.5 million from \$38.3 million in the corresponding quarter of 2018. The increase was primarily due to the Company decreasing its useful life estimate and salvage value, effective January 1, 2019, for certain components of its fracturing equipment. This resulted in a one-time depreciation charge of \$9.5 million during the first quarter relating to assets in use at the end of the prior quarter. The resulting accelerated depreciation rate on these components combined with additions during the quarter increased depreciation expense by a further \$7.1 million. In addition, the adoption of IFRS 16 at the beginning of 2019 resulted in a \$5.0 million increase to depreciation expense. The 5 percent appreciation in the U.S. dollar relative to the Canadian dollar also contributed to the increase in reported depreciation expense.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss of \$0.5 million during the first quarter of 2019 versus a loss of \$0.7 million in the comparative three-month period of 2018. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada, net monetary assets or liabilities that were held in pesos in Argentina, and liabilities held in Canadian dollars in Russia. The Company's foreign exchange loss for the first quarter of 2019 was largely attributable to U.S. dollar-denominated assets held in Canada as the U.S. dollar depreciated against the Canadian dollar during the quarter.

INTEREST

The Company's net interest expense of \$21.2 million for the first quarter of 2019 was \$0.5 million higher than the comparable period of 2018 despite a reduction in overall debt levels. The higher interest rate on its US\$650.0 million 8.50 percent senior notes during the first quarter compared to its US\$600.0 million 7.50 percent senior notes that were repaid during the second quarter of 2018 resulted in an increase in reported interest expense. The stronger U.S. dollar during the first quarter in 2019 compared to the same period in 2018 also contributed to the higher reported interest expense related to its senior notes. Additionally, the adoption of IFRS 16 resulted in a further \$0.6 million in interest expense. These increases were partially offset by the impact of replacing its \$200.0 million second lien term loan that carried an interest rate of 9.0 percent with lower interest rate credit facility borrowings.

INCOME TAXES

The Company recorded an income tax recovery of \$13.4 million during the first quarter of 2019 compared to a recovery of \$0.6 million in the comparable period of 2018. The recovery position was the result of pre-tax losses during the quarter in Canada and the United States. The effective recovery rate was 27 percent during the first quarter of 2019.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended Mar 31,	
	2019	2018
(C\$000s)	(\$)	(\$)
(unaudited)		
Cash provided by (used in):		
Operating activities	72,748	(8,233)
Financing activities	(26,538)	29,283
Investing activities	(35,825)	(47,307)
Effect of exchange rate changes on cash and cash equivalents	(2,122)	3,704
Increase (decrease) in cash and cash equivalents	8,263	(22,553)

OPERATING ACTIVITIES

The Company's cash provided by operating activities for the three months ended March 31, 2019 was \$72.7 million versus cash used of \$8.2 million in the first quarter of 2018. The significant improvement in cash provided by operations was primarily due to working capital providing \$31.9 million versus using \$72.8 million in the same period of 2018. This was partially offset by weaker operating results in Canada and the United States in the first quarter of 2019. At March 31, 2019, Calfrac's working capital was approximately \$276.8 million compared to \$329.9 million at December 31, 2018.

FINANCING ACTIVITIES

Net cash used by financing activities for the three months ended March 31, 2019 was \$26.5 million compared to cash provided of \$29.3 million in the comparable period in 2018. During the three months ended March 31, 2019, the Company had net repayments under its credit facilities of \$20.0 million, lease principal payments of \$5.4 million and debt issuance costs of \$1.2 million.

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

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

Subsequent to the end of the first quarter, Calfrac amended and extended its credit facilities while maintaining its total facility capacity at \$375.0 million. The facilities consist of an operating facility of \$40.0 million and a syndicated facility of \$335.0 million. The Company's credit facilities were extended by a term of two years and mature on June 1, 2022 and can be extended by one or more years at the Company's request and lenders' acceptance. The Company also may prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 0.50 percent to prime plus 2.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 3.50 percent above the respective base rates. The accordion feature of the syndicated facility remains at \$100.0 million, and is available to the Company during the term of the agreement. The Company incurs interest at the high end of the ranges outlined above if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00, certain restrictions would apply including the following: (a) acquisitions will be subject to majority lender consent; and (b) distributions will be restricted other than those relating to the Company's share unit plans, and no increase in the rate of dividends will be permitted. As at March 31, 2019, the Company's net Total Debt to Adjusted EBITDA ratio was 3.10:1.00.

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

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

- ii. 100 percent of unencumbered cash of the parent company and its U.S. operating subsidiary, excluding any cash held in a segregated account for the purposes of a potential equity cure; and
- iii. 25 percent of the net book value of property, plant and equipment (PP&E) of the parent company and its U.S. operating subsidiary. The value of PP&E excludes assets under construction and is limited to \$150.0 million.

At March 31, 2019, the Company had used \$0.9 million of its credit facilities for letters of credit and had \$100.0 million of borrowings under its credit facilities, leaving \$274.1 million in available capacity under its credit facilities. As described above, the Company's credit facilities are subject to a monthly borrowing base, as determined using the previous month's results, which at March 31, 2019, when calculated on a proforma basis for the amendments made subsequent to the quarter, resulted in a liquidity amount of \$246.3 million.

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

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

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

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

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

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

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

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

As shown in the table below, at March 31, 2019, the Company was in compliance with the financial covenants associated with its credit facilities.

	Covenant	Actual
As at March 31,	2019	2019
Working capital ratio not to fall below	1.15x	2.25x
Funded Debt to Adjusted EBITDA not to exceed	3.00x	0.15x
Funded Debt to Capitalization not to exceed	0.30x	0.03x

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

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

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

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US\$20.0 million. As at March 31, 2019 this basket was not utilized. The indenture also restricts the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of \$375.0 million or 30 percent of the Company's consolidated tangible assets.

As at March 31, 2019, the Company's Fixed Charge Coverage Ratio of 3.51:1 was higher than the required 2:1 ratio so the aforementioned prohibitions will not be applicable as long as the Company remains above this ratio.

