PILLARS OF HIGH PERFORMANCE

Q3 THIRD QUARTER INTERIM REPORT

For the Three and Nine Months Ended September 30, 2013

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	**2013**	2012	Change
(C$000s, except per share and unit data) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Financial						
Revenue	**388,662**	417,842	(7)	**1,100,760**	1,227,729	(10)
Operating income [(1)]	**51,683**	70,604	(27)	**130,660**	213,795	(39)
EBITDA [(1)]	**46,862**	70,874	(34)	**128,266**	217,605	(41)
Per share – basic	**1.02**	1.59	(36)	**2.81**	4.92	(43)
Per share – diluted	**1.01**	1.58	(36)	**2.79**	4.87	(43)
Net income attributable to the shareholders of Calfrac before foreign exchange losses (gains) [(2)]	**9,678**	26,888	(64)	**17,385**	81,858	(79)
Per share – basic	**0.21**	0.60	(65)	**0.38**	1.85	(79)
Per share – diluted	**0.21**	0.60	(65)	**0.38**	1.83	(79)
Net income attributable to the shareholders of Calfrac	**6,089**	26,917	(77)	**16,150**	85,903	(81)
Per share – basic	**0.13**	0.60	(78)	**0.35**	1.94	(82)
Per share – diluted	**0.13**	0.60	(78)	**0.35**	1.92	(82)
Working capital (end of period)	**292,854**	353,182	(17)	**292,854**	353,182	(17)
Shareholders' equity (end of period)	**786,933**	783,091	–	**786,933**	783,091	–
Weighted average common shares outstanding (000s)						
Basic	**45,943**	44,558	3	**45,578**	44,214	3
Diluted	**46,308**	44,949	3	**45,903**	44,723	3
Operating (end of period)						
Pumping horsepower (000s)				**1,025**	845	21
Coiled tubing units (#)				**31**	29	7
Cementing units (#)				**30**	25	20

(1) Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.

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

CEO'S MESSAGE

I am pleased to present Calfrac's operating and financial highlights for the three and nine months ended September 30, 2013 and to discuss our prospects for the remainder of 2013 and beyond. During the third quarter, the Company:

- had an active quarter in western Canada despite wet weather conditions delaying a considerable amount of planned completions activity until the fourth quarter of 2013;
- announced the acquisition of the operating assets of Mission Well Services, LLC ("Mission"), a privately-held hydraulic fracturing and coiled tubing services provider focused in the Eagle Ford shale play of Texas;
- experienced strong equipment utilization in the unconventional natural gas resource plays of the United States;
- announced the signing of a long-term pressure pumping services contract with YPF S.A., the largest operator in Argentina; and
- experienced further increases in the number of horizontal multi-stage fracturing treatments performed in Mexico and Western Siberia.

FINANCIAL HIGHLIGHTS

For the three months ended September 30, 2013, the Company recorded:

- revenue of $388.7 million, a decrease of 7 percent from the third quarter of 2012, driven primarily by lower pricing in the United States and Canada combined with lower fracturing and coiled tubing activity in western Canada and lower fracturing activity in the Chicontepec Basin in Mexico. The decrease was offset partially by higher fracturing activity in the Marcellus and Fayetteville unconventional natural gas shale plays, increased multi-stage fracturing activity in Russia and the commencement of fracturing operations in Argentina;
- operating income of $51.7 million versus $70.6 million in the same quarter of 2012, a decrease of 27 percent, mainly as a result of competitive pricing pressure in Canada and the United States, combined with lower fracturing and coiled tubing activity in western Canada and lower fracturing activity in the Chicontepec Basin in Mexico, partially offset by improved results in the United States driven mainly by lower costs; and
- net income attributable to shareholders of Calfrac of $6.1 million or $0.13 per share diluted, including a foreign exchange loss of $5.0 million, compared to $26.9 million or $0.60 per share diluted, which included a $0.4 million foreign exchange gain, in the third quarter of 2012. Net income attributable to shareholders of Calfrac, excluding the impact of foreign exchange gains and losses, was $0.21 per share diluted compared to $0.60 per share diluted in the third quarter of 2012.

For the nine months ended September 30, 2013, the Company generated:

- revenue of $1.1 billion, a decrease of 10 percent from the first nine months of 2012, driven primarily by competitive pricing pressure in the United States and Canada, lower fracturing and coiled tubing activity in the unconventional plays in western Canada, smaller fracturing job sizes in the Bakken oil shale play in North Dakota and lower fracturing activity in the Chicontepec Basin in Mexico, offset partially by higher multi-stage fracturing activity in Western Siberia and the commencement of fracturing operations in Argentina;

- operating income of $130.7 million versus $213.8 million in the same period of 2012, a decrease of 39 percent, mainly as a result of competitive pricing pressure in Canada and the United States, higher logistical costs associated with the completion of larger fracturing jobs in Canada, a slowdown in fracturing activity in the Chicontepec Basin in Mexico beginning in the second quarter and start-up costs associated with the commencement of fracturing operations in Argentina; and
- net income attributable to shareholders of Calfrac of $16.2 million or $0.35 per share diluted, including a foreign exchange loss of $2.7 million, compared to $85.9 million or $1.92 per share diluted, which included a $4.4 million foreign exchange gain, in the same period of 2012.

OPERATIONAL HIGHLIGHTS

Canada

Calfrac's financial and operating results in Canada during the third quarter were negatively affected by inclement weather during the first half of the third quarter. This resulted in lower than expected equipment utilization, which the Company was unable to make up during the remainder of the quarter. Furthermore, lower than planned activity with a few significant customers also had a negative effect on equipment utilization. Activity began to trend higher during the latter part of the quarter, however, and has continued higher so far in the fourth quarter as our customers gain momentum with their winter programs. Financial performance in the third quarter was also weakened by increased pricing competition on callout work. Pricing began to stabilize late in the quarter and Calfrac expects this stable pricing environment to continue throughout the remainder of the year.

United States

In the United States, Calfrac's financial performance in the third quarter exceeded the Company's expectations due to strong equipment utilization in the Marcellus and Fayetteville natural gas plays combined with improved utilization in the Bakken oil play in North Dakota from the second quarter of 2013. The improvement in financial performance was also assisted by the Company's contract coverage in these regions. The increases in activity and financial results were offset partially by lower than anticipated fracturing activity in the Rocky Mountain region, due partially to heavy rainfall and flooding in Colorado during September combined with lower callout pricing. Calfrac's United States operations remained focused on proactively managing the Company's regional cost structure. The Company's supply chain and logistic capabilities continued to enhance operating efficiencies, which was demonstrated in Calfrac's substantially improved third quarter results. Pricing is expected to remain competitive for the foreseeable future until the U.S. market's pressure pumping overcapacity is rectified.

Russia

The third quarter results for Calfrac's Russian operations were positively affected by the increase in horizontal multi-stage fracturing activity in Western Siberia. While this technology is still in the early stages of development, Calfrac remains optimistic that it will gain further acceptance and be a driver of future growth in operating and financial performance in Russia. During the third quarter, in excess of 30 percent of Calfrac's work in Russia was performed on horizontal wellbores, which represents a major shift in this market segment that is expected to continue. In late September, the Company increased its fleet to six fracturing spreads operating in Western Siberia, opening a new district in the Usinsk region with a major new customer. Also during the third quarter, Calfrac successfully introduced two-inch coiled tubing services into its Russian service offering. The expansion into larger diameter coiled tubing services will provide another platform for growth in this market segment.

Latin America

Calfrac's Latin American operating results during the third quarter were lower than expected mainly due to drilling and completion activity in the northern region of Mexico continuing to be curtailed by budget reductions implemented by Calfrac's main customer. The reduction in activity is not expected to change significantly throughout the remainder of 2013, but Calfrac is optimistic that activity will improve in 2014, as several large projects are currently being tendered. The majority of these tenders contemplate a move towards horizontal drilling with multi-stage fracturing, which should stimulate further demand for its services. In the meantime, the Company continues to rationalize its cost structure to more closely align with its short-term revenue base, and will monitor this closely as events unfold.

In Argentina, the start-up phase of fracturing operations continued in the third quarter as this market continued to develop. Calfrac expects activity to increase substantially in the fourth quarter and into 2014 and beyond due to the recently announced signing of a long-term pressure pumping services contract with YPF S.A., the largest operator in Argentina. Calfrac views this as a major milestone and expects unconventional activity to continue to grow in this market.

Challenging market conditions in Colombia persisted in the third quarter of 2013, resulting in lower than expected equipment utilization and financial performance. Permitting and infrastructure issues remain barriers to greater oilfield activity. The Company expects these issues to be resolved, but continues to closely manage its operating costs while focusing on expanding its customer base. Calfrac currently operates four cementing units in Colombia and does not intend to deploy additional equipment until market conditions improve.

OUTLOOK AND BUSINESS PROSPECTS

The Company expects that the current commodity price environment in North America will result in stable oilfield activity in the unconventional resource plays of Canada and the United States during the fourth quarter of 2013 and into 2014. While the industry trend towards larger pad designs, longer horizontal legs and greater stimulation intensity continues to result in higher horizontal completions activity, increases in operating efficiencies and a more competitive price environment have mitigated some of these gains. In Calfrac's international markets, the use of multi-stage completion technology within horizontal wellbores is expected to increase and drive higher equipment utilization in those markets over the short and long term.

Fracturing and coiled tubing activity in western Canada is expected to be strong over the long term with the development of liquids-rich gas plays, such as the Duvernay and Montney, and the movement towards liquefied natural gas (LNG) export capability being the primary drivers of higher anticipated future demand for the Company's services. Calfrac expects equipment utilization to increase in the remainder of the fourth quarter, with further improvement projected for the first quarter of 2014. Calfrac expects that oil-focused activity will remain stable for the rest of the year with the introduction of higher-rate treatments in certain plays, such as the Cardium, driving higher equipment utilization. The Company has a strong and active customer base as well as a number of long-term relationships with large customers in the Deep Basin and Duvernay plays. Calfrac expects that well completion activity will continue to grow in Canada as many of these plays transition from delineation to development. Recent results from both of these plays provide significant optimism about their future development. The Duvernay play, in particular, represents one of the most capital-intensive formations in western Canada and has the potential to materially increase the demand for completion services in that region over the longer term. Further operational efficiencies are expected to be achieved through the expanded use of 24-hour operations and multi-well pad development. Calfrac has been one of the most active service providers in this play and anticipates that its positioning will form the basis for further growth opportunities.

In addition to the liquids-rich gas plays, another driver of anticipated long-term growth for Calfrac is the emergence of LNG export opportunities, which is expected to increase with the influx of capital from foreign entities and large multi-national companies. The Company's leadership position in the development of the Montney, Duvernay and Horn River resource plays is expected to position it to participate significantly in the development of the natural gas reserves required to support these LNG initiatives. Several long-standing customers are in the forefront of development in this area, which is expected to be a conduit to a significant increase in demand for Calfrac's services over the longer term. As previously announced, Calfrac has entered into a multi-year minimum commitment contract for the provision of three fracturing spreads to Progress Energy Canada Limited for its Montney project in northeast British Columbia. Progress is leading one of the largest and most advanced of the LNG projects being proposed for the West Coast of British Columbia.

The operational improvements that were initiated in the United States in late 2012 and 2013 resulted in improved financial performance during the first three quarters of 2013 in the midst of challenging market conditions. Calfrac continues to be focused on prudently managing its cost structure, improving its supply chain and logistics capabilities and expanding its customer relationships in order to maximize profitability. Near-term uncertainty remains, however, as the U.S. pressure pumping market is oversupplied and pricing remains competitive. While the Company does not expect market conditions to change dramatically during the remainder of the year, it will continue to monitor the capital programs of its customers as the quarter progresses.

