Second Quarter Interim Report

For the three and six months ended June 30, 2018

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HIGHLIGHTS

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	**2018**	2017	Change
(C$000s, except per share and unit data)	***($)***	*($)*	*(%)*	***($)***	*($)*	*(%)*
(unaudited)						
Revenue	**544,602**	325,344	67	**1,127,440**	594,159	90
Operating income[1]	**66,528**	36,740	81	**134,502**	57,134	135
Per share – basic	**0.46**	0.27	70	**0.94**	0.42	124
Per share – diluted	**0.45**	0.27	67	**0.92**	0.41	124
Adjusted EBITDA[1]	**81,910**	39,913	105	**154,863**	61,497	152
Per share – basic	**0.57**	0.29	97	**1.08**	0.45	140
Per share – diluted	**0.56**	0.29	93	**1.06**	0.45	136
Net loss attributable to the shareholders of Calfrac before foreign exchange gains or losses[2]	**(14,571)**	(9,731)	50	**(12,666)**	(31,390)	(60)
Per share – basic	**(0.10)**	(0.07)	43	**(0.09)**	(0.23)	(61)
Per share – diluted	**(0.10)**	(0.07)	43	**(0.09)**	(0.23)	(61)
Net loss attributable to the shareholders of Calfrac	**(32,838)**	(20,349)	61	**(29,604)**	(39,896)	(26)
Per share – basic	**(0.23)**	(0.15)	53	**(0.21)**	(0.29)	(28)
Per share – diluted	**(0.23)**	(0.15)	53	**(0.21)**	(0.29)	(28)
Working capital (end of period)				**361,613**	293,411	23
Total equity (end of period)				**507,607**	463,180	10
Weighted average common shares outstanding (000s)						
Basic	**143,911**	136,600	5	**143,817**	136,579	5
Diluted	**146,715**	137,929	6	**146,673**	138,181	6

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

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

CEO MESSAGE

Fernando Aguilar, Calfrac's President & Chief Executive Officer commented "The record results delivered by Calfrac in the second quarter are due once again to the hard work of our employees, from field to district to office. I would like to thank everyone at Calfrac for their ongoing efforts to deliver safe and efficient service to our clients while managing costs prudently."

During the quarter, Calfrac:

- reported record second-quarter revenue and operating income;
- executed a strategic refinancing of the Company's long-term indebtedness; and
- reactivated one fleet in its San Antonio district, which is expected to commence work in August.

SECOND QUARTER 2018 OVERVIEW

CONSOLIDATED HIGHLIGHTS

Three Months Ended June 30,	**2018**	2017	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**544,602**	325,344	67
Expenses			
Operating	**453,751**	275,932	64
Selling, general and administrative (SG&A)	**24,323**	12,672	92
	478,074	288,604	66
Operating income[1]	**66,528**	36,740	81
Operating income (%)	**12.2**	11.3	8
Adjusted EBITDA[1]	**81,910**	39,913	105
Adjusted EBITDA (%)	**15.0**	12.3	22
Fracturing revenue per job ($)	**46,830**	35,858	31
Number of fracturing jobs	**10,817**	8,132	33
Active pumping horsepower, end of period (000s)	**1,313**	874	50
Idle pumping horsepower, end of period (000s)	**80**	443	(82)
Total pumping horsepower, end of period (000s)	**1,393**	1,317	6
Coiled tubing revenue per job ($)	**30,189**	28,805	5
Number of coiled tubing jobs	**876**	704	24
Active coiled tubing units, end of period (#)	**22**	21	5
Idle coiled tubing units, end of period (#)	**8**	11	(27)
Total coiled tubing units, end of period (#)	**30**	32	(6)
Cementing revenue per job ($)	**47,290**	43,158	10
Number of cementing jobs	**68**	114	(40)
Active cementing units, end of period (#)	**11**	12	(8)
Idle cementing units, end of period (#)	**12**	13	(8)
Total cementing units, end of period (#)	**23**	25	(8)

[1] *Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.*

Revenue in the second quarter of 2018 was $544.6 million, an increase of 67 percent from the same period in 2017. The Company's fracturing job count increased by 33 percent mainly due to a larger scale of operations and higher activity in Canada and the United States. During the quarter, Calfrac pumped approximately 560,000 tons of sand in the United States and 227,000 tons in Canada, representing 56 percent and 6 percent growth from the prior year, respectively. Consolidated revenue per fracturing job increased by 31 percent primarily due to a combination of better pricing, larger job sizes and job mix. The number of cementing jobs decreased by 40 percent due to lower cementing activity in northern Argentina.