INVESTING ACTIVITIES

Calfrac's net cash used for investing activities was \$35.8 million for the three months ended March 31, 2019 versus \$47.3 million in the comparable period in 2018. Cash outflows relating to capital expenditures were \$28.2 million during the first quarter in 2019 compared to \$51.3 million in 2018. Capital expenditures were primarily to support the Company's North American fracturing operations.

As announced in December 2018, Calfrac's Board of Directors have approved a capital budget of \$149.0 million, which includes \$126.0 million of maintenance capital, \$11.0 million of refurbishment capital and \$12.0 million related to corporate initiatives. In addition, approximately \$6.0 million remaining from Calfrac's 2018 capital program is expected to be spent in 2019.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the three months ended March 31, 2019 was a loss of \$2.1 million versus a gain of \$3.7 million during the comparable period in 2018. These gains and losses relate to movements of cash and cash equivalents held by the Company in a foreign currency during the period.

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

At March 31, 2019, the Company had cash and cash equivalents of \$60.2 million.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Employees have been granted both performance share units as well as options to purchase common shares under the Company's shareholder-approved equity compensation plans. The number of shares reserved for issuance under the performance share unit plan and stock option plan is equal to 10 percent of the Company's issued and outstanding common shares. As at April 26, 2019, the Company had issued and outstanding 144,586,072 common shares, 732,253 equity-based performance share units and 10,690,819 options to purchase common shares.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018	Sep. 30, 2018	Dec. 31, 2018	Mar 31, 2019
<i>(C\$000s, except per share and operating data)</i> <i>(unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Financial								
Revenue	325,344	448,090	485,456	582,838	544,602	630,128	498,858	475,012
Operating income ⁽¹⁾	36,740	78,196	44,789	67,974	66,528	115,331	61,992	43,623
Per share – basic	0.27	0.57	0.32	0.47	0.46	0.80	0.43	0.30
Per share – diluted	0.27	0.57	0.31	0.46	0.45	0.79	0.42	0.30
Adjusted EBITDA ⁽¹⁾	39,913	81,113	49,213	72,953	81,910	111,631	62,914	44,086
Per share – basic	0.29	0.59	0.35	0.51	0.57	0.77	0.44	0.31
Per share – diluted	0.29	0.59	0.34	0.50	0.56	0.76	0.43	0.30
Net income (loss) attributable to the shareholders of Calfrac	(20,349)	7,822	38,013	3,234	(32,838)	14,878	(3,462)	(36,334)
Per share – basic	(0.15)	0.06	0.27	0.02	(0.23)	0.10	(0.02)	(0.25)
Per share – diluted	(0.15)	0.06	0.26	0.02	(0.23)	0.10	(0.02)	(0.25)
Capital expenditures	22,358	22,093	34,518	51,334	42,404	34,542	31,484	28,218
Working capital (end of period)	293,411	334,606	327,049	360,654	361,613	386,843	329,871	276,785
Total equity (end of period)	463,180	477,188	543,645	546,018	507,607	516,899	513,820	481,675

Operating (end of period)

Active pumping horsepower (000s)	874	1,057	1,115	1,259	1,313	1,344	1,328	1,344
Idle pumping horsepower (000s)	443	338	280	134	80	49	42	36
Total pumping horsepower (000s)	1,317	1,395	1,395	1,393	1,393	1,393	1,370	1,380
Active coiled tubing units (#)	21	21	21	22	22	22	22	21
Idle coiled tubing units (#)	11	11	9	8	8	8	7	8
Total coiled tubing units (#)	32	32	30	30	30	30	29	29
Active cementing units (#)	12	12	12	12	11	11	11	11
Idle cementing units (#)	13	13	11	11	12	12	12	12
Total cementing units (#)	25	25	23	23	23	23	23	23

⁽¹⁾ With the adoption of IFRS 16, the accounting treatment for operating leases when Calfrac is the lessee, changed effective January 1, 2019. Calfrac adopted IFRS 16 using the modified retrospective approach and the comparative information was not restated. As a result, the Company's 2019 Operating Income and Adjusted EBITDA are not comparable to periods prior to January 1, 2019. Refer to "Non-GAAP Measures" on pages 17 and 18 for further information.

SEASONALITY OF OPERATIONS

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

FOREIGN EXCHANGE FLUCTUATIONS

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

BUSINESS UPDATE AND OUTLOOK

Calfrac's first-quarter results are a result of strong execution across the platform, impacted by weather-related delays in Canada, the United States and Russia.

CANADA

In Canada, the first quarter unfolded largely as planned despite periods of extreme cold weather in February, which impacted the pace of operations during the quarter. Although some industry players reported delays in delivering sand to location, Calfrac's internal supply chain network delivered an exceptional result with little to no time lost in its operations.

Although commodity prices have strengthened during the first quarter, Calfrac believes producers will remain cautious in their outlook for the second half of 2019. Based on lower drilling activity in the first quarter, Calfrac expects near-term utilization to continue to be lower than levels experienced in 2018. In response, Calfrac has idled one incremental fleet in its Canadian operations and has adjusted second quarter field labour schedules to prudently manage its operating costs while maintaining experienced field personnel.

Calfrac expects activity to increase from current levels through the remainder of second quarter and has secured a number of large pad fracturing operations that provide consistent activity levels. Calfrac has not offered any seasonal discounts for second-quarter work as current pricing remains below levels needed to deliver acceptable returns on investment.

Calfrac remains committed to the Canadian market and its long-standing client base, and will focus on delivering exceptional execution and ongoing innovation, while managing its footprint and costs in the best long-term interests of the Company.

UNITED STATES

Activity during the first quarter was expected to be consistent with the prior quarter but extended periods of cold weather in North Dakota and Pennsylvania delayed work for significant portions of February. Temperatures in North Dakota were approximately 20 degrees colder than normal and resulted in utilization levels materially lower than typical. Utilization during the first quarter in the Company's operating districts in the southern United States was as expected.