Consistent with its philosophy of pursuing acquisitions in an opportunistic but financially disciplined manner, combined with a view to expanding its presence in the U.S. pressure-pumping market, Calfrac recently acquired substantially all of the operating assets of Mission Well Services, LLC. Mission is a privately-held hydraulic fracturing and coiled tubing service provider focused in the Eagle Ford shale play of Texas. The acquisition was achieved at a substantial discount to equipment replacement cost. The acquisition is also strategic, as Calfrac gains a presence in the Eagle Ford shale play with the addition of locations in Houston, San Antonio and Fairfield, Texas. Calfrac's near-term plan is to transfer certain of these assets to other active operating areas in the United States, thereby maximizing utilization of the acquired assets.

Calfrac remains well-positioned in the U.S. pressure pumping business. The Company services three of the most active unconventional resource plays in the United States, the Bakken oil shale play in North Dakota, the Marcellus shale natural gas play in Pennsylvania and West Virginia and, now, the Eagle Ford shale play in Texas. Calfrac believes that the Marcellus will remain very active due to its low cost structure and proximity to markets. Activity in the Fayetteville shale play of Arkansas is anticipated to remain stable year-over-year due to the Company's strong and active customer base in this market. Calfrac's longstanding presence in the Rocky Mountain region provides additional growth prospects in the Niobrara shale oil play, as many producers have begun using longer-reach horizontal wells and greater stimulation intensity with encouraging results.

Calfrac's year-to-date operating and financial results in Russia are consistent with expectations from its 2013 contract tender process. Future growth and improved profitability in Russia will be based on the expanded use of new technologies in Western Siberia, such as horizontal drilling and multi-stage completions. The pace of adoption of this new methodology has far exceeded Calfrac's expectations thus far in 2013. Over the last two quarters, the number of multi-stage fracturing jobs completed in Russia increased significantly, to the point that in excess of 30 percent of Calfrac's fracturing work is now focused on horizontal wells and multi-stage completions. Calfrac expects that this trend will continue to increase demand for its services over the short and long term as Russia's producing sector gains confidence with this well completion approach. The Company also recently added a significant new customer in a new operating area. Calfrac commenced fracturing operations in the Usinsk region in October 2013 and expects that this new district will become a growth platform for 2014 and beyond.

The Company expects the use of multi-stage fracturing technology within horizontal wellbores in Mexico to become more prominent as capital budgets are reinstated. Based on tender documents received to date, much of the onshore activity will be focused on horizontal wells and multi-stage completions, which should be a catalyst for future demand for Calfrac's services. In the short term, the previously mentioned budget constraints by Calfrac's major customer in Mexico is expected to curtail the Company's equipment utilization for the rest of the year. In response to these new market conditions, Calfrac remains focused on prudently managing its Mexican operating cost structure to align with its expected near-term activity. Calfrac anticipates that multi-stage fracturing activity in the Burgos field will remain relatively strong for the remainder of 2013. The Company continues to monitor the business and operating environment closely and will proactively manage this segment as more information becomes available.

With Calfrac's successful entry into the Argentinean fracturing market during the second and third quarters of 2013 it believes that it is well-positioned to take advantage of opportunities related to the development of unconventional resource plays in Argentina. The Company expects that horizontal drilling combined with multi-stage fracturing will be key inputs to unlocking these resources. As there is very limited in-country pressure pumping capacity to service these emerging unconventional plays, the Company believes that its best in class service and technical expertise will allow it to capitalize on these opportunities as they develop. Calfrac's recently announced contract with YPF S.A. is an example of this strategy in action, and Calfrac views the contract as providing a strong foundation from which to grow the Company's hydraulic fracturing, coiled tubing and cementing services in Argentina. Activities related to this contract began in the fourth quarter.

Regarding the Colombian market, Calfrac is committed to its Colombian operations, continues to work on expanding its customer base, and believes that there will be solid long-term growth opportunities in this region as this market matures and activity levels increase.

On the corporate front, subsequent to the end of the quarter the Company completed an add-on to its senior unsecured notes maturing in 2020. This effectively termed out the draw taken from Calfrac's revolving credit facility to fund the Mission acquisition. As a result, Calfrac's capital structure continues to provide ample liquidity as it continues to execute on its business strategy.

On behalf of the Board of Directors,

Douglas R. Ramsay
Chief Executive Officer

November 5, 2013

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 November 5, 2013 and is a review of the financial condition and results of operations of the Company based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the three and nine months ended September 30, 2013 and 2012 and should be read in conjunction with the interim consolidated financial statements for the three and nine months ended September 30, 2013, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2012.

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 have been included on pages 9 and 10.

CALFRAC'S BUSINESS

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

The Company's reportable business segments during the third quarter of 2013 were as follows:

- 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 southwest Manitoba. The Company's customer base in Canada ranges from large multi-national public companies to small private companies. At September 30, 2013, Calfrac's Canadian operations had combined hydraulic horsepower of approximately 389,000 and 21 coiled tubing units.

- The United States segment provides pressure pumping services from operating bases in Colorado, Arkansas, Pennsylvania and North Dakota. The Company provides fracturing services to a number of oil and natural gas companies operating in the Bakken oil shale play in North Dakota, the Piceance Basin of western Colorado, the Uintah Basin of northeast Utah and the Denver-Julesburg Basin centred in eastern Colorado and extending into southeast Wyoming, including the Niobrara oil play of northern Colorado. Calfrac also provides fracturing and cementing services to customers operating in the Marcellus shale play in Pennsylvania and West Virginia, the Fayetteville shale play of Arkansas and the Utica Shale play in Ohio. The Company deployed approximately 501,000 hydraulic horsepower and operated 17 cementing units in its United States segment at September 30, 2013.

- The Company's Russian segment provides fracturing and coiled tubing services in Western Siberia. During the first nine months of 2013, the Company operated under a mix of annual and multi-year agreements to provide services to three of Russia's largest oil producers. At September 30, 2013, the Company operated seven deep coiled tubing units and deployed approximately 54,000 hydraulic horsepower forming six fracturing spreads in Russia.

- The Latin America segment provides pressure pumping services from operating bases in Mexico, Argentina and Colombia. The Company provides fracturing services to Mexico's national oil company and other customers operating in the Burgos field of northern Mexico and the Chicontepec Basin of central Mexico. In Argentina, the Company provides fracturing, cementing and coiled tubing services to customers ranging from locally operating multi-national oil and natural gas companies to small private companies. Calfrac also provides cementing services to locally operating oil and natural gas companies in Colombia. The Company deployed approximately 81,000 hydraulic horsepower, 13 cementing units and three coiled tubing units in its Latin America segment at September 30, 2013.

CONSOLIDATED HIGHLIGHTS

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	**2013**	2012	Change
(C$000s, except per share amounts) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**388,662**	417,842	(7)	**1,100,760**	1,227,729	(10)
Operating income [(1)]	**51,683**	70,604	(27)	**130,660**	213,795	(39)
EBITDA [(1)]	**46,862**	70,874	(34)	**128,266**	217,605	(41)
Per share – basic	**1.02**	1.59	(36)	**2.81**	4.92	(43)
Per share – diluted	**1.01**	1.58	(36)	**2.79**	4.87	(43)
Net income attributable to the shareholders of Calfrac	**6,089**	26,917	(77)	**16,150**	85,903	(81)
Per share – basic	**0.13**	0.60	(78)	**0.35**	1.94	(82)
Per share – diluted	**0.13**	0.60	(78)	**0.35**	1.92	(82)

As at	**September 30, 2013**	December 31, 2012	Change
(C$000s) (unaudited)	**($)**	($)	(%)
Working capital, end of period	**292,854**	322,857	(9)
Total assets, end of period	**1,596,713**	1,524,821	5
Long-term debt, end of period	**457,247**	441,018	4
Total equity, end of period	**786,933**	780,759	1

(1) Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.

2013 OVERVIEW

In the third quarter of 2013, the Company:

- achieved revenue of $388.7 million, a decrease of 7 percent from the third quarter of 2012 driven primarily by lower pricing in the United States and Canada combined with lower fracturing and coiled tubing activity in western Canada and lower fracturing activity in the Chicontepec Basin in Mexico. The decrease was offset partially by higher fracturing activity in the Marcellus and Fayetteville unconventional natural gas shale plays, increased multi-stage fracturing activity in Russia and the commencement of fracturing operations in Argentina;

- reported operating income of $51.7 million versus $70.6 million in the same quarter of 2012, a decrease of 27 percent, mainly as a result of competitive pricing pressure in Canada and the United States combined with lower fracturing and coiled tubing activity in western Canada and lower fracturing activity in the Chicontepec Basin in Mexico, partially offset by improved results in the United States driven mainly by lower costs;

- reported net income attributable to shareholders of Calfrac of $6.1 million or $0.13 per share diluted, including a foreign exchange loss of $5.0 million, compared to $26.9 million or $0.60 per share diluted, which included a $0.4 million foreign exchange gain, in the third quarter of 2012;

- incurred capital expenditures of $34.7 million, principally related to the Company's fracturing operations in Canada, the United States and Argentina; and

- declared a quarterly dividend of $0.25 per share.

In the nine months ended September 30, 2013, the Company:

- generated revenue of $1.1 billion, a decrease of 10 percent from the first nine months of 2012 driven primarily by competitive pricing pressure in the United States and Canada, lower fracturing and coiled tubing activity in the unconventional plays in western Canada, smaller fracturing job sizes in the Bakken oil shale play in North Dakota, and lower fracturing activity in the Chicontepec Basin in Mexico, offset partially by higher multi-stage fracturing activity in Western Siberia and the commencement of fracturing operations in Argentina;

- reported operating income of $130.7 million versus $213.8 million in the same period of 2012, a decrease of 39 percent, mainly as a result of competitive pricing pressure in Canada and the United States, higher logistical costs associated with the completion of larger fracturing jobs in Canada, a slowdown in fracturing activity in the Chicontepec Basin in Mexico beginning in the second quarter, and start-up costs associated with the commencement of fracturing operations in Argentina;

- reported net income attributable to shareholders of Calfrac of $16.2 million or $0.35 per share diluted, including a foreign exchange loss of $2.7 million, compared to net income of $85.9 million or $1.92 per share diluted, which included a $4.4 million foreign exchange gain, in the same period of 2012; and

- incurred capital expenditures of $125.3 million primarily to bolster the Company's fracturing operations in Canada, the United States and Argentina.