Pricing in Canada and the United States increased while pricing in Russia was consistent with the second quarter of 2017. In Argentina, the transition to more unconventional activity does not allow for a meaningful pricing comparison to the second quarter in 2017 as the style of job is significantly different than conventional activity.

Adjusted EBITDA of $81.9 million for the second quarter of 2018 increased from $39.9 million in the comparable period in 2017 primarily due to significantly higher utilization in the United States and Canada. This was offset partially by higher personnel costs and higher stock-based compensation costs, which at $5.0 million were higher by $6.7 million than the second quarter in 2017. Additionally, the second quarter in 2018 included a realized foreign exchange gain of $8.3 million, primarily related to the settlement of U.S. dollar-denominated receivables in Argentina.

Net loss attributable to shareholders of Calfrac was $32.8 million or $0.23 per share diluted compared to a net loss of $20.3 million or $0.15 per share diluted in the same period last year. These net losses included largely unrealized foreign exchange losses of $32.5 million and $16.3 million in the second quarter of 2018 and 2017, respectively.

Three Months Ended	**June 30, 2018**	March 31, 2018	Change
(C$000s, except operational information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**544,602**	582,838	(7)
Expenses			
Operating	**453,751**	490,106	(7)
SG&A	**24,323**	24,758	(2)
	478,074	514,864	(7)
Operating income[1]	**66,528**	67,974	(2)
Operating income (%)	**12.2**	11.7	4
Adjusted EBITDA[1]	**81,910**	72,953	12
Adjusted EBITDA (%)	**15.0**	12.5	20
Fracturing revenue per job ($)	**46,830**	36,783	27
Number of fracturing jobs	**10,817**	14,752	(27)
Active pumping horsepower, end of period (000s)	**1,313**	1,259	4
Idle pumping horsepower, end of period (000s)	**80**	134	(40)
Total pumping horsepower, end of period (000s)	**1,393**	1,393	—
Coiled tubing revenue per job ($)	**30,189**	33,283	(9)
Number of coiled tubing jobs	**876**	729	20
Active coiled tubing units, end of period (#)	**22**	22	—
Idle coiled tubing units, end of period (#)	**8**	8	—
Total coiled tubing units, end of period (#)	**30**	30	—
Cementing revenue per job ($)	**47,290**	37,728	25
Number of cementing jobs	**68**	69	(1)
Active cementing units, end of period (#)	**11**	12	(8)
Idle cementing units, end of period (#)	**12**	11	9
Total cementing units, end of period (#)	**23**	23	—

[1] *Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.*

Revenue in the second quarter of 2018 was $544.6 million, a decrease of 7 percent from the first quarter of 2018, primarily due to lower activity in Canada as a result of the normal seasonal slowdown during spring break-up. Revenue per fracturing job decreased by 27 percent due to job mix and customer mix in Canada. Pricing in all operating regions was largely consistent with the first quarter of 2018.

In Canada, second-quarter revenue decreased by 30 percent from the first quarter to $131.9 million. The second quarter began at a slow pace as spring break-up conditions impacted operations in April. In May and June, activity picked up significantly, including a number of multi-well pad operations that provided consistent activity and revenue. As road conditions improved throughout May, the Company was able to maintain high utilization across its Canadian operations. Operating income as a percentage of revenue was 8 percent versus 17 percent in the first quarter primarily due to lower equipment utilization combined with higher costs for diesel fuel, rail transportation and sand.

In the United States, revenue in the second quarter of 2018 increased by 8 percent from the first quarter to $342.0 million, mainly as a result of the two additional fleets that were activated towards the end of the first quarter. The U.S. division's operating income margin increased to 20 percent in the second quarter from 17 percent in the first quarter of 2018. The U.S. division did not encounter similar delays driven by weather and sand delivery issues that it did in the first quarter.

In Russia, revenue of $25.0 million in the second quarter of 2018 was 20 percent lower than the first quarter due to a reduction in fracturing activity in Noyabrsk with one of its key customers. The operating loss position in the second quarter was primarily due to lower equipment utilization.

In Argentina, revenue was consistent sequentially at $45.7 million while operating income of $2.1 million improved compared to the loss of $3.0 million incurred in the first quarter. The turnaround to positive operating income was achieved through a combination of improved utilization and cost management during the quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of July 24, 2018 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the three and six months ended June 30, 2018 and 2017. It should be read in conjunction with the interim consolidated financial statements for the three and six months ended June 30, 2018 as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2017.

Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used are included on pages 22 and 23.

CALFRAC'S BUSINESS

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

The Company's reportable business segments during the three and six months ended June 30, 2018 were as follows:

Segment	Active	Idle	Total	Active Fleets
	(hhp)	*(hhp)*	*(hhp)*	*(#)*
United States	806,000	47,000	853,000	16
Canada	322,000	33,000	355,000	8
Argentina	108,000	—	108,000	5
Russia	77,000	—	77,000	7
Total	1,313,000	80,000	1,393,000	36

- The Company's United States segment provides fracturing services to oil companies operating in the Bakken oil shale play in North Dakota; in the Rockies area as well as in Texas and New Mexico, where it services the Eagle Ford and Permian basins. Calfrac also provides fracturing services to natural gas-focused customers operating in the Marcellus and Utica shale plays in Pennsylvania, Ohio and West Virginia. During the third quarter of 2017, the Company restarted and expanded operations in Texas by re-opening its San Antonio base and commencing operations based out of Artesia, New Mexico servicing the Permian basin. At June 30, 2018, Calfrac's United States operations had combined active horsepower of approximately 806,000 and no active cementing or coiled tubing units. At the end of the second quarter, the United States segment had temporarily idled approximately 47,000 horsepower, ten cementing units and two coiled tubing units.

- The Canadian segment is focused on the provision of fracturing and coiled tubing services to a diverse group of oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia, Saskatchewan and Manitoba. The Company's customer base in Canada ranges from large multinational public companies to small private companies. At June 30, 2018, Calfrac's Canadian operations had active horsepower of approximately 322,000 and 11 active coiled tubing units. At the end of the second quarter, the Canadian segment had temporarily idled approximately 33,000 horsepower and four coiled tubing units.

- The Argentinean segment provides pressure pumping services from its operating bases in Argentina. The Company provides fracturing, cementing and coiled tubing services to oil and natural gas companies operating in the Neuquén, Las Heras and Comodoro regions. The Company had approximately 108,000 active horsepower, 11 cementing units and five active coiled tubing units in its Argentinean segment at June 30, 2018. At the end of the second quarter, the Argentinean segment had two idle cementing units and one idle coiled tubing unit.

- The Company's Russian segment provides fracturing and coiled tubing services in Western Siberia. During the second quarter of 2018, the Company operated under a mix of annual and multi-year agreements to provide services to a number of Russia's largest oil producers. At June 30, 2018, the Russian segment had seven deep coiled tubing units, of which six were active, and approximately 77,000 active horsepower forming seven fracturing spreads in Russia.

CONSOLIDATED HIGHLIGHTS

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Change	**2018**	2017	Change
(C$000s, except per share amounts) *(unaudited)*				*($)*	*($)*	*(%)*
Revenue	**544,602**	325,344	67	**1,127,440**	594,159	90
Operating income[1]	**66,528**	36,740	81	**134,502**	57,135	135
Per share – basic	**0.46**	0.27	70	**0.94**	0.42	124
Per share – diluted	**0.45**	0.27	67	**0.92**	0.41	124
Adjusted EBITDA[1]	**81,910**	39,913	105	**154,863**	61,497	152
Per share – basic	**0.57**	0.29	97	**1.08**	0.45	140
Per share – diluted	**0.56**	0.29	93	**1.06**	0.45	136
Net loss attributable to the shareholders of Calfrac	**(32,838)**	(20,349)	61	**(29,604)**	(39,896)	(26)
Per share – basic	**(0.23)**	(0.15)	53	**(0.21)**	(0.29)	(28)
Per share – diluted	**(0.23)**	(0.15)	53	**(0.21)**	(0.29)	(28)

As at	**June 30, 2018**	December 31, 2017	Change
(C$000s) *(unaudited)*	*($)*	*($)*	*(%)*
Working capital, end of period	**361,613**	327,049	11
Total assets, end of period	**1,843,672**	1,777,966	4
Long-term debt, end of period	**1,051,165**	958,825	10
Total equity, end of period	**507,607**	543,645	(7)

[1] *Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.*

SECOND QUARTER OVERVIEW

In the second quarter of 2018, the Company:

- generated revenue of $544.6 million, an increase of 67 percent from the second quarter in 2017, resulting primarily from higher activity and a larger scale of operations in North America;
- reported adjusted EBITDA of $81.9 million versus $39.9 million in the comparable period in 2017, mainly as a result of improved utilization and pricing in North America;
- reported a net loss attributable to shareholders of Calfrac of $32.8 million or $0.23 per share diluted, which included a largely unrealized foreign exchange loss of $32.5 million, compared to a net loss of $20.3 million or $0.15 per share diluted in 2017, which included a largely unrealized foreign exchange loss of $16.3 million;
- amended its revolving credit facility agreement to exercise $100.0 million of accordion capacity which increased its total borrowing capacity under these facilities from $275.0 million to $375.0 million;
- closed a private offering of US$650.0 million aggregate principal amount of 8.50 percent senior notes due 2026 and repaid all of its outstanding 7.50 percent senior notes due 2020;
- repaid in full the remaining $196.5 million principal amount of its second lien senior secured term loan facility with Alberta Investment Management Corporation (AIMCo);
- reported period-end working capital of $361.6 million versus $327.0 million at December 31, 2017; and
- incurred capital expenditures of $42.4 million, focused on maintenance and sustaining activities to support the Company's North American fracturing operations.

In the six months ended June 30, 2018, the Company:

- generated revenue of $1.1 billion, an increase of 90 percent from the first six months in 2017, resulting primarily from higher activity and a larger scale of operations in North America;
- reported adjusted EBITDA of $154.9 million versus $61.5 million in the comparable period in 2017, mainly as a result of improved utilization and pricing in North America;
- reported a net loss attributable to shareholders of Calfrac of $29.6 million or $0.21 per share diluted, which included a largely unrealized foreign exchange loss of $33.1 million, compared to a net loss of $39.9 million or $0.29 per share diluted in 2017;
- incurred capital expenditures of $93.7 million, focused on maintenance and sustaining activities to support the Company's North American fracturing operations; and
- activated three fleets in its U.S. operations, including one in New Mexico, one in North Dakota and one in Colorado, as well as one large fracturing fleet in Canada.

FINANCIAL OVERVIEW – THREE MONTHS ENDED JUNE 30, 2018 VERSUS 2017

CANADA

Three Months Ended June 30,	**2018**	2017	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**131,872**	111,313	18
Expenses			
Operating	**117,439**	95,947	22
SG&A	**3,283**	2,176	51
	120,722	98,123	23
Operating income[1]	**11,150**	13,190	(15)
Operating income (%)	**8.5**	11.8	(28)
Fracturing revenue per job ($)	**26,618**	25,475	4
Number of fracturing jobs	**4,478**	3,957	13
Active pumping horsepower, end of period (000s)	**322**	250	29
Idle pumping horsepower, end of period (000s)	**33**	157	(79)
Total pumping horsepower, end of period (000s)	**355**	407	(13)
Coiled tubing revenue per job ($)	**20,223**	22,181	(9)
Number of coiled tubing jobs	**624**	457	37
Active coiled tubing units, end of period (#)	**11**	9	22
Idle coiled tubing units, end of period (#)	**4**	4	—
Total coiled tubing units, end of period (#)	**15**	13	15

[1] *Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.*

REVENUE

Revenue from Calfrac's Canadian operations during the second quarter of 2018 was $131.9 million versus $111.3 million in the same period of 2017. Completions activity in Canada during the second quarter of 2018 began slowly as spring break-up conditions impacted operations in April. In May and June, activity increased significantly, which included a number of multi-well pad operations that provided consistent activity and revenue. As road conditions improved through May, the Company was able to maintain high utilization across its Canadian operations. Since the end of the second quarter of 2017, the Company reactivated 72,000 horsepower and two deep coiled tubing units were transferred from the United States. Through a combination of this broader operating scale and better pricing, the Company increased its revenue in the second quarter of 2018 by 18 percent from the comparative quarter in 2017. The number of fracturing jobs increased by 13 percent mainly due to a more active and efficient customer base versus the same period in 2017. The number of coiled tubing jobs increased by 37 percent from the second quarter in 2017, primarily due to higher equipment utilization and larger operating scale.

OPERATING INCOME

Operating income in Canada during the second quarter of 2018 was $11.1 million compared to $13.2 million in the same period of 2017. The decrease in operating income was primarily due to increased costs for fuel and products during the quarter, which the Company was not able to fully pass through to all of its customers. In addition, the Company operated under a larger fixed cost structure due to the additional two fracturing crews and two coiled tubing units compared to the same quarter in 2017. The $1.1 million increase in SG&A expenses compared to the second quarter in 2017 was primarily due to the reinstatement of compensation that was scaled back through the downturn. Additionally, the Company allocated a greater proportion of its corporate SG&A costs to its operating divisions during the quarter.