Due to pricing erosion in the fourth quarter, the Company experienced limited customer turnover into the beginning of the year and expects some further turnover in the months ahead. Calfrac will continue to focus on clients whose long-term focus on safety, productivity and returns aligns with the Company's strategy.

Based on steady rig activity, improved commodity prices and a growing inventory of uncompleted wells, the Company's outlook in the United States remains strong as oil takeaway capacity additions in the Permian Basin are expected to increase completion activity in that basin during the second half of the year. Calfrac's strong presence throughout multiple basins in the United States and across several top-tier producers should lead to strong utilization over the short-run, and the Company will monitor producer plans for opportunities to further optimize its operational and financial performance in the United States.

RUSSIA

Calfrac's operations in Russia delivered a sequential improvement in revenue but the higher costs of winter operations and the costs associated with the closing of one district facility during the first quarter impacted profitability. Contracted work volumes are anticipated to result in improved levels of utilization and profitability during the second quarter and the remainder of 2019.

ARGENTINA

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

Calfrac's outlook for Argentina in 2019 remains positive due to the recent addition of a substantial fracturing contract in the Neuquén district which is expected to commence during the second half of 2019. This higher level of utilization is expected to improve profitability throughout the upcoming quarters.

CORPORATE

Despite a sequential decline in overall activity, Calfrac generated positive free cash flow during the first quarter and reduced its credit facility borrowings by \$20.0 million to \$100.0 million. Prudent management of capital spending as well as a release of cash from working capital enabled the incremental debt reduction. The Company is continuing to pursue efficiencies in its capital program and remains focused on further debt reduction throughout 2019.

NON-GAAP MEASURES

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

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

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

Three Months Ended March 31,	2019	2018
(C\$000s)	(\$)	(\$)
(unaudited)		
Net (loss) income	(36,334)	1,096
Add back (deduct):		
Depreciation	61,528	38,281
Foreign exchange losses	513	678
Loss on disposal of property, plant and equipment	10,135	7,773
Interest	21,230	20,754
Income taxes	(13,449)	(608)
Operating income	43,623	67,974

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

Three Months Ended March 31,	2019	2018
(C\$000s)		
(unaudited)		
Net (loss) income	(36,334)	1,096
Add back (deduct):		
Depreciation	61,528	38,281
Unrealized foreign exchange losses	144	1,041
Loss on disposal of property, plant and equipment	10,135	7,773
Impairment of inventory	—	579
Restructuring charges	20	768
Stock-based compensation	812	1,131
Losses attributable to non-controlling interest	—	2,138
Interest	21,230	20,754
Income taxes	(13,449)	(608)
Adjusted EBITDA	44,086	72,953

⁽¹⁾ For bank covenant purposes, EBITDA includes an additional \$5.8 million of lease payments of that would have been recorded as operating expenses prior to the adoption of IFRS 16.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Calfrac has various contractual lease commitments related to vehicles, equipment and facilities as well as purchase obligations for products, services and property, plant and equipment as disclosed in the Company's 2018 annual consolidated financial statements.

GREEK LITIGATION

As described in note 15 to the interim consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. Management is of the view that it is improbable there will be a material financial impact to the Company as a result of these claims. Consequently, no provision was recorded in the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the three months ended March 31, 2019 which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Calfrac's significant accounting policies are described in note 2 to the interim consolidated financial statements.

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

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. In situations where the creditworthiness of a customer is uncertain, services are typically provided on receipt of cash in advance or services are declined. Customer payments are regularly monitored and a provision for doubtful accounts has been established based on the new impairment model under IFRS 9, which requires the recognition of impairment provisions based on expected and

incurred credit losses rather than only incurred credit losses. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument. Calfrac's management believes that the provision for doubtful accounts receivable, which was \$0.6 million at March 31, 2019, is adequate.

DEPRECIATION

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

Effective January 1, 2019, the Company revised its useful life depreciation estimate and salvage value for certain of its components relating to field equipment. This change was adopted as a change in accounting estimate on a prospective basis, which resulted in a one-time depreciation charge of \$9.5 million to the statement of operations for the three months ended March 31, 2019.

FINANCIAL INSTRUMENTS

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes based on the closing market price at March 31, 2019 was \$670.3 million before deduction of unamortized debt issuance costs and debt discount (December 31, 2018 – \$661.5 million). The carrying value of the senior unsecured notes at March 31, 2019 was \$868.6 million before deduction of unamortized debt issuance costs and debt discount (December 31, 2018 – \$886.7 million). The fair values of the remaining long-term debt and finance lease obligations approximate their carrying values, as described in note 3 to the interim consolidated financial statements.

IMPAIRMENT

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

As described in note 5 to the annual consolidated financial statements, the Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. As well, the Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset or CGU other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that CGU to determine if the reversal of impairment loss is supported.

The decrease in crude oil prices during the fourth quarter of 2018 combined with the impact of significant oil and natural gas differentials in Canada, which were expected to affect completion activity and pricing in Canada, were an indicator of impairment and the Company estimated the recoverable amount of its property, plant and equipment. A comparison of the recoverable amounts of each cash-generating unit with their respective carrying amounts resulted in no impairment against property, plant and equipment in the fourth quarter of 2018. There were no further triggers or indications of impairment that warranted an assessment of impairment of the Company's property, plant and equipment during the three months ended March 31, 2019.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. The realizability of deferred income tax assets is an estimate and requires judgments to be made by management. Estimates of the Company's future taxable income are considered in assessing the utilization of available tax losses. The Company's business is complex and the calculation of income taxes involves many complex factors as well as the Company's interpretation of relevant tax legislation and regulations.