NON-GAAP MEASURES

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and, therefore, are considered 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 further explained as follows:

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	**2013**	2012
(C$000s) (unaudited)	**($)**	($)	**($)**	($)
Net income	**5,733**	26,655	**14,982**	85,380
Add back (deduct):				
Depreciation	**27,811**	22,406	**78,596**	66,747
Interest	**10,064**	9,504	**28,552**	27,421
Foreign exchange losses (gains)	**4,993**	(358)	**2,700**	(4,442)
(Gain) loss on disposal of property, plant and equipment	**(172)**	88	**(306)**	632
Income taxes	**3,254**	12,309	**6,136**	38,057
Operating income	**51,683**	70,604	**130,660**	213,795

EBITDA is defined as net income (loss) before interest, income taxes and depreciation. EBITDA is presented because it is frequently used by securities analysts and others for evaluating companies and their ability to service debt. EBITDA was calculated as follows:

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	**2013**	2012
(C$000s) (unaudited)	**($)**	($)	**($)**	($)
Net income	**5,733**	26,655	**14,982**	85,380
Add back (deduct):				
Depreciation	**27,811**	22,406	**78,596**	66,747
Interest	**10,064**	9,504	**28,552**	27,421
Income taxes	**3,254**	12,309	**6,136**	38,057
EBITDA	**46,862**	70,874	**128,266**	217,605

FINANCIAL OVERVIEW – THREE MONTHS ENDED SEPTEMBER 30, 2013 VERSUS 2012

Canada

Three Months Ended September 30,	**2013**	2012	Change
(C$000s, except operational information) (unaudited)	**($)**	($)	(%)
Revenue	**167,707**	200,763	(16)
Expenses			
Operating	**134,407**	139,527	(4)
Selling, General and Administrative (SG&A)	**4,550**	4,865	(6)
	138,957	144,392	(4)
Operating income [1]	**28,750**	56,371	(49)
Operating income (%)	**17.1%**	28.1%	(39)
Fracturing revenue per job ($)	**183,942**	205,452	(10)
Number of fracturing jobs	**860**	891	(3)
Pumping horsepower, end of period (000s)	**389**	306	27
Coiled tubing revenue per job ($)	**26,960**	33,852	(20)
Number of coiled tubing jobs	**353**	523	(33)
Coiled tubing units, end of period (#)	**21**	22	(5)

[1] Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.

Revenue

Revenue from Calfrac's Canadian operations during the third quarter of 2013 was $167.7 million versus $200.8 million in the comparable three-month period of 2012. The 16 percent decrease in revenue was primarily due to continued wet weather in central and southern Alberta reducing fracturing activity during the quarter, offset partially by higher activity in the Montney play in northeast British Columbia. Additionally, a more competitive pricing environment and lower coiled tubing activity in the Horn River area of northeast British Columbia contributed to the reduction in revenue in the comparable quarter.

Operating Income

Operating income in Canada decreased by 49 percent to $28.8 million during the third quarter of 2013 from $56.4 million in the same period of 2012 due to a more competitive pricing environment combined with lower overall equipment utilization due to inclement weather.

United States

Three Months Ended September 30,	**2013**	2012	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**153,650**	158,473	(3)
Expenses			
Operating	**117,933**	130,843	(10)
SG&A	**4,402**	4,956	(11)
	122,335	135,799	(10)
Operating income [1]	**31,315**	22,674	38
Operating income (%)	**20.4%**	14.3%	43
Fracturing revenue per job ($)	**58,849**	65,508	(10)
Number of fracturing jobs	**2,470**	2,335	6
Pumping horsepower, end of period (000s)	**501**	467	7
Cementing revenue per job ($)	**39,489**	29,507	34
Number of cementing jobs	**210**	153	37
Cementing units, end of period (#)	**17**	11	55
US$/C$ average exchange rate [2]	**1.0385**	0.9957	4

(1) Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.
(2) Source: Bank of Canada.

Revenue

Revenue from Calfrac's United States operations decreased slightly during the third quarter of 2013 to $153.7 million from $158.5 million in the comparable quarter of 2012. The decrease was due primarily to continued competitive pricing pressure in the United States. Fracturing activity increased slightly in 2013 as compared to 2012 due to higher activity in the Marcellus and Fayetteville shale plays, partially offset by the completion of fewer fracturing jobs in the Bakken play of North Dakota. Substantial improvement in cementing activity in the Fayetteville shale play also contributed to the increase in revenue during the quarter.

Operating Income

Operating income in the United States was $31.3 million for the third quarter of 2013, an increase of 38 percent from the comparative period in 2012 primarily due to lower product costs resulting from supply chain and logistical improvements combined with pricing declines in certain key materials such as guar and sand. In addition, lower administrative field costs were achieved as a result of improved labour efficiencies.

Russia

Three Months Ended September 30,	**2013**	2012	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**42,913**	31,228	37
Expenses			
Operating	**36,129**	26,181	38
SG&A	**1,437**	1,552	(7)
	37,566	27,733	35
Operating income [1]	**5,347**	3,495	53
Operating income (%)	**12.5%**	11.2%	12
Fracturing revenue per job ($)	**112,405**	99,390	13
Number of fracturing jobs	**313**	220	42
Pumping horsepower, end of period (000s)	**54**	45	20
Coiled tubing revenue per job ($)	**59,011**	60,011	(2)
Number of coiled tubing jobs	**131**	156	(16)
Coiled tubing units, end of period (#)	**7**	6	17
Rouble/C$ average exchange rate [2]	**0.0317**	0.0312	2

(1) Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.
(2) Source: Bank of Canada.

Revenue

During the third quarter of 2013, the Company's revenue from Russian operations increased by 37 percent to $42.9 million from $31.2 million in the corresponding quarter of 2012. The increase in revenue was mainly due to increased demand for horizontal multi-stage fracturing operations in Western Siberia, combined with larger conventional fracturing job sizes. During the third quarter, approximately 31 percent of Calfrac's total Russian fracturing activity was related to multi-stage well completions compared to less than 4 percent in the comparable period of 2012. The increase in revenue was partially offset by lower coiled tubing activity resulting from the increased use of multi-stage fracturing completions.

Operating Income

Operating income in Russia in the third quarter of 2013 was $5.3 million compared to $3.5 million in the corresponding period of 2012. The increase in operating income was primarily due to operational efficiencies resulting from higher fracturing equipment utilization and a higher overall revenue base.

Latin America

Three Months Ended September 30,	**2013**	2012	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**24,392**	27,378	(11)
Expenses			
Operating	**22,499**	23,649	(5)
SG&A	**2,392**	1,739	38
	24,891	25,388	(2)
Operating (loss) income [1]	**(499)**	1,990	(125)
Operating (loss) income (%)	**-2.0%**	7.3%	(127)
Pumping horsepower, end of period (000s)	**81**	27	200
Cementing units, end of period (#)	**13**	13	–
Coiled tubing units, end of period (#)	**3**	1	200
Mexican peso/C$ average exchange rate [2]	**0.0805**	0.0756	6
Argentine peso/C$ average exchange rate [2]	**0.1860**	0.2160	(14)

(1) Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.
(2) Source: Bank of Canada.

Revenue

Calfrac's operations in Latin America generated total revenue of $24.4 million during the third quarter of 2013 versus $27.4 million in the comparable three-month period in 2012. The decrease in revenue was due to lower fracturing activity in the Chicontepec Basin in Mexico resulting from significant budget constraints by its major customer in the northern region where Calfrac operates. This was offset partially by the commencement of fracturing operations in Argentina combined with higher cementing and coiled tubing activity in that country.

Operating (Loss) Income

Calfrac's Latin America division incurred an operating loss of $0.5 million during the third quarter of 2013 compared to operating income of $2.0 million in the comparative quarter in 2012. The decrease in operating income was primarily due to lower equipment utilization in Mexico.

Corporate

Three Months Ended September 30,	**2013**	2012	Change
(C$000s) (unaudited)	**($)**	($)	(%)
Expenses			
Operating	**1,602**	2,848	(44)
SG&A	**11,628**	11,078	5
	13,230	13,926	(5)
Operating loss [1]	**(13,230)**	(13,926)	(5)
% of Revenue	**3.4%**	3.3%	3

[1] Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.

Operating Loss

The 5 percent decrease in corporate expenses in the third quarter of 2013 from the same period in 2012 was mainly due to lower annual bonus expenses offset partially by higher stock-based compensation expenses of $1.4 million resulting from additional restricted share units granted to employees and a higher stock price in 2013.

Depreciation

For the three months ended September 30, 2013, depreciation expense increased by 24 percent to $27.8 million from $22.4 million in the corresponding quarter of 2012. The increase is mainly a result of a larger fleet of equipment operating in North America and Argentina.

Foreign Exchange Gains or Losses

The Company recorded a foreign exchange loss of $5.0 million during the third quarter of 2013 versus a $0.4 million gain in the comparable period in 2012. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in United States dollars in Canada, Russia and Latin America. The Company's foreign exchange loss recorded in the third quarter of 2013 was primarily due to the translation of United States dollar-denominated assets in Canada. The value of the United States dollar depreciated against the Canadian dollar during the third quarter, which resulted in a foreign exchange loss related to these net monetary positions.

Interest

The Company's interest expense during the third quarter of 2013 was $10.1 million versus $9.5 million for the comparable period in 2012. The increase was related to additional short-term borrowing in Latin America and a draw on Calfrac's revolving credit facilities during the third quarter of 2013.

Income Tax Expenses

The Company recorded an income tax expense of $3.3 million during the third quarter of 2013 versus $12.3 million in the comparable period of 2012. The decrease was primarily due to lower profitability in Canada. The effective income tax rate for 2013 was 36 percent compared to 32 percent in 2012. The higher effective tax rate for the third quarter of 2013 was primarily due to a higher percentage of taxable income in the United States, which has a higher average statutory tax rate.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Dec. 31, 2011	Mar. 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	June 30, 2013	**Sept. 30, 2013**
(unaudited)	($)	($)	($)	($)	($)	($)	($)	**($)**
Financial (C$000s, except per share and operating data)								
Revenue	490,037	474,107	335,780	417,842	367,487	423,397	288,701	**388,662**
Operating income [(1)]	150,364	113,381	29,810	70,604	43,218	62,670	16,307	**51,683**
EBITDA [(1)]	149,146	127,995	18,736	70,874	46,866	65,169	16,235	**46,862**
Per share – basic	3.40	2.92	0.42	1.59	1.05	1.44	0.36	**1.02**
Per share – diluted	3.38	2.87	0.42	1.58	1.04	1.43	0.35	**1.01**
Net income (loss) attributable to shareholders of Calfrac	78,921	70,841	(11,855)	26,917	11,243	24,645	(14,584)	**6,089**
Per share – basic	1.80	1.62	(0.27)	0.60	0.25	0.55	(0.32)	**0.13**
Per share – diluted	1.79	1.59	(0.27)	0.60	0.25	0.54	(0.32)	**0.13**
Capital expenditures	101,008	84,075	75,286	63,962	55,694	43,989	46,618	**34,683**
Working capital (end of period)	398,526	431,053	357,128	353,182	322,857	332,241	319,982	**292,854**
Total equity (end of period)	700,569	779,426	747,591	783,091	780,759	802,581	784,247	**786,933**
Operating (end of period)								
Pumping horsepower (000s)	719	782	830	845	977	1,013	1,025	**1,025**
Coiled tubing units (#)	29	29	29	29	29	29	29	**31**
Cementing units (#)	23	23	23	25	26	28	30	**30**

(1) Refer to "Non-GAAP Measures" on pages 9 and 10 for further information

Seasonality of Operations

The Company's Canadian and United States businesses are 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 2012 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 United States, Russian, Mexican, Argentinean and Colombian currency exchange rates (refer to "Business Risks – Fluctuations in Foreign Exchange Rates" in the 2012 Annual Report).

FINANCIAL OVERVIEW – NINE MONTHS ENDED SEPTEMBER 30, 2013 VERSUS 2012

Canada

Nine Months Ended September 30,	**2013**	2012	Change
(C$000s, except operational information) (unaudited)	**($)**	($)	(%)
Revenue	**480,002**	531,306	(10)
Expenses			
Operating	**380,954**	378,881	1
SG&A	**12,351**	12,892	(4)
	393,305	391,773	–
Operating income [(1)]	**86,697**	139,533	(38)
Operating income (%)	**18.1%**	26.3%	(31)
Fracturing revenue per job ($)	**203,104**	198,892	2
Number of fracturing jobs	**2,244**	2,440	(8)
Pumping horsepower, end of period (000s)	**389**	306	27
Coiled tubing revenue per job ($)	**25,326**	32,865	(23)
Number of coiled tubing jobs	**957**	1,400	(32)
Coiled tubing units, end of period (#)	**21**	22	(5)

(1) Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.