STOCK-BASED COMPENSATION

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

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

FUNCTIONAL CURRENCY

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

CASH-GENERATING UNITS

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

RELATED-PARTY TRANSACTIONS

In November 2010, the Company loaned a senior officer \$2.5 million to purchase common shares of the Company on the Toronto Stock Exchange (TSX). The loan is on a non-recourse basis and is secured by the common shares acquired with the loan proceeds. The loan was amended in February 2015 to extend the term by five years to November 8, 2020 and change the interest rate to the prescribed rate under the Income Tax Act (Canada), which rate was 1.0 percent per annum at the time of the amendment. The loan was subsequently amended in December 2016 to make it non-interest bearing, effective February 24, 2015. The market value of the shares that secure the loan was approximately \$0.6 million as at March 31, 2019 (December 31, 2018 – \$0.4 million). In accordance with applicable accounting standards regarding share purchase loans receivable, this loan is classified as a reduction of shareholders' equity due to its non-recourse nature. In addition, the shares purchased with the loan proceeds are considered to be, in substance, stock options.

The Company leases certain premises from a company controlled by Ronald P. Mathison, one of the Company's directors. The rent charged for these premises during three months ended March 31, 2019 was \$0.4 million (three months ended March 31, 2018 – \$0.4 million), as measured at the exchange amount, which is based on market rates at the time the lease arrangements were made.

CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

On January 1, 2019, the adoption of IFRS 16 resulted in the recognition of ROU assets and lease liabilities of \$44.9 million. The Company is subject to financial covenants relating to working capital, leverage and the generation of cash flow in respect of

its operating and revolving credit facilities. The adoption of IFRS 16 has no impact on the Company's reported bank covenants as the effects of the new standard are excluded from the covenant calculations.

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the interim period ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth in the Company's most recently filed Annual Information Form, which are specifically incorporated by reference herein.

The Annual Information Form is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com. Copies of the Annual Information Form may also be obtained on request without charge from Calfrac at 411 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E3, or at www.calfrac.com, or by facsimile at 403-266-7381.

ADVISORIES

FORWARD-LOOKING STATEMENTS

In order to provide Calfrac shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of Calfrac's plans and future operations, certain statements contained in this MD&A, including statements that contain words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "forecast" or similar words suggesting future outcomes, are forward-looking statements.

In particular, forward-looking statements in this MD&A include, but are not limited to, statements with respect to expected operating strategies and targets, capital expenditure programs, future financial resources, anticipated equipment utilization levels, future oil and natural gas well activity in each of the Company's operating jurisdictions, results of acquisitions, the impact of environmental regulations and economic reforms and sanctions on the Company's business, future costs or potential liabilities, projections of market prices and costs, supply and demand for oilfield services, expectations regarding the Company's ability to maintain its competitive position, anticipated benefits of the Company's competitive position, expectations regarding the Company's financing activities and restrictions, including with regard to its credit agreement and the indenture pursuant to which its senior notes were issued, and its ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events (including exposure under existing legal proceedings), expectations regarding trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth strategy and prospects, and the impact of changes in accounting policies and standards on the Company and its financial statements. These statements are derived from certain assumptions and analyses made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the economic and political environment in which the Company operates, the Company's expectations for its current and prospective customers' capital budgets and geographical areas of focus, the Company's existing contracts and the status of current negotiations with key customers and suppliers, the effect unconventional gas projects have had on supply and demand fundamentals for natural gas and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include: excess oilfield equipment levels; regional competition; the availability of capital on satisfactory terms; restrictions resulting from compliance with debt covenants and risk of acceleration of indebtedness; direct and indirect exposure to volatile credit markets, including credit rating risk; currency exchange rate risk; risks associated with foreign operations; operating restrictions and compliance costs associated with legislative and regulatory initiatives relating to hydraulic fracturing and the protection of workers and the environment; changes

in legislation and the regulatory environment; dependence on, and concentration of, major customers; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; liabilities and risks associated with prior operations; failure to maintain the Company's safety standards and record; failure to realize anticipated benefits of acquisitions and dispositions; the ability to integrate technological advances and match advances from competitors; intellectual property risks; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; and the effect of accounting pronouncements issued periodically. Further information about these and other risks and uncertainties may be found under "Business Risks" above.

Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. These statements speak only as of the respective date of this MD&A or the document incorporated by reference herein. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable securities laws.

ADDITIONAL INFORMATION

Further information regarding Calfrac Well Services Ltd., including the most recently filed Annual Information Form, can be accessed on the Company's website at www.calfrac.com or under the Company's public filings found at www.sedar.com.

CONSOLIDATED BALANCE SHEETS

	March 31, 2019	December 31, 2018
<i>(C\$000s) (unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>
ASSETS		
Current assets		
Cash and cash equivalents	60,164	51,901
Accounts receivable	310,013	349,431
Income taxes recoverable	95	582
Inventories	142,601	150,123
Prepaid expenses and deposits	14,892	17,527
	527,765	569,564
Non-current assets		
Property, plant and equipment	1,066,932	1,116,677
Right-of-use assets (note 6)	39,439	—
Deferred income tax assets	105,172	96,416
Total assets	1,739,308	1,782,657
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	234,439	239,507
Current portion of lease obligations (note 6)	16,541	186
	250,980	239,693
Non-current liabilities		
Long-term debt (note 3)	952,384	989,614
Lease obligations (note 6)	22,515	552
Deferred income tax liabilities	31,754	38,978
Total liabilities	1,257,633	1,268,837
Equity attributable to the shareholders of Calfrac		
Capital stock (note 4)	509,015	508,276
Contributed surplus	40,550	40,453
Loan receivable for purchase of common shares (note 11)	(2,500)	(2,500)
Accumulated deficit	(65,305)	(28,971)
Accumulated other comprehensive loss	(85)	(3,438)
Total equity	481,675	513,820
Total liabilities and equity	1,739,308	1,782,657

Contingencies (note 15)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended March 31,	2019	2018
<i>(C\$000s, except per share data) (unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>
Revenue	475,012	582,838
Cost of sales (note 13)	473,713	528,387
Gross profit	1,299	54,451
Expenses		
Selling, general and administrative	19,204	24,758
Foreign exchange losses	513	678
Loss on disposal of property, plant and equipment	10,135	7,773
Interest	21,230	20,754
	51,082	53,963
(Loss) income before income tax	(49,783)	488
Income tax expense (recovery)		
Current	1,645	250
Deferred	(15,094)	(858)
	(13,449)	(608)
Net (loss) income	(36,334)	1,096
Net (loss) income attributable to:		
Shareholders of Calfrac	(36,334)	3,234
Non-controlling interest	—	(2,138)
	(36,334)	1,096
(Loss) earnings per share (note 4)		
Basic	(0.25)	0.02
Diluted	(0.25)	0.02

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Three Months Ended March 31,	2019	2018
(C\$000s) (unaudited)	(\$)	(\$)
Net (loss) income	(36,334)	1,096
Other comprehensive (loss) income		
Items that may be subsequently reclassified to profit or loss:		
Change in foreign currency translation adjustment	3,353	(323)
Comprehensive (loss) income	(32,981)	773
Comprehensive (loss) income attributable to:		
Shareholders of Calfrac	(32,981)	2,902
Non-controlling interest	—	(2,129)
	(32,981)	773

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to the Shareholders of Calfrac							
	Share Capital	Contributed Surplus	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total	Non-Controlling Interest	Total Equity
(C\$000s) (unaudited)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance – Jan. 1, 2019	508,276	40,453	(2,500)	(3,438)	(28,971)	513,820	—	513,820
Net loss	—	—	—	—	(36,334)	(36,334)	—	(36,334)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	3,353	—	3,353	—	3,353
Comprehensive income (loss)	—	—	—	3,353	(36,334)	(32,981)	—	(32,981)
Stock options:								
Stock-based compensation recognized (note 5)	—	611	—	—	—	611	—	611
Proceeds from issuance of shares (note 4)	32	(7)	—	—	—	25	—	25
Performance share units:								
Stock-based compensation recognized (note 5)	—	200	—	—	—	200	—	200
Shares issued (note 4)	707	(707)	—	—	—	—	—	—
Balance – Mar. 31, 2019	509,015	40,550	(2,500)	(85)	(65,305)	481,675	—	481,675
Balance – Jan. 1, 2018	501,456	35,094	(2,500)	2,728	21,268	558,046	(14,401)	543,645
Net income (loss)	—	—	—	—	3,234	3,234	(2,138)	1,096
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	(332)	—	(332)	9	(323)
Comprehensive income (loss)	—	—	—	(332)	3,234	2,902	(2,129)	773
Stock options:								
Stock-based compensation recognized (note 5)	—	1,056	—	—	—	1,056	—	1,056
Proceeds from issuance of shares	627	(158)	—	—	—	469	—	469
Performance share units:								
Stock-based compensation recognized (note 5)	—	75	—	—	—	75	—	75
Balance – Mar. 31, 2018	502,083	36,067	(2,500)	2,396	24,502	562,548	(16,530)	546,018

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31,	2019	2018
(C\$000s) (unaudited)	(\$)	(\$)
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net (loss) income	(36,334)	1,096
Adjusted for the following:		
Depreciation	61,528	38,281
Stock-based compensation	812	1,131
Unrealized foreign exchange losses	144	1,041
Loss on disposal of property, plant and equipment	10,135	7,773
Interest	21,230	20,754
Interest paid	(1,573)	(4,614)
Deferred income taxes	(15,094)	(858)
Changes in items of working capital (note 8)	31,900	(72,837)
Cash flows provided by (used in) operating activities	72,748	(8,233)
FINANCING ACTIVITIES		
Issuance of long-term debt, net of debt issuance costs	(1,192)	29,481
Long-term debt repayments	(20,000)	(624)
Lease obligation principal repayments	(5,371)	(43)
Proceeds on issuance of common shares	25	469
Cash flows (used in) provided by financing activities	(26,538)	29,283
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (note 8)	(33,013)	(49,221)
Proceeds on disposal of property, plant and equipment	(2,812)	1,921
Other	—	(7)
Cash flows used in investing activities	(35,825)	(47,307)
Effect of exchange rate changes on cash and cash equivalents	(2,122)	3,704
Increase (decrease) in cash and cash equivalents	8,263	(22,553)
Cash and cash equivalents, beginning of period	51,901	52,749
Cash and cash equivalents, end of period	60,164	30,196

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2019 and 2018

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

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Calfrac Well Services Ltd. (the “Company”) was formed through the amalgamation of Calfrac Well Services Ltd. (predecessor company originally incorporated on June 28, 1999) and Denison Energy Inc. (“Denison”) on March 24, 2004 under the Business Corporations Act (Alberta). The registered office is at 411 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E3. The Company provides specialized oilfield services, including hydraulic fracturing, coiled tubing, cementing and other well completion services to the oil and natural gas industries in Canada, the United States, Russia, and Argentina.

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC). They should be read in conjunction with the annual financial statements for the year ended December 31, 2018. Unless otherwise noted, the Company has consistently applied the same accounting policies throughout all periods presented, as if these policies were always in effect.

These financial statements were approved for issuance by the Board of Directors on April 30, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Changes in Accounting Policies and Disclosure

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

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

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

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

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

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

See note 6 for further information on leases.

(b) Changes in Accounting Estimates

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

Effective January 1, 2019, the Company revised its useful life depreciation estimate and salvage value for certain of its components relating to field equipment. This change was adopted as a change in accounting estimate on a prospective basis, which resulted in a one-time depreciation charge of \$9,540 to the statement of operations for the three months ended March 31, 2019.

3. LONG-TERM DEBT

	March 31, 2019	December 31, 2018
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
US\$650,000 senior unsecured notes due June 15, 2026, bearing interest at 8.50% payable semi-annually	868,595	886,730
\$347,500 extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company	100,000	120,000
Less: unamortized debt issuance costs	(16,211)	(17,116)
	952,384	989,614

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at March 31, 2019, was \$670,321 (December 31, 2018 – \$661,492). The carrying value of the revolving term loan facility approximates its fair value as the interest rate is not significantly different from current interest rates for similar loans.