Revenue

Revenue from Calfrac's Canadian operations during the first nine months of 2013 was $480.0 million versus $531.3 million in the comparable nine-month period of 2012. The 10 percent decrease in revenue was primarily due to competitive pricing pressure, lower fracturing and coiled tubing activity in the Horn River area of northeast British Columbia, and lower fracturing and coiled tubing activity in central and southern Alberta due to wet weather conditions experienced during the second and third quarters of 2013. In addition, the completion of fewer deep coiled tubing jobs in the Horn River area lowered average coiled tubing job sizes during the first nine months of 2013 from the same period in 2012. The decrease in revenue was offset partially by the completion of larger fracturing jobs.

Operating Income

Operating income in Canada decreased by 38 percent to $86.7 million during the first nine months of 2013 from $139.5 million in the same period of 2012. The decrease in Canadian operating income was primarily due to a more competitive pricing environment combined with lower fracturing and coiled tubing equipment utilization.

United States

Nine Months Ended September 30,	2013	2012	Change
(C$000s, except operational and exchange rate information) (unaudited)	($)	($)	(%)
Revenue	**426,935**	528,508	(19)
Expenses			
Operating	**338,697**	413,434	(18)
SG&A	**13,709**	15,433	(11)
	352,406	428,867	(18)
Operating income [1]	**74,529**	99,641	(25)
Operating income (%)	**17.5%**	18.9%	(7)
Fracturing revenue per job ($)	**58,572**	74,539	(21)
Number of fracturing jobs	**6,908**	6,823	1
Pumping horsepower, end of period (000s)	**501**	467	7
Cementing revenue per job ($)	**34,816**	31,000	12
Number of cementing jobs	**641**	481	33
Cementing units, end of period (#)	**17**	11	55
US$/C$ average exchange rate [2]	**1.0236**	1.0025	2

(1) Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.
(2) Source: Bank of Canada.

Revenue

Revenue from Calfrac's United States operations during the first nine months of 2013 decreased to $426.9 million from $528.5 million in the comparable period of 2012. The decrease was due primarily to competitive pricing pressure in the United States fracturing market. Lower fracturing activity and the completion of smaller fracturing jobs in the Bakken shale play of North Dakota were offset by higher activity in the Marcellus and Fayetteville unconventional shale natural gas plays. Higher cementing activity on multi-well pads in Arkansas generated increased revenue from cementing services, mitigating the overall revenue decline.

Operating Income

Operating income in the United States was $74.5 million for the nine months ended September 30, 2013 compared to $99.6 million in the comparative period in 2012. The decrease in operating income was primarily due to competitive pricing pressure and lower fracturing equipment utilization in the unconventional natural gas plays of the United States during the first quarter of 2013. The decrease in operating income was mitigated by reductions in labour and maintenance expenses resulting from cost-saving initiatives implemented by the Company in late 2012 and early 2013, combined with supply chain and logistical improvements and declines in certain key materials such as guar.

Russia

Nine Months Ended September 30,	**2013**	2012	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**117,379**	88,569	33
Expenses			
Operating	**101,964**	77,391	32
SG&A	**4,721**	4,358	8
	106,685	81,749	31
Operating income [(1)]	**10,694**	6,820	57
Operating income (%)	**9.1%**	7.7%	18
Fracturing revenue per job ($)	**105,627**	95,561	11
Number of fracturing jobs	**900**	627	44
Pumping horsepower, end of period (000s)	**54**	45	20
Coiled tubing revenue per job ($)	**57,511**	58,954	(2)
Number of coiled tubing jobs	**388**	486	(20)
Coiled tubing units, end of period (#)	**7**	6	17
Rouble/C$ average exchange rate [(2)]	**0.0324**	0.0323	–

(1) Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.
(2) Source: Bank of Canada.

Revenue

During the first nine months of 2013, the Company's revenue from Russian operations increased by 33 percent to $117.4 million from $88.6 million in the corresponding nine-month period of 2012. The increase in revenue was mainly due to higher fracturing activity as a result of the successful introduction of multi-stage fracturing programs in 2013 and larger conventional fracturing job sizes. Coiled tubing activity declined as a result of the increased use of multi-stage fracturing operations, which reduced the requirements for coiled tubing operations, combined with a decrease in coiled tubing job sizes.

Operating Income

Operating income in Russia in the first nine months of 2013 was $10.7 million compared to $6.8 million in the corresponding period of 2012. The increase in operating income was primarily a result of operational efficiencies associated with multi-stage fracturing jobs forming a larger proportion of total activity in 2013.

Latin America

Nine Months Ended September 30,	**2013**	2012	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**76,444**	79,346	(4)
Expenses			
Operating	**71,563**	69,005	4
SG&A	**5,194**	4,603	13
	76,757	73,608	4
Operating income (loss) [1]	**(313)**	5,738	(105)
Operating income (loss) (%)	**-0.4%**	7.2%	(106)
Pumping horsepower, end of period (000s)	**81**	27	200
Cementing units, end of period (#)	**13**	13	–
Coiled tubing units, end of period (#)	**3**	1	200
Mexican peso/C$ average exchange rate [2]	**0.0807**	0.0758	6
Argentine peso/C$ average exchange rate [2]	**0.1941**	0.2245	(14)

[1] Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.
[2] Source: Bank of Canada.

Revenue

Calfrac's Latin America operations generated total revenue of $76.4 million during the first nine months of 2013 versus $79.3 million in the comparable nine-month period in 2012. The decrease in revenue was mainly due to lower fracturing activity in the Chicontepec Basin in Mexico resulting from customer budget reductions. This was partially offset by the commencement of fracturing operations in Argentina during the second quarter of 2013 combined with higher cementing and coiled tubing activity in that country. Permitting and infrastructure issues in Colombia during 2013 resulted in lower year-over-year cementing activity in that market which also contributed to the decline in revenue.

Operating Income

For the nine months ended September 30, 2013, Calfrac's Latin America division incurred an operating loss of $0.3 million compared to operating income of $5.7 million in the comparative period in 2012. The decrease in operating income was primarily due to lower equipment utilization in Mexico combined with additional costs associated with the commencement of fracturing operations and the expansion of cementing activities in Argentina. Lower equipment utilization in Colombia also contributed to the decrease in operating income.

Corporate

Nine Months Ended September 30,	**2013**	2012	Change
(C$000s) (unaudited)	**($)**	($)	(%)
Expenses			
Operating	**6,379**	7,510	(15)
SG&A	**34,568**	30,427	14
	40,947	37,937	8
Operating loss [1]	**(40,947)**	(37,937)	8
% of Revenue	**3.7%**	3.1%	19

(1) Refer to "Non-GAAP Measures" on pages 9 and 10 for further information.

Operating Loss

The 8 percent increase in corporate expenses for the nine months ended September 30, 2013 over the comparative period in 2012 was mainly due to a $4.1 million increase in stock-based compensation expenses resulting from additional restricted share units granted to employees and a higher stock price in 2013. Higher occupancy and corporate personnel costs to support the Company's larger scale of operations also contributed to the increase in corporate expenses. The increase was offset partially by lower annual bonus expenses.

Depreciation

For the nine months ended September 30, 2013, depreciation expense increased by 18 percent to $78.6 million from $66.7 million in the corresponding period of 2012. The increase is mainly a result of a larger fleet of equipment operating in North America and Argentina.

Foreign Exchange Gains or Losses

The Company recorded a foreign exchange loss of $2.7 million during the first nine months of 2013 versus a $4.4 million gain in the comparative period of 2012. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in United States dollars in Canada, Russia and Latin America. The majority of the Company's foreign exchange loss recorded in the first nine months of 2013 was attributable to U.S. dollar denominated debt in Russia as the U.S. dollar appreciated 6 percent versus the Russian rouble during the period This loss was partially offset by the impact of the net U.S. dollar denominated asset position in Canada as the U.S. dollar appreciated by 4 percent against the Canadian dollar during this period.

Interest

The Company's interest expense during the first nine months of 2013 increased from the comparable period of 2012 by $1.2 million to $28.6 million. The increase was related to additional short-term borrowing in Latin America and a draw on Calfrac's revolving credit facility during the third quarter.

Income Tax Expenses

The Company recorded income tax expense of $6.1 million during the first nine months of 2013 compared to $38.1 million in the comparable period of 2012. The effective income tax rate for the nine-month period ended September 30, 2013 was 29 percent compared to 31 percent in 2012. The lower effective tax rate for the first nine months of 2013 was primarily due to a lower percentage of Calfrac's taxable income being generated in the United States, which has a higher average statutory tax rate.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	**2013**	2012
(C$000s) (unaudited)	**($)**	($)	**($)**	($)
Cash flows provided by (used in):				
Operating activities	**100,451**	2,590	**145,353**	177,029
Financing activities	**(27,436)**	(15,464)	**14,036**	(7,305)
Investing activities	**(36,216)**	(54,802)	**(140,590)**	(204,277)
Effect of exchange rate changes on cash and cash equivalents	**(3,994)**	(2,512)	**2,468**	(2,047)
Increase in cash and cash equivalents	**32,805**	(70,188)	**21,267**	(36,600)

Operating Activities

The Company's cash provided by operating activities for the nine months ended September 30, 2013 was $145.4 million versus $177.0 million in 2012. The decrease was primarily due to a decline in operating margins in Canada and the United States and slower accounts receivable collections in Mexico. At September 30, 2013, Calfrac's working capital was approximately $292.9 million, a decrease of 9 percent from December 31, 2012. The Company had an accounts receivable of US$53.2 million at September 30, 2013 with a customer operating in Mexico that has been outstanding for greater than 120 days, for which no provision has been made. The payment delay is consistent with the experience of many other oilfield service companies in this market. Collection is expected in its entirety; however, the timing is uncertain.

Financing Activities

Cash flow provided by financing activities during the first nine months of 2013 was $14.0 million compared to $7.3 million used for financing activities in the comparable 2012 period. During the first nine months of 2013, the Company used bank loan proceeds of $16.4 million for Argentina, issued $15.4 million of Calfrac common shares, paid dividends of $16.4 million and repaid $0.7 million of finance lease obligations.

On August 8, 2013, the Company extended the term of its credit facilities to September 27, 2017. The maturity may be extended by one or more years at the Company's request and lenders' acceptance. The Company also may prepay principal without penalty. The facilities consist of an operating facility of $20.0 million and a syndicated facility of $280.0 million. 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 1.25 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 2.25 percent above the respective base rates. As at September 30, 2013, the Company had used $24.8 million of its credit facilities for letters of credit, leaving $275.2 million in available credit.

Calfrac pays quarterly dividends to shareholders at the discretion of the Board of Directors, which qualify as "eligible dividends" as defined by the Canada Revenue Agency. In February 2012, the Company increased its semi-annual cash dividend from $0.10 to $0.50 per share, beginning with the dividend paid on July 16, 2012, thereby increasing the annualized dividend to $1.00 per share beginning in 2012. In December 2012, the Company announced that it would pay dividends quarterly instead of semi-annually commencing with a $0.25 dividend that was declared in the first quarter of 2013.

Investing Activities

Calfrac's net cash used for investing activities was $140.6 million for the first nine months of 2013 versus $204.3 million for the comparative period in 2012. Cash outflows relating to capital expenditures were $141.8 million during the period compared to $206.0 million in 2012. Capital expenditures were primarily to support the Company's Canadian, United States and Argentinean fracturing operations.