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

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

Subsequent to March 31, 2019, the Company amended and extended its credit facilities while maintaining its total facility capacity at \$375,000. The facilities consist of an operating facility of \$40,000 and a revolving term loan facility of \$335,000. The Company's credit facilities were extended by a term of two years and mature on June 1, 2022 and can be extended by one or more years at the Company's request and lenders' acceptance. The Company also may prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 0.50 percent to prime plus 2.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 3.50 percent above the respective base rates. The accordion feature of the revolving term loan facility 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; and (b) distributions will be restricted other than those relating to the Company's share unit plans; and no increase in the rate of dividends will be permitted. As at March 31, 2019, the Company's net Total Debt to Adjusted EBITDA ratio was 3.10:1.00.

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

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the three months ended March 31, 2019 was \$20,726 (three months ended March 31, 2018 – \$20,690).

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

	2019
(C\$000s)	(\$)
Balance, January 1	989,614
Issuance of long-term debt, net of debt issuance costs	(1,192)
Long-term debt repayments	(20,000)
Amortization of debt issuance costs and debt discount	1,768
Foreign exchange adjustments	(17,806)
Balance, March 31	952,384

At March 31, 2019, the Company had utilized \$869 of its loan facility for letters of credit and had \$100,000 outstanding under its revolving term loan facility, leaving \$274,131 in available credit, subject to a monthly borrowing base, as determined using the previous month's results, which at March 31, 2019, when calculated on a proforma basis for the amendments made subsequent to the first quarter, resulted in a liquidity amount of \$246,319.

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

4. CAPITAL STOCK

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

	Three Months Ended		Year Ended	
	March 31, 2019		December 31, 2018	
Continuity of Common Shares	Shares	Amount	Shares	Amount
	(#)	(\$000s)	(#)	(\$000s)
Balance, beginning of period	144,462,532	508,276	143,755,741	501,456
Issued upon exercise of stock options	12,425	32	483,974	1,820
Issued upon vesting of performance share units	104,865	707	—	—
Issued on acquisition (note 9)	—	—	222,817	1,250
Balance, end of period	144,579,822	509,015	144,462,532	504,526
Shares to be issued (note 9)	668,449	3,750	668,449	3,750
	145,248,271	512,765	145,130,981	508,276

The weighted average number of common shares outstanding for the three months ended March 31, 2019 was 144,404,051 basic and 146,238,510 diluted (three months ended March 31, 2018 – 143,722,349 basic and 146,623,676 diluted). The difference between basic and diluted shares is attributable to the dilutive effect of stock options issued by the Company as disclosed in note 5, and the shares to be issued as disclosed in note 9.

5. SHARE-BASED PAYMENTS

(a) Stock Options

Three Months Ended March 31,	2019		2018	
Continuity of Stock Options	Options	Average Exercise Price	Options	Average Exercise Price
	(#)	(\$)	(#)	(\$)
Balance, January 1	9,392,095	4.70	9,616,173	5.30
Granted during the period	1,542,000	2.48	1,356,150	5.78
Exercised for common shares	(12,425)	1.99	(172,950)	2.71
Forfeited	(239,401)	3.94	(207,248)	5.06
Expired	(5,200)	18.02	(95,250)	12.56
Balance, March 31	10,677,069	4.39	10,496,875	5.34

Stock options vest equally over three to four years and expire five years from the date of grant. The exercise price of outstanding options range from \$1.34 to \$20.81 with a weighted average remaining life of 2.70 years. When stock options are exercised, the proceeds together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

The weighted average fair value of options granted during 2019, determined using the Black-Scholes valuation method, was \$1.02 per option (three months ended March 31, 2018 – \$2.54 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

Three Months Ended March 31,	2019	2018
Expected life (years)	3.00	3.00
Expected volatility	59.83%	64.72%
Risk-free interest rate	1.75%	1.82%
Expected dividends	\$0.00	\$0.00

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

(b) Share Units

Three Months Ended March 31,	2019			2018		
Continuity of Stock Units	Deferred Share Units	Performance Share Units	Restricted Share Units	Deferred Share Units	Performance Share Units	Restricted Share Units
	(#)	(#)	(#)	(#)	(#)	(#)
Balance, January 1	145,000	1,108,300	3,139,150	145,000	683,665	4,275,183
Granted during the period	145,000	1,098,368	—	145,000	737,200	—
Exercised	(145,000)	(244,683)	(1,998,600)	(145,000)	—	(876,683)
Forfeited	—	(44,969)	(54,700)	—	(10,000)	(76,300)
Balance, March 31	145,000	1,917,016	1,085,850	145,000	1,410,865	3,322,200

Three Months Ended March 31,	2019	2018
	(\$)	(\$)
Expense from:		
Stock options	611	1,056
Deferred share units	112	250
Performance share units	765	718
Restricted share units	783	3,067
Total stock-based compensation expense	2,271	5,091

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

The Company grants deferred share units to its outside directors. These units vest in November of the year of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred share units is recognized equally over the vesting period, based on the current market price of the Company's shares. At March 31, 2019, the liability pertaining to deferred share units was \$81 (December 31, 2018 – \$354).

The Company grants performance share units to a senior officer. 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 March 31, 2019, the liability pertaining to performance share units was \$1,107 (December 31, 2018 – \$761).

In 2018, the Company expanded its performance share unit plan to its employees. These performance share units contain a cash-based component and an equity-based component. The cash-based component vests over three years based on corporate financial performance thresholds and are settled either in cash (equal to the market value of the underlying shares at the time of vesting) or in Company shares purchased on the open market. The equity-based component vests over three years without any further conditions and are settled in treasury shares issued by the Company. At March 31, 2019, the liability pertaining to the cash-based component of performance share units was \$231 (December 31, 2018 – \$200).

Prior to 2018, the Company granted restricted share units to its employees. These units vest over three years and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the restricted share units is recognized over the vesting period, based on the current market price of the Company's shares. At March 31, 2019, the liability pertaining to restricted share units was \$909 (December 31, 2018 – \$3,158).