Calfrac's 2013 capital budget is projected to be $74.0 million, of which $25.0 million is being directed towards growing its Latin America operations, including an investment in coiled tubing and fracturing equipment. The remaining capital program is focusing on maintenance and support capital and further investment in logistics equipment. In addition to the 2013 capital program outlined above, Calfrac expects that the approximately $95.0 million carry-over of its 2012 capital program will be completed in 2013.

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 first nine months of 2013 was a gain of $2.5 million versus a loss of $2.0 million during 2012. These gains relate to cash and cash equivalents held by the Company in a foreign currency.

With its strong 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 2013 and beyond.

At September 30, 2013, the Company had cash and cash equivalents of $63.7 million.

Subsequent Events

On October 1, 2013, the Company completed the acquisition of all of the operating assets of Mission Well Services, LLC, a privately-held hydraulic fracturing and coiled tubing services provider based in San Antonio, Texas and operating in the Eagle Ford shale play of Texas. This acquisition provides the Company with modern fracturing and coiled tubing equipment and an entry into the Texas market. Under the terms of the purchase agreement, the total purchase price was approximately US$145.7 million, excluding transaction costs, which included certain working capital associated with the ongoing operations of the business. The purchase price accounting for this transaction had not yet been finalized at the time these financial statements were authorized for issuance.

On October 8, 2013, the Company closed a private offering of US$150.0 million aggregate principal of its 7.50 percent senior notes yielding net proceeds of US$149.4 million after applicable discount. Fixed interest on the notes is payable semi-annually on June 1 and December 1 of each year. The notes will mature on December 1, 2020. The net proceeds from this offering were used to finance the Mission asset acquisition.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares under the Company's shareholder-approved stock option plan. The number of shares reserved for issuance under the stock option plan is equal to a maximum of 10 percent of the Company's issued and outstanding common shares. As at November 1, 2013, there were 46,277,699 common shares issued and outstanding, and 2,534,575 options to purchase common shares.

The Company has a Dividend Reinvestment Plan (DRIP) that allows shareholders to direct cash dividends paid on all or a portion of their common shares to be reinvested in additional common shares that will be issued at 95 percent of the volume-weighted average price of the common shares traded on the Toronto Stock Exchange during the last five trading days preceding the relevant dividend payment date.

Normal Course Issuer Bid

The Company filed a Notice of Intention (the "Renewal Notice") to renew its Normal Course Issuer Bid (the "Renewed NCIB") with the TSX on November 1, 2012. Under the Renewed NCIB, the Company may acquire up to 3,318,738 common shares, which was 10 percent of the public float outstanding as at October 31, 2012, during the period November 12, 2012 through November 11, 2013. The maximum number of common shares that may be acquired by the Company during a trading day is 44,254, with the exception that the Company is allowed to make one block purchase of common shares per calendar week that exceeds such limit. All purchases of common shares will be made through the TSX, alternative trading systems or such other exchanges or marketplaces through which the common shares trade from time to time at the market price of the shares at the time of acquisition. Any shares acquired under the Renewed NCIB will be cancelled. There were no shares purchased under the Normal Course Issuer Bid for the nine months ended September 30, 2013. A copy of the Renewal Notice may be obtained by any shareholder, without charge, by contacting the Company's Corporate Secretary at 411 – 8th Avenue S.W., Calgary, Alberta, T2P 1E3, or by telephone at 403-266-6000.

OUTLOOK

The Company expects that the current commodity price environment in North America will result in stable oilfield activity in the unconventional resource plays of Canada and the United States during the fourth quarter of 2013 and into 2014. While the industry trend towards larger pad designs, longer horizontal legs and greater stimulation intensity continues to result in higher horizontal completions activity, increases in operating efficiencies and a more competitive price environment have mitigated some of these gains. In Calfrac's international markets, the use of multi-stage completion technology within horizontal wellbores is expected to increase and drive higher equipment utilization in those markets over the short and long term.

Fracturing and coiled tubing activity in western Canada is expected to be strong over the long term with the development of liquids-rich gas plays, such as the Duvernay and Montney, and the movement towards liquefied natural gas (LNG) export capability being the primary drivers of higher anticipated future demand for the Company's services. Calfrac expects equipment utilization to increase in the remainder of the fourth quarter, with further improvement projected for the first quarter of 2014. Calfrac expects that oil-focused activity will remain stable for the rest of the year with the introduction of higher-rate treatments in certain plays, such as the Cardium, driving higher equipment utilization. The Company has a strong and active customer base as well as a number of long-term relationships with large customers in the Deep Basin and Duvernay plays. Calfrac expects that well completion activity will continue to grow in Canada as many of these plays transition from delineation to development. Recent results from both of these plays provide significant optimism about their future development. The Duvernay play, in particular, represents one of the most capital-intensive formations in western Canada and has the potential to materially increase the demand for completion services in that region over the longer term. Further operational efficiencies are expected to be achieved through the expanded use of 24-hour operations and multi-well pad development. Calfrac has been one of the most active service providers in this play and anticipates that its positioning will form the basis for further growth opportunities.

In addition to the liquids-rich gas plays, another driver of anticipated long-term growth for Calfrac is the emergence of LNG export opportunities, which is expected to increase with the influx of capital from foreign entities and large multi-national companies. The Company's leadership position in the development of the Montney, Duvernay and Horn River resource plays is expected to position it to participate significantly in the development of the natural gas reserves required to support these LNG initiatives. Several long-standing customers are in the forefront of development in this area, which is expected to be a conduit to a significant increase in demand for Calfrac's services over the longer term. As previously announced, Calfrac has entered

into a multi-year minimum commitment contract for the provision of three fracturing spreads to Progress Energy Canada Limited for its Montney project in northeast British Columbia. Progress is leading one of the largest and most advanced of the LNG projects being proposed for the West Coast of British Columbia.

The operational improvements that were initiated in the United States in late 2012 and 2013 resulted in improved financial performance during the first three quarters of 2013 in the midst of challenging market conditions. Calfrac continues to be focused on prudently managing its cost structure, improving its supply chain and logistics capabilities and expanding its customer relationships in order to maximize profitability. Near-term uncertainty remains, however, as the U.S. pressure pumping market is oversupplied and pricing remains competitive. While the Company does not expect market conditions to change dramatically during the remainder of the year, it will continue to monitor the capital programs of its customers as the quarter progresses.

Consistent with its philosophy of pursuing acquisitions in an opportunistic but financially disciplined manner, combined with a view to expanding its presence in the U.S. pressure-pumping market, Calfrac recently acquired substantially all of the operating assets of Mission Well Services LLC. Mission is a privately-held hydraulic fracturing and coiled tubing service provider focused in the Eagle Ford shale play of Texas. The acquisition was achieved at a substantial discount to equipment replacement cost. The acquisition is also strategic, as Calfrac gains a presence in the Eagle Ford play with the addition of locations in Houston, San Antonio and Fairfield, Texas. Calfrac's near-term plan is to transfer certain of these assets to other active operating areas in the United States, thereby maximizing utilization of the acquired assets.

Calfrac remains well-positioned in the U.S. pressure pumping business. The Company services three of the most active unconventional resource plays in the United States, the Bakken oil shale play in North Dakota, the Marcellus shale natural gas play in Pennsylvania and West Virginia and, now, the Eagle Ford shale play in Texas. Calfrac believes that the Marcellus will remain very active due to its low cost structure and proximity to markets. Activity in the Fayetteville shale play of Arkansas is anticipated to remain stable year-over-year due to the Company's strong and active customer base in this market. Calfrac's longstanding presence in the Rocky Mountain region provides additional growth prospects in the Niobrara shale oil play, as many producers have begun using longer-reach horizontal wells and greater stimulation intensity with encouraging results.

Calfrac's year-to-date operating and financial results in Russia are consistent with expectations from its 2013 contract tender process. Future growth and improved profitability in Russia will be based on the expanded use of new technologies in Western Siberia, such as horizontal drilling and multi-stage completions. The pace of adoption of this new methodology has far exceeded Calfrac's expectations thus far in 2013. Over the last two quarters, the number of multi-stage fracturing jobs completed in Russia increased significantly, to the point that in excess of 30 percent of Calfrac's fracturing work is now focused on horizontal wells and multi-stage completions. Calfrac expects that this trend will continue to increase demand for its services over the short and long term as Russia's producing sector gains confidence with this well completion approach. The Company also recently added a significant new customer in a new operating area. Calfrac commenced fracturing operations in the Usinsk region in October 2013 and expects that this new district will become a growth platform for 2014 and beyond.

The Company expects the use of multi-stage fracturing technology within horizontal wellbores in Mexico to become more prominent as capital budgets are reinstated. Based on tender documents received to date, much of the onshore activity will be focused on horizontal wells and multi-stage completions, which should be a catalyst for future demand for Calfrac's services. In the short term, the previously mentioned budget constraints by Calfrac's major customer in Mexico is expected to curtail the Company's equipment utilization for the rest of the year. In response to these new market conditions, Calfrac remains focused on prudently managing its Mexican operating cost structure to align with its expected near-term activity. Calfrac anticipates that multi-stage fracturing activity in the Burgos field will remain relatively strong for the remainder of 2013. The Company continues to monitor the business and operating environment closely and will proactively manage this segment as more information becomes available.

With Calfrac's successful entry into the Argentinean fracturing market during the second and third quarters of 2013 it believes that it is well-positioned to take advantage of opportunities related to the development of unconventional resource plays in Argentina. The Company expects that horizontal drilling combined with multi-stage fracturing will be key inputs to unlocking these resources. As there is very limited in-country pressure pumping capacity to service these emerging unconventional plays, the Company believes that its best in class service and technical expertise will allow it to capitalize on these opportunities as they develop. Calfrac's recently announced contract with YPF S.A. is an example of this strategy in action, and Calfrac views the contract as providing a strong foundation from which to grow the Company's hydraulic fracturing, coiled tubing and cementing services in Argentina. Activities related to this contract began in the fourth quarter.

Regarding the Colombian market, Calfrac is committed to its Colombian operations, continues to work on expanding its customer base, and believes that there will be solid long-term growth opportunities in this region as this market matures and activity levels increase.

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 capital assets as disclosed in the Company's 2012 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 an outflow of economic resources from the Company to settle these claims. Consequently, no provision was recorded in the consolidated financial statements.

U.S. Litigation

As described in note 15 to the interim consolidated financial statements, a collective and class action claim was filed against the Company on September 27, 2012 in the United States District Court for the Western District of Pennsylvania. The direction and financial consequences of the complaint cannot be determined at this time and, consequently, no provision was recorded in the Company's consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the three and nine months ended September 30, 2013, 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 consolidated financial statements for the year ended December 31, 2012. The adoption of accounting standards and amendments, effective January 1, 2013, is disclosed in the March 31, 2013 interim consolidated financial statements.

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 acquired or the environment in which the Company operates changes.

The accounting policies and practices that involve the use of 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, the carrying value of goodwill, 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. Customer payments are regularly monitored and a provision for doubtful accounts is established based on specific situations and overall industry conditions. In situations where the credit-worthiness of a customer is uncertain, services are only provided on receipt of cash in advance. Calfrac's management believes that the provision for doubtful accounts receivable, which was $0.3 million at September 30, 2013, is adequate.

Depreciation

Depreciation of the Company's property 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 and equipment.

Financial Instruments

The financial instruments included in the Company's consolidated balance sheet are cash and cash equivalents, accounts receivable, current liabilities, long-term debt and finance lease obligations.

The fair values of these financial instruments, except long-term debt, approximate their carrying amounts due to the short-term maturity. The fair value of the senior unsecured notes is based on the closing market price at the reporting period's ending date. The fair values of the remaining long-term debt and finance lease obligations approximate their carrying values.

Goodwill

Goodwill represents an excess of the purchase price over the fair value of net assets acquired and is not amortized. The Company assesses goodwill at least annually. Goodwill is allocated to each operating segment, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each operating segment is compared to the carrying value of its net assets. If any potential impairment is indicated, then it is quantified by comparing the carrying value of goodwill to its fair value. The offset would be charged to the consolidated statement of operations and retained earnings as goodwill impairment.

The Company completed its annual assessment for goodwill impairment and determined there was none at December 31, 2012. There were no triggers nor indications of impairment that warranted an assessment of goodwill impairment for the nine months ended September 30, 2013.

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. 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 is 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 stock units, performance stock units and restricted stock 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 regarding 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 cash-generating units is based on management's judgment regarding shared equipment, mobility of equipment, geographical proximity, and materiality.

RELATED-PARTY TRANSACTIONS

In November 2010, the Company lent a senior officer $2.5 million 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. It is for a term of five years and bears interest at 3.375 percent per annum, payable annually. The market value of the shares that secure the loan was approximately $2.6 million as at September 30, 2013 (December 31, 2012 – $2.1 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 an entity controlled by a director of the Company. The rent charged for these premises for the nine months ended September 30, 2013 was $343,000 (nine months ended September 30, 2012 – $267,000), as measured at the exchange amount.

CHANGES IN ACCOUNTING POLICIES

As disclosed in the annual financial statements for the year ended December 31, 2012, the Company adopted the following revised accounting standards and amendments, effective January 1, 2013. The adoption of these standards did not have a significant effect on the interim consolidated financial statements:

(i) Effective January 1, 2013, the Company adopted, as required, IFRS 10 *Consolidated Financial Statements* which requires an entity to consolidate an investee when it has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reviewed its consolidation methodology and determined that the adoption of IFRS 10 did not result in a change in the consolidation status of its subsidiaries and investees.

(ii) Effective January 1, 2013, the Company adopted, as required, IFRS 12 *Disclosure of Interests in Other Entities* which establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosure and introduces significant additional disclosure that addresses the nature of, and risks associated with, an entity's interests in other entities. The Company reviewed its existing disclosure and determined that no changes were required.

(iii) Effective January 1, 2013, the Company adopted, as required, IFRS 13 *Fair Value Measurement* and applied the standard prospectively as required by the transitional provisions. The new standard clarifies the definition of fair value and introduces consistent requirements for disclosure related to fair value measurement. The adoption of this standard did not result in a change to the Company's methodology for determining the fair value of its financial assets and liabilities.

(iv) Effective January 1, 2013, the Company applied the amendment to IAS 1 *Presentation of Financial Statements* which requires items within other comprehensive income (OCI) to be grouped into two categories: (1) items that will not be subsequently reclassified to profit or loss or (2) items that may be subsequently reclassified to profit or loss when specific conditions are met. The amendment has been applied retrospectively and, as such, the presentation of items in OCI has been modified. The application of the amendment to IAS 1 did not result in any adjustments to OCI or comprehensive income.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period ended September 30, 2013 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", "anticipates", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "expect", "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, 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 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 ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events, trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth prospects including, without limitation, its international 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 general stability of 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 focus of the Company's customers on oil and liquids-rich plays in the current natural gas pricing environment in North America, 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: general economic conditions in Canada, the United States, Russia, Mexico, Argentina and Colombia; the demand for fracturing and other stimulation services during drilling and completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; regional competition; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; changes in legislation and the regulatory environment; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; the ability to integrate technological advances and match advances of competition; the availability of capital on satisfactory terms; intellectual property risks; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; dependence on, and concentration of, major customers; the creditworthiness and performance by the Company's counterparties and customers; liabilities and risks associated with prior operations; the effect of accounting pronouncements issued periodically; failure to realize anticipated benefits of acquisitions and dispositions; and currency exchange rate risk. Further information about these and other risks and uncertainties may be found under "Risk Factors" in the Company's most recently filed Annual Information Form.

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

As at	**September 30, 2013**	December 31, 2012
(C$000s) (unaudited)	**($)**	($)
ASSETS		
Current assets		
Cash and cash equivalents	**63,748**	42,481
Accounts receivable	**298,029**	320,143
Income taxes recoverable	**2,540**	292
Inventories	**114,609**	118,713
Prepaid expenses and deposits	**20,414**	10,697
	499,340	492,326
Non-current assets		
Property, plant and equipment	**1,064,241**	1,005,101
Goodwill	**10,523**	10,523
Deferred income tax assets	**22,609**	16,871
Total assets	**1,596,713**	1,524,821
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**191,175**	168,250
Bank loan (note 3)	**14,911**	–
Current portion of long-term debt (note 4)	**400**	479
Current portion of finance lease obligations	**–**	740
	206,486	169,469
Non-current liabilities		
Long-term debt (note 4)	**457,247**	441,018
Other long-term liabilities	**253**	435
Deferred income tax liabilities	**145,794**	133,140
Total liabilities	**809,780**	744,062
Equity attributable to the shareholders of Calfrac		
Capital stock (note 5)	**327,459**	300,451
Contributed surplus (note 7)	**26,725**	27,546
Loan receivable for purchase of common shares (note 12)	**(2,500)**	(2,500)
Retained earnings	**439,990**	458,543
Accumulated other comprehensive income (loss)	**(3,131)**	(2,403)
	788,543	781,637
Non-controlling interest	**(1,610)**	(878)
Total equity	**786,933**	780,759
Total liabilities and equity	**1,596,713**	1,524,821

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	**2013**	2012
(C$000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue	**388,662**	417,842	**1,100,760**	1,227,729
Cost of sales (note 13)	**340,382**	345,454	**978,154**	1,012,968
Gross profit	**48,280**	72,388	**122,606**	214,761
Expenses				
Selling, general and administrative	**24,408**	24,190	**70,542**	67,713
Foreign exchange losses (gains)	**4,993**	(358)	**2,700**	(4,442)
(Gain) loss on disposal of property, plant and equipment	**(172)**	88	**(306)**	632
Interest	**10,064**	9,504	**28,552**	27,421
	39,293	33,424	**101,488**	91,324
Income before income tax	**8,987**	38,964	**21,118**	123,437
Income tax expense				
Current	**1,313**	3,959	**3,039**	5,077
Deferred	**1,941**	8,350	**3,097**	32,980
	3,254	12,309	**6,136**	38,057
Net income for the period	**5,733**	26,655	**14,982**	85,380
Net income (loss) attributable to:				
Shareholders of Calfrac	**6,089**	26,917	**16,150**	85,903
Non-controlling interest	**(356)**	(262)	**(1,168)**	(523)
	5,733	26,655	**14,982**	85,380
Earnings per share (note 5)				
Basic	**0.13**	0.60	**0.35**	1.94
Diluted	**0.13**	0.60	**0.35**	1.92

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	**2013**	2012
(C$000s) (unaudited)	**($)**	($)	**($)**	($)
Net income for the period	**5,733**	26,655	**14,982**	85,380
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustment	**514**	145	**(735)**	(4,316)
Comprehensive income for the period	**6,247**	26,800	**14,247**	81,064
Comprehensive income (loss) attributable to:				
Shareholders of Calfrac	**6,564**	27,074	**15,422**	81,702
Non-controlling interest	**(317)**	(274)	**(1,175)**	(638)
	6,247	26,800	**14,247**	81,064

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	Total	Non-Controlling Interest	Total Equity
(C$000s) (unaudited)	($)	($)	($)	($)	($)	($)	($)	**($)**
Balance – January 1, 2013	300,451	27,546	(2,500)	(2,403)	458,543	781,637	(878)	**780,759**
Net income (loss) for the period	–	–	–	–	16,150	16,150	(1,168)	**14,982**
Other comprehensive income (loss):								
Cumulative translation adjustment	–	–	–	(728)	–	(728)	(7)	**(735)**
Comprehensive income (loss) for the period	–	–	–	(728)	16,150	15,422	(1,175)	**14,247**
Stock options:								
Stock-based compensation recognized	–	4,379	–	–	–	4,379	–	**4,379**
Proceeds from issuance of shares	20,587	(5,200)	–	–	–	15,387	–	**15,387**
Dividend Reinvestment Plan shares issued (note 18)	6,421	–	–	–	–	6,421	–	**6,421**
Dividends	–	–	–	–	(34,378)	(34,378)	–	**(34,378)**
Non-controlling interest contribution	–	–	–	–	–	–	118	**118**
Dilution of non-controlling interest	–	–	–	–	(325)	(325)	325	**–**
Balance – September 30, 2013	**327,459**	**26,725**	**(2,500)**	**(3,131)**	**439,990**	**788,543**	**(1,610)**	**786,933**
Balance – January 1, 2012	271,817	24,170	(2,500)	1,334	405,954	700,775	(206)	**700,569**
Net income (loss) for the period	–	–	–	–	85,903	85,903	(523)	**85,380**
Other comprehensive income (loss):								
Cumulative translation adjustment	–	–	–	(4,201)	–	(4,201)	(115)	**(4,316)**
Comprehensive income (loss) for the period	–	–	–	(4,201)	85,903	81,702	(638)	**81,064**
Stock options:								
Stock-based compensation recognized	–	5,064	–	–	–	5,064	–	**5,064**
Proceeds from issuance of shares	13,899	(3,370)	–	–	–	10,529	–	**10,529**
Dividend Reinvestment Plan shares issued (note 18)	7,854	–	–	–	–	7,854	–	**7,854**
Dividends	–	–	–	–	(22,182)	(22,182)	–	**(22,182)**
Non-controlling interest contribution	–	–	–	–	–	–	193	**193**
Balance – September 30, 2012	**293,570**	**25,864**	**(2,500)**	**(2,867)**	**469,675**	**783,742**	**(651)**	**783,091**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	**2013**	2012
(C$000s) (unaudited)	**($)**	($)	**($)**	($)
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net income for the period	**5,733**	26,655	**14,982**	85,380
Adjusted for the following:				
Depreciation	**27,811**	22,406	**78,596**	66,747
Stock-based compensation	**1,518**	1,743	**4,379**	5,064
Unrealized foreign exchange losses (gains)	**4,256**	(4,516)	**1,670**	(8,433)
(Gain) loss on disposal of property, plant and equipment	**(172)**	88	**(306)**	632
Interest	**10,064**	9,504	**28,552**	27,421
Deferred income taxes	**1,941**	8,350	**3,097**	32,980
Interest paid	**(1,423)**	(412)	**(19,384)**	(17,713)
Changes in items of working capital (note 10)	**50,723**	(61,228)	**33,767**	(15,049)
Cash flows provided by operating activities	**100,451**	2,590	**145,353**	177,029
FINANCING ACTIVITIES				
Bank loan proceeds	**3,874**	–	**16,423**	2,734
Issuance of long-term debt, net of debt issuance costs	**(205)**	–	**25,715**	71
Long-term debt repayments	**(26,085)**	(106)	**(26,323)**	(336)
Finance lease obligation repayments	**–**	(133)	**(740)**	(1,599)
Net proceeds on issuance of common shares	**3,139**	874	**15,387**	10,529
Dividends paid, net of DRIP (note 18)	**(8,159)**	(16,099)	**(16,426)**	(18,704)
Cash flows provided by (used in) financing activities	**(27,436)**	(15,464)	**14,036**	(7,305)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment (note 10)	**(36,498)**	(55,320)	**(141,794)**	(205,983)
Proceeds on disposal of property, plant and equipment	**282**	518	**1,086**	1,513
Other	**–**	–	**118**	193
Cash flows used in investing activities	**(36,216)**	(54,802)	**(140,590)**	(204,277)
Effect of exchange rate changes on cash and cash equivalents	**(3,994)**	(2,512)	**2,468**	(2,047)
Increase (decrease) in cash and cash equivalents	**32,805**	(70,188)	**21,267**	(36,600)
Cash and cash equivalents, beginning of period	**30,943**	166,643	**42,481**	133,055
Cash and cash equivalents, end of period	**63,748**	96,455	**63,748**	96,455

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2013
(Amounts in text and tables are in thousands of Canadian dollars, except share data and certain other exceptions as indicated) (unaudited)

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND ADOPTION OF IFRS

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, Mexico, Argentina and Colombia.