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

6. LEASES

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

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

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

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

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

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

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

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

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

	March 31, 2019	January 1, 2019
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Buildings	9,665	11,215
Field equipment	29,774	33,702
	39,439	44,917

For the three months ended March 31, 2019, depreciation expense on right-of-use assets was \$5,037.

7. FINANCIAL INSTRUMENTS

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

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes based on the closing market price at March 31, 2019 was \$670,321 before deduction of unamortized debt issuance costs (December 31, 2018 – \$661,492). The carrying value of the senior unsecured notes at March 31, 2019 was \$868,595 before deduction of unamortized debt issuance costs and debt discount (December 31, 2018 – \$886,730). The fair values of the remaining long-term debt approximate their carrying values, as described in note 3.

8. SUPPLEMENTAL CASH FLOW INFORMATION

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

Three Months Ended March 31,	2019	2018
(C\$000s)	(\$)	(\$)
Accounts receivable	39,418	(119,874)
Inventory	7,522	(11,600)
Prepaid expenses and deposits	2,635	1,900
Accounts payable and accrued liabilities	(18,162)	56,912
Income taxes recoverable	487	(175)
	31,900	(72,837)

Purchase of property, plant and equipment is comprised of:

Three Months Ended March 31,	2019	2018
(C\$000s)	(\$)	(\$)
Property, plant and equipment additions	(28,218)	(51,334)
Change in liabilities related to purchase of property, plant and equipment	(4,795)	2,113
	(33,013)	(49,221)

9. ACQUISITION

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

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

10. CAPITAL STRUCTURE

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

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

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

	March 31, 2019	December 31, 2018
For the Twelve Months Ended,		
(C\$000s)	(\$)	(\$)
Net income	(63,607)	(26,177)
Adjusted for the following:		
Depreciation	183,565	160,318
Foreign exchange losses	37,882	38,047
Loss on disposal of property, plant and equipment	32,679	30,317
Impairment of property, plant and equipment	115	115
Impairment of inventory	7,167	7,167
Interest	107,106	106,630
Income taxes	(17,433)	(4,592)
Operating income	287,474	311,825

Net debt for this purpose is calculated as follows:

	March 31, 2019	December 31, 2018
As at		
(C\$000s)	(\$)	(\$)
Long-term debt, net of debt issuance costs and debt discount (note 3)	952,384	989,614
Lease obligations	39,056	738
Less: cash and cash equivalents	(60,164)	(51,901)
Net debt	931,276	938,451

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

At March 31, 2019, the net debt to operating income ratio was 3.24:1 (December 31, 2018 – 3.01:1) calculated on a 12-month trailing basis as follows:

	March 31, 2019	December 31, 2018
For the Twelve Months Ended		
(C\$000s, except ratio)	(\$)	(\$)
Net debt	931,276	938,451
Operating income	287,474	311,825
Net debt to operating income ratio	3.24:1	3.01:1

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

	Covenant	Actual
As at March 31,	2019	2019
Working capital ratio not to fall below	1.15x	2.25x
Funded Debt to Adjusted EBITDA not to exceed ⁽¹⁾⁽²⁾	3.00x	0.15x
Funded Debt to Capitalization not to exceed ⁽¹⁾⁽³⁾	0.30x	0.03x

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

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

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

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

For the Three Months Ended March 31,	2019	2018
(C\$000s)	(\$)	(\$)
Net (loss) income	(36,334)	1,096
Add back (deduct):		
Depreciation	61,528	38,281
Unrealized foreign exchange losses	144	1,041
Loss on disposal of property, plant and equipment	10,135	7,773
Impairment of inventory	—	579
Restructuring charges	20	768
Stock-based compensation	812	1,131
Losses attributable to non-controlling interest	—	2,138
Interest	21,230	20,754
Income taxes	(13,449)	(608)
Adjusted EBITDA	44,086	72,953

⁽¹⁾ For bank covenant purposes, EBITDA includes an additional \$5,843 of lease payments 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:

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

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

- the Company is in default under the indenture or the making of such payment would result in a default;
- 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
- there is insufficient room for such payment within a builder basket included in the indenture.

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US\$20,000. As at March 31, 2019, this basket was not utilized.

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

As at March 31, 2019, the Company's Fixed Charge Coverage Ratio of 3.51:1 was higher than the required 2:1 ratio and the aforementioned prohibitions will not be applicable as long as the Company remains above this ratio.

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

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

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

11. RELATED-PARTY TRANSACTIONS

In November 2010, the Company lent a senior officer \$2,500 to purchase common shares of the Company on the Toronto Stock Exchange. The loan is on a non-recourse basis and is secured by the common shares acquired with the loan proceeds. The loan was amended in February 2015 to extend the term by five years to November 8, 2020 and change the interest rate to the prescribed rate under the Income Tax Act (Canada), which rate was 1.0 percent per annum at the time of the amendment. The loan was subsequently amended in December 2016 to make it non-interest bearing, effective February 24, 2015. The market value of the shares that secure the loan was approximately \$567 as at March 31, 2019 (December 31, 2018 – \$413). In accordance with applicable accounting standards regarding share purchase loans receivable, this loan is classified as a reduction of shareholders' equity due to its non-recourse nature. In addition, the shares purchased with the loan proceeds are considered to be, in substance, stock options.

The Company leases certain premises from a company controlled by Ronald P. Mathison, one of the Company's directors. The rent charged for these premises during the three months ended March 31, 2019 was \$436 (three months ended March 31, 2018 – \$436), as measured at the exchange amount which is based on market rates at the time the lease arrangements were made.