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, 2012. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

These financial statements were approved by the Audit Committee of the Board of Directors for issuance on November 5, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated 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 taxes become payable.

The adoption of accounting standards and amendments, effective January 1, 2013, is disclosed in the March 31, 2013 interim consolidated financial statements.

3. BANK LOAN

The Company's Argentinean subsidiary has two operating lines of credit, of which a total of ARS83,839 ($14,911) was drawn at September 30, 2013. The interest rate ranges from 18.5 percent to 24.0 percent and both lines of credit are secured by letters of credit issued by the Company.

4. LONG-TERM DEBT

As at	September 30, 2013	December 31, 2012
(C$000s)	($)	($)
US$450,000 senior unsecured notes due December 1, 2020, bearing interest at 7.5% payable semi-annually	**463,635**	447,705
Less: unamortized debt issuance costs	**(6,463)**	(6,895)
	457,172	440,810
Extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company	**–**	–
Less: unamortized debt issuance costs	**(1,358)**	(1,444)
	(1,358)	(1,444)
US$1,750 mortgage maturing May 2018 bearing interest at U.S. prime less 1%, repayable at US$33 per month principal and interest, secured by certain real property	**1,803**	2,003
ARS169 Argentina term loan maturing December 31, 2013 bearing interest at 18.25%, repayable at ARS61 per month principal and interest, secured by a Company guarantee	**30**	128
	457,647	441,497
Less: current portion of long-term debt	**(400)**	(479)
	457,247	441,018

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at September 30, 2013, was $467,112 (December 31, 2012 – $443,228). The carrying values of the mortgage obligations, term loans and revolving term loan facilities approximate their fair values as the interest rates are not significantly different from current interest rates for similar loans.

The interest rate on the $280,000 revolving term loan facility is based on the parameters of certain bank covenants. For Canadian prime rate loans and U.S. base rate loans, the rate ranges from 0.50 percent to 1.25 percent above the respective base rates. For LIBOR-based loans and bankers' acceptance-based loans the margin thereon ranges from 1.50 percent to 2.25 percent above the respective base rates for such loans. The facility is repayable on or before its maturity of September 27, 2017, assuming it is not extended. The maturity may be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. Debt issuance costs related to this facility are amortized over its term.

Interest on long-term debt (including the amortization of debt issuance costs) for the nine months ended September 30, 2013 was $28,031 (nine months ended September 30, 2012 – $27,232).

The Company also has an extendible operating loan facility, which includes overdraft protection in the amount of $20,000. The interest rate is based on the parameters of certain bank covenants in the same fashion as the revolving term facility. Drawdowns under this facility are repayable on September 27, 2017, assuming the facility is not extended. The term and commencement of principal repayments may be extended by one year on each anniversary at the Company's request and lenders' acceptance. The operating facility is secured by the Company's Canadian and U.S. assets.

At September 30, 2013, the Company had utilized $24,779 of its loan facility for letters of credit, leaving $275,221 in available credit.

5. CAPITAL STOCK

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

	Nine Months Ended September 30, 2013		Year Ended December 31, 2012	
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	**(C$000s)**	(#)	(C$000s)
Balance, beginning of period	**45,020,641**	**300,451**	43,709,073	271,817
Issued upon exercise of stock options	**866,587**	**20,587**	686,488	14,836
Dividend Reinvestment Plan shares issued (note 18)	**236,618**	**6,421**	625,080	13,798
Balance, end of period	**46,123,846**	**327,459**	45,020,641	300,451

The weighted average number of common shares outstanding for the nine months ended September 30, 2013 was 45,577,577 basic and 45,903,388 diluted (nine months ended September 30, 2012 – 44,214,061 basic and 44,722,718 diluted). The difference between basic and diluted shares is attributable to the dilutive effect of stock options issued by the Company as disclosed in note 8.

6. NORMAL COURSE ISSUER BID

The Company received regulatory approval to purchase its own common shares in accordance with a Normal Course Issuer Bid for the one-year period November 7, 2011 through November 6, 2012 and for the one-year period November 12, 2012 through November 11, 2013. There were no shares purchased under the Normal Course Issuer Bid for the nine months ended September 30, 2013 or for the year ended December 31, 2012.

7. CONTRIBUTED SURPLUS

Continuity of Contributed Surplus	**Nine Months Ended September 30, 2013**	Year Ended December 31, 2012
(C$000s)	**($)**	($)
Balance, beginning of period	**27,546**	24,170
Stock options expensed	**4,379**	6,990
Stock options exercised	**(5,200)**	(3,614)
Balance, end of period	**26,725**	27,546

8. STOCK-BASED COMPENSATION

(a) Stock Options

Nine Months Ended September 30,	**2013**		2012	
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	**(C$)**	(#)	(C$)
Balance, beginning of period	**2,920,412**	**25.67**	3,198,475	23.31
Granted during the period	**700,700**	**24.57**	673,400	27.88
Exercised for common shares	**(866,587)**	**17.76**	(646,263)	16.29
Forfeited/expired	**(135,875)**	**28.77**	(272,475)	26.32
Balance, end of period	**2,618,650**	**27.83**	2,953,137	25.60

Stock options vest equally over four years and expire five years from the date of grant. The exercise price of outstanding options ranges from $8.35 to $37.18 with a weighted average remaining life of 2.86 years. When stock options are exercised, the proceeds, together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

During the nine months ended September 30, 2013, $4,379 of compensation expense was recognized for stock options (nine months ended September 30, 2012 – $5,064). This amount is included in selling, general and administrative expenses.

(b) Stock Units

Nine Months Ended September 30,	**2013**			2012		
Continuity of Stock Units	**Deferred Stock Units**	**Performance Stock Units**	**Restricted Stock Units**	Deferred Stock Units	Performance Stock Units	Restricted Stock Units
	(#)	**(#)**	**(#)**	(#)	(#)	(#)
Balance, beginning of period	**35,000**	**45,000**	**247,230**	35,000	40,000	–
Granted during the period	**35,000**	**45,000**	**393,725**	35,000	45,000	262,135
Exercised	**(35,000)**	**(45,000)**	**(82,410)**	(35,000)	(40,000)	–
Forfeited	**–**	**–**	**(32,600)**	–	–	(15,930)
Balance, end of period	**35,000**	**45,000**	**525,945**	35,000	45,000	246,205

The Company grants deferred stock 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 stock units is recognized equally over the vesting period, based on the current market price of the Company's shares. During the nine months ended September 30, 2013, $800 of compensation expense was recognized for deferred stock units (nine months ended September 30, 2012 – $629). This amount is included in selling, general and administrative expenses. At September 30, 2013, the liability pertaining to deferred stock units was $822 (December 31, 2012 – $877).

The Company grants performance stock units to its senior officers who do not participate in the stock option plan. The amount of the grants earned is linked to corporate performance and the grants vest on the approval of the Board of Directors at the meeting held to approve the consolidated financial statements for the year in respect of which performance is being evaluated. As with the deferred stock units, performance stock units are settled either in cash or Company shares

purchased on the open market. During the nine months ended September 30, 2013, $1,129 of compensation expense was recognized for performance stock units (nine months ended September 30, 2012 – $967). This amount is included in selling, general and administrative expenses. At September 30, 2013, the liability pertaining to performance stock units was $1,056 (December 31, 2012 – $1,127).

The Company grants restricted share units to its employees. These units vest equally 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. During the nine months ended September 30, 2013, $7,168 of compensation expense was recognized for restricted share units (nine months ended September 30, 2012 – $2,670). This amount is included in selling, general and administrative expense. At September 30, 2013, the liability pertaining to restricted share units was $8,833 (December 31, 2012 – $3,693).

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

9. FINANCIAL INSTRUMENTS

The financial instruments included in the Company's consolidated balance sheets are cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, bank loan and long-term debt.

The fair values of these financial instruments, except long-term debt, approximate their carrying amounts. The fair value of the senior unsecured notes based on the closing market price at September 30, 2013, was $467,112 before deduction of unamortized debt issuance costs (December 31, 2012 – $443,228). The carrying value of the senior unsecured notes at September 30, 2013 was $463,635 before deduction of unamortized debt issuance costs (December 31, 2012 – $447,705). The fair value of the remaining long-term debt approximates its carrying value, as described in note 4.

10. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	**2013**	2012
(C$000s)				
Accounts receivable	**14,488**	(93,203)	**22,114**	9,650
Income taxes recoverable	**434**	2,744	**(2,247)**	1,393
Inventory	**994**	(8,102)	**4,104**	(29,256)
Prepaid expenses and deposits	**(2,356)**	2,589	**(9,717)**	(2,995)
Accounts payable and accrued liabilities	**37,218**	34,795	**19,695**	6,448
Other long-term liabilities	**(55)**	(51)	**(182)**	(289)
	50,723	(61,228)	**33,767**	(15,049)

Purchase of property, plant and equipment is comprised of:

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	**2013**	2012
(C$000s)				
Property, plant and equipment additions	**(34,683)**	(63,962)	**(125,290)**	(223,323)
Changes in non-cash assets and liabilities related to purchase of property, plant and equipment	**(1,815)**	8,642	**(16,504)**	17,340
	(36,498)	(55,320)	**(141,794)**	(205,983)

11. CAPITAL STRUCTURE

The Company's capital structure is comprised of shareholders' equity and long-term 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 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 long-term debt to cash flow. Cash flow for this purpose is calculated on a 12-month trailing basis and is defined below.

For the Twelve Months Ended	**September 30, 2013**	December 31, 2012
(C$000s)	**($)**	($)
Net income	**25,963**	96,361
Adjusted for the following:		
Depreciation	**102,230**	90,381
Amortization of debt issuance costs and debt discount	**1,277**	1,234
Stock-based compensation	**6,305**	6,990
Unrealized foreign exchange gains	**(792)**	(10,895)
Loss (gain) on disposal of property, plant and equipment	**(136)**	802
Deferred income taxes	**6,759**	36,642
Cash flow	**141,606**	221,515

The ratio of long-term debt to cash flow does not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies.

At September 30, 2013, the long-term debt to cash flow ratio was 3.23:1 (December 31, 2012 – 1.99:1) calculated on a 12-month trailing basis as follows:

As at	**September 30, 2013**	December 31, 2012
(C$000s, except ratio)	**($)**	($)
Long-term debt (net of unamortized debt issuance costs) (note 4)	**457,647**	441,497
Cash flow	**141,606**	221,515
Long-term debt to cash flow ratio	**3.23:1**	1.99:1

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

The Company's capital management objectives, evaluation measures and targets have remained unchanged over the periods presented.

12. 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. It is for a term of five years and bears interest at the rate of 3.375 percent per annum, payable annually. The market value of the shares that secure the loan was approximately $2,648 as at September 30, 2013 (December 31, 2012 – $2,119). 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 an entity controlled by a member of its Board of Directors. The rent charged for these premises for the nine months ended September 30, 2013 was $343 (nine months ended September 30, 2012 – $267), as measured at the exchange amount.

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; 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.

Additional information on the nature of expenses is as follows:

Nine Months Ended September 30,	**2013**	2012
(C$000s)	**($)**	($)
Product costs	**333,670**	374,947
Depreciation	**78,596**	66,747
Amortization of debt issuance costs and debt discount	**965**	922
Employee benefits expense (note 14)	**274,403**	268,382

14. EMPLOYEE BENEFITS EXPENSE

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

Nine Months Ended September 30,	**2013**	2012
(C$000s)	**($)**	($)
Salaries and short-term employee benefits	**257,264**	253,415
Post-employment benefits (group retirement savings plan)	**2,405**	2,499
Share-based payments	**13,475**	10,901
Termination benefits	**1,259**	1,567
	274,403	268,382

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 $9,541 (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. NAPC and the Company are assessing available rights of appeal to any other levels of court in any jurisdiction where such an appeal is warranted.

Several other smaller groups of former employees have filed similar claims in various courts in Greece. One of these cases was heard by the Athens Court of First Instance on January 18, 2007. By judgment rendered November 23, 2007, the plaintiff's allegations were partially accepted, and the plaintiff was awarded compensation for additional work of approximately $49 (35 euros), plus interest. The appeal of this decision was heard on June 2, 2009, at which time an additional claim by the plaintiff was also heard. A decision in respect of the hearing has been rendered which accepted NAPC's appeal of the initial claim and partially accepted the additional claim of the plaintiff, resulting in an award of approximately $15 (11 euros), plus interest.

Another one of the lawsuits seeking salaries in arrears of $178 (128 euros) plus interest was heard by the Supreme Court of Greece on November 6, 2007, at which date the appeal of the plaintiffs was denied for technical reasons due to improper service. A rehearing of this appeal was heard on September 21, 2010 and the decision rendered declared once again the appeal inadmissible due to technical reasons. The remaining action, which is seeking salaries in arrears of approximately $612 (439 euros) plus interest, was scheduled to be heard before the Athens Court of First Instance on October 1, 2009, but has been postponed a total of four times, including the most recent postponement on February 22, 2013. No new date has been set yet for the postponed hearing.

The maximum aggregate interest payable under the claims noted above amounted to $16,901 (12,127 euros) as at September 30, 2013.

Management is of the view that it is improbable there will be an outflow of economic resources from the Company to settle these claims. Consequently, no provision has been recorded in these consolidated financial statements.

U.S. Litigation

A class and collective action complaint was filed against the Company in September 2012 in the United States District Court for the Western District of Pennsylvania. The complaint alleges failure to pay U.S. employees the correct amount of overtime pay required by the Fair Labor Standards Act (FLSA) and under the Pennsylvania Minimum Wage Act. In May 2013, the plaintiffs amended their complaint adding a Colorado wage-hour claim. In June 2013, the parties filed a joint stipulation for conditional class action certification of the FLSA collective action with certain current and former employees as the defined class. The notice to opt-in to the class was mailed to 1,204 current and former employees in September 2013. The opt-in period expires on November 15, 2013. Shortly after the class opt-in expiry, the parties must file a joint discovery plan.

The Company has filed answers to each complaint in a timely fashion and believes it has defences to each claim. At this time no motion for final class certification as to the FLSA claim or motion for certification of the Pennsylvania or Colorado state law claims has been filed. Thus no FLSA, Pennsylvania or Colorado class has been certified, and neither the scope nor size of any potential class on any of these claims is known. Plaintiffs have not alleged an amount of damages and at this time it is not possible to predict the amount of any potential recovery. Given the early stage of the proceedings, the uncertainty regarding the potential class size and the existence of available defenses, no provision has been recorded in the Company's financial statements in respect of these claims as the direction and financial consequences of the complaint cannot be determined at this time. The Company does not have insurance coverage for these claims.

16. SEGMENTED INFORMATION

The Company's activities are conducted in four geographic segments: Canada, the United States, Russia and Latin America. 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	Latin America	Corporate	Consolidated
(C$000s)	($)	($)	($)	($)	($)	($)
Three Months Ended September 30, 2013						
Revenue	**167,707**	**153,650**	**42,913**	**24,392**	**–**	**388,662**
Operating income (loss)[1]	**28,750**	**31,315**	**5,347**	**(499)**	**(13,230)**	**51,683**
Segmented assets	**690,270**	**604,552**	**143,051**	**158,840**	**–**	**1,596,713**
Capital expenditures	**16,866**	**7,455**	**1,486**	**8,876**	**–**	**34,683**
Goodwill	**7,236**	**2,308**	**979**	**–**	**–**	**10,523**
Three Months Ended September 30, 2012						
Revenue	200,763	158,473	31,228	27,378	–	417,842
Operating income (loss)[1]	56,371	22,674	3,495	1,990	(13,926)	70,604
Segmented assets	727,781	590,146	123,185	91,436	–	1,532,548
Capital expenditures	22,184	39,256	1,610	912	–	63,962
Goodwill	7,236	2,308	979	–	–	10,523
Nine Months Ended September 30, 2013						
Revenue	**480,002**	**426,935**	**117,379**	**76,444**	**–**	**1,100,760**
Operating income (loss)[1]	**86,697**	**74,529**	**10,694**	**(313)**	**(40,947)**	**130,660**
Segmented assets	**690,270**	**604,552**	**143,051**	**158,840**	**–**	**1,596,713**
Capital expenditures	**62,273**	**39,613**	**8,450**	**14,954**	**–**	**125,290**
Goodwill	**7,236**	**2,308**	**979**	**–**	**–**	**10,523**
Nine Months Ended September 30, 2012						
Revenue	531,306	528,508	88,569	79,346	–	1,227,729
Operating income (loss)[1]	139,533	99,641	6,820	5,738	(37,937)	213,795
Segmented assets	727,781	590,146	123,185	91,436	–	1,532,548
Capital expenditures	102,686	111,978	3,719	4,940	–	223,323
Goodwill	7,236	2,308	979	–	–	10,523

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	**2013**	2012
(C$000s)				
Net income (loss)	**5,733**	26,655	**14,982**	85,380
Add back (deduct):				
Depreciation	**27,811**	22,406	**78,596**	66,747
Interest	**10,064**	9,504	**28,552**	27,421
Foreign exchange losses (gains)	**4,993**	(358)	**2,700**	(4,442)
(Gain) loss on disposal of property, plant and equipment	**(172)**	88	**(306)**	632
Income taxes	**3,254**	12,309	**6,136**	38,057
Operating income	**51,683**	70,604	**130,660**	213,795

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

The following table sets forth consolidated revenue by service line:

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	**2013**	2012
(C$000s)				
Fracturing	**352,925**	376,030	**1,000,566**	1,104,690
Coiled tubing	**19,469**	28,579	**50,576**	80,577
Cementing	**13,844**	7,865	**38,121**	24,568
Other	**2,424**	5,368	**11,497**	17,894
	388,662	417,842	**1,100,760**	1,227,729

17. SEASONALITY OF OPERATIONS

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 wellsites in Canada and North Dakota is reduced.

18. DIVIDEND REINVESTMENT PLAN

The Company has a Dividend Reinvestment Plan (DRIP) that allows shareholders to direct cash dividends paid on all or a portion of their common shares to be reinvested in additional common shares that are issued at 95 percent of the volume-weighted average price of the common shares traded on the Toronto Stock Exchange during the last five trading days preceding the relevant dividend payment date.

A dividend of $0.25 per common share was declared on June 14, 2013 and paid on July 15, 2013. Of the total dividend of $11,472, $3,313 was reinvested under the DRIP into 111,594 common shares of the Company.

A dividend of $0.25 per common share was declared on February 26, 2013 and paid on April 15, 2013. Of the total dividend of $11,375, $3,108 was reinvested under the DRIP into 125,024 common shares of the Company.

A dividend of $0.10 per common share was declared on December 8, 2011 and paid on January 31, 2012. Of the total dividend of $4,376, $1,771 was reinvested under the DRIP into 71,189 common shares of the Company.

A dividend of $0.25 per common share ($11,531) was declared on September 17, 2013, to be paid on October 15, 2013.

19. SUBSEQUENT EVENTS

On October 1, 2013, the Company completed the acquisition of all of the operating assets of Mission Well Services, LLC, a privately-held hydraulic fracturing and coiled tubing services provider based in San Antonio, Texas and operating in the Eagle Ford shale play of Texas. This acquisition provides the Company with modern fracturing and coiled tubing equipment and an entry into the Texas market. Under the terms of the purchase agreement, the total purchase price was approximately US$145.7 million, excluding transaction costs, which included certain working capital associated with the ongoing operations of the business. The purchase price accounting for this transaction had not yet been finalized at the time these financial statements were authorized for issuance.

On October 8, 2013, the Company closed a private offering of US$150.0 million aggregate principal of its 7.50 percent senior notes yielding net proceeds of US$149.4 million after applicable discount. Fixed interest on the notes is payable semi-annually on June 1 and December 1 of each year. The notes will mature on December 1, 2020. The net proceeds from this offering were used to finance the Mission asset acquisition.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ronald P. Mathison
Chairman (1)(2)
President &
Chief Executive Officer
Matco Investments Ltd.

Douglas R. Ramsay (4)
Chief Executive Officer
Calfrac Well Services Ltd.

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

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

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

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

R.T. (Tim) Swinton (1)(2)(3)
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 and Environment Committee

OFFICERS

Douglas R. Ramsay
Chief Executive Officer

Fernando Aguilar
President &
Chief Operating Officer

Tom J. Medvedic
Senior Vice President,
Corporate Development &
Interim Chief Financial Officer

Lindsay R. Link
President,
United States Operating Division

Robert J. Montgomery
President,
Canadian Operating Division

Robert L. Sutherland
President,
Russian Operating Division

OFFICERS

O. Alberto Bertolin
Director General,
Latin America Division

Armando J. Bertolin
Director General,
Latin America Division

Dwight M. Bobier
Senior Vice President,
Technical Services

Chris K. Gall
Vice President,
Global Supply Chain

Roderick P. Kuntz
Vice President,
HS&E

Chad J. Leier
Vice President,
Sales, Marketing & Engineering,
United States Operating Division

Umberto Marseglia
Vice President,
Global Business

Edward L. Oke
Vice President,
Human Resources

Michael D. Olinek
Vice President,
Finance

B. Mark Paslawski
Vice President,
General Counsel &
Corporate Secretary

F. Bruce Payne
Vice President,
Global Operations

Gary J. Rokosh
Vice President,
Sales, Marketing & Engineering,
Canadian Operating Division

Matthew L. Mignault
Corporate Controller

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Alberta Treasury Branches
Royal Bank of Canada
Canadian Imperial Bank of Commerce
Export Development Canada

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

Trading Symbol: CFW

OPERATING BASES

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Calgary – Technology and Training Centre
Edson
Grande Prairie
Medicine Hat
Red Deer
Red Earth

British Columbia, Canada
Dawson Creek

Saskatchewan, Canada
Estevan

Colorado, United States
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Grand Junction
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Mexico City – Regional Office
Reynosa
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Neuquén

Colombia
Bogota – Regional Office

REGISTRAR AND 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 at 1-800-564-6253 or by email at service@computershare.com, or write to:

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