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	Canada	United States	Russia	Argentina	Consolidated
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)
Three Months Ended March 31, 2019					
Fracturing	115,591	258,856	25,894	33,172	433,513
Coiled tubing	14,800	—	3,184	7,696	25,680
Cementing	—	—	—	4,648	4,648
Product sales	1,004	269	—	—	1,273
Subcontractor	—	—	—	9,898	9,898
	131,395	259,125	29,078	55,414	475,012

Three Months Ended March 31, 2018					
Fracturing	172,583	315,079	26,751	28,208	542,621
Coiled tubing	12,996	—	4,484	6,784	24,264
Cementing	—	—	—	2,603	2,603
Product sales	4,149	901	—	—	5,050
Subcontractor	—	—	—	8,300	8,300
	189,728	315,980	31,235	45,895	582,838

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

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

13. PRESENTATION OF EXPENSES

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

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

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

Three Months Ended March 31,	2019	2018
(C\$000s)	(\$)	(\$)
Product costs	132,175	186,181
Personnel costs	120,902	120,074
Depreciation on property, plant and equipment	56,491	38,281
Depreciation on ROU assets (note 6)	5,037	—
Other operating costs	159,108	183,851
	473,713	528,387

14. EMPLOYEE BENEFITS EXPENSE

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

Three Months Ended March 31,	2019	2018
(C\$000s)	(\$)	(\$)
Salaries and short-term employee benefits	122,527	97,527
Post-employment benefits (group retirement savings plan)	2,636	881
Share-based payments	2,271	5,091
Termination benefits	222	1,112
	127,656	104,611

15. CONTINGENCIES

GREEK LITIGATION

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

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately \$10,270 (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 \$10,270 (6,846 euros) cited above and the interest being sought in respect of these orders is part of the \$27,454 (18,300 euros) cited below. Provisional orders granting a temporary suspension of any enforcement proceedings have been granted in respect of all of the orders that have been served. The order served on March 24, 2015 was heard on November 24, 2015 and a decision was issued on November 25, 2016 accepting the Company's opposition on the basis that no lawful service of Judgment No 4528/2008 had taken place until the filing of the opponents' petition and/or the issuance of the payment order. The plaintiffs have filed an appeal against the above decision which was heard on October 16, 2018 and a decision in respect of this appeal is currently pending. A hearing in respect of the order served on November 23, 2015 took place on October 31, 2018 and a decision in respect of such order is currently pending. A hearing in respect of the orders served in December of 2015 scheduled for September 20, 2016 was adjourned until November 21, 2016 and two decisions were issued on January 9, 2017 accepting the Company's oppositions on a statute of limitations basis. The plaintiffs filed appeals against the above decisions which were heard on October 16, 2018 and decisions in respect of such appeals are pending.

NAPC is also the subject of a claim for approximately \$4,294 (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 \$867 (578 euros), amounted to \$27,454 (18,300 euros) as at March 31, 2019.

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

16. SEGMENTED INFORMATION

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

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

	Canada	United States	Russia	Argentina	Corporate	Consolidated
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Three Months Ended March 31, 2019						
Revenue	131,395	259,125	29,078	55,414	—	475,012
Operating income (loss) ⁽¹⁾	13,726	37,744	(2,776)	4,855	(9,926)	43,623
Segmented assets	566,199	916,136	107,339	149,634	—	1,739,308
Capital expenditures	3,921	19,428	2,179	2,690	—	28,218

Three Months Ended March 31, 2018

Revenue	189,728	315,980	31,235	45,895	—	582,838
Operating income (loss) ⁽¹⁾	31,710	53,249	(958)	(3,018)	(13,009)	67,974
Segmented assets	649,582	970,698	117,662	168,997	—	1,906,939
Capital expenditures	12,122	37,582	69	1,561	—	51,334

⁽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 March 31,	2019	2018
(C\$000s)	(\$)	(\$)
Net (loss) income	(36,334)	1,096
Add back (deduct):		
Depreciation	61,528	38,281
Foreign exchange losses	513	678
Loss on disposal of property, plant and equipment	10,135	7,773
Interest	21,230	20,754
Income taxes	(13,449)	(608)
Operating income	43,623	67,974

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

17. SEASONALITY OF OPERATIONS

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ronald P. Mathison
Chairman
President & Chief Executive Officer
Matco Investments Ltd.

Douglas R. Ramsay ⁽⁴⁾
Vice Chairman
Calfrac Well Services Ltd.

Fernando Aguilar
President & Chief Executive Officer
Calfrac Well Services Ltd.

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

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

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

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

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Corporate Governance and Nominating Committee
- (4) Member of the Health, Safety, Environment and Quality Committee

OFFICERS

Fernando Aguilar
President & Chief Executive Officer

Lindsay R. Link
Chief Operating Officer

Michael D. Olinek
Chief Financial Officer

Armando J. Bertolin
Director General, Latin American Division

Chad Leier
President, Canadian Division

Robert L. Sutherland
President, Russian Division

Fred L. Toney
President, United States Division

J. Michael Brown
Vice President, Technical Services

Mark R. Ellingson
Vice President, Sales & Marketing, United States Division

Chris K. Gall
Vice President, Global Supply Chain

Roderick P. Kuntz
Vice President, HS&E

Gordon T. Milgate
Vice President, Operations, Canadian Division

Edward L. Oke
Vice President, Human Resources

B. Mark Paslawski
Vice President, Corporate Development

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

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

Scott A. Treadwell
Vice President, Capital Markets & Strategy

Joel S. Gaucher
General Counsel & Corporate Secretary

Matthew L. Mignault
Corporate Controller

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HSBC Bank Canada
Alberta Treasury Branches
Royal Bank of Canada
Canadian Imperial Bank of Commerce
Export Development Canada
The Bank of Nova Scotia

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

Trading Symbol: CFW

REGISTRAR & TRANSFER AGENT

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

Computershare Investor Services Inc.
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1-800-564-6253
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FACILITIES & OPERATING BASES

CANADA

ALBERTA

Calgary - Corporate Head Office
Calgary - Technology and Training Centre
Edson
Grande Prairie
Medicine Hat
Red Deer

BRITISH COLUMBIA

Dawson Creek

SASKATCHEWAN

Kindersley

UNITED STATES

ARKANSAS

Beebe

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