UNITED STATES

Three Months Ended June 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**342,036**	153,946	122
Expenses			
Operating	**268,407**	125,407	114
SG&A	**4,605**	3,362	37
	273,012	128,769	112
Operating income[1]	**69,024**	25,177	174
Operating income (%)	**20.2**	16.4	23
Fracturing revenue per job ($)	**58,298**	41,292	41
Number of fracturing jobs	**5,845**	3,606	62
Active pumping horsepower, end of period (000s)	**806**	432	87
Idle pumping horsepower, end of period (000s)	**47**	286	(84)
Total pumping horsepower, end of period (000s)	**853**	718	19
Active coiled tubing units, end of period (#)	**—**	—	—
Idle coiled tubing units, end of period (#)	**2**	5	(60)
Total coiled tubing units, end of period (#)	**2**	5	(60)
Active cementing units, end of period (#)	**—**	—	—
Idle cementing units, end of period (#)	**10**	11	(9)
Total cementing units, end of period (#)	**10**	11	(9)
US$/C$ average exchange rate[2]	**1.2911**	1.3449	(4)

[1] *Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.*
[2] *Source: Bank of Canada.*

REVENUE

Revenue from Calfrac's United States operations increased to $342.0 million during the second quarter of 2018 from $153.9 million in the comparable quarter of 2017. The Company recorded a 62 percent increase in the number of fracturing jobs completed period-over-period, driven by higher demand and more active equipment operating in the field as compared to the same period in 2017. Revenue per job increased 41 percent year-over-year due to improved pricing combined with the impact of job mix as the Company's operations in Texas and New Mexico resulted in the completion of larger overall job sizes. The 4 percent depreciation in the U.S. dollar versus the Canadian dollar partially offset the increase in revenue.

OPERATING INCOME

The Company's United States operations generated operating income of $69.0 million during the second quarter of 2018 compared to $25.2 million in the same period in 2017. The significant increase was primarily the result of improved utilization and pricing in Colorado, North Dakota and Pennsylvania, as well as the addition of operations in Texas and New Mexico that did not commence until the third quarter of 2017. Operating results included $5.0 million of costs associated with the reactivation of one fleet that will be deployed in the third quarter of 2018. SG&A expenses increased by 37 percent in the second quarter of 2018 due to higher personnel costs combined with growth in business scale and increased activity. Additionally, the Company allocated a greater proportion of its corporate SG&A costs to its operating divisions during the quarter.

RUSSIA

Three Months Ended June 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**25,025**	31,492	(21)
Expenses			
Operating	**25,069**	25,710	(2)
SG&A	**751**	943	(20)
	25,820	26,653	(3)
Operating (loss) income[1]	**(795)**	4,839	NM
Operating (loss) income (%)	**(3.2)**	15.4	NM
Fracturing revenue per job ($)	**81,392**	72,041	13
Number of fracturing jobs	**256**	366	(30)
Pumping horsepower, end of period (000s)	**77**	70	10
Coiled tubing revenue per job ($)	**39,894**	44,181	(10)
Number of coiled tubing jobs	**105**	116	(9)
Active coiled tubing units, end of period (#)	**6**	6	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate[2]	**0.0208**	0.0235	(11)

[1] Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.
[2] Source: Bank of Canada.

REVENUE

Revenue from Calfrac's Russian operations decreased by 21 percent during the second quarter of 2018 to $25.0 million from $31.5 million in the corresponding three-month period of 2017. The decrease in revenue was largely attributable to a decrease in fracturing activity in Noyabrsk combined with the discontinuation of operations in Usinsk. Revenue per fracturing job increased by 13 percent primarily due to the impact of providing sand to a significant customer during the second quarter of 2018 and not in the comparable quarter. Coiled tubing activity decreased by 9 percent, primarily due to lower utilization than expected with one of its customers. The 11 percent depreciation of the Russian rouble in the second quarter in 2018 versus the same period in 2017 also contributed to the decrease in reported revenue.

OPERATING (LOSS) INCOME

The Company's Russian division had a operating loss of $0.8 million during the second quarter of 2018 compared to an operating income of $4.8 million in the comparable quarter in 2017. The operating loss was primarily due to lower equipment utilization in Noyabrsk. Weather-related delays in moving equipment from Usinsk to Western Siberia further impeded utilization. SG&A expenses were $0.2 million lower than the comparable quarter in 2017 primarily due to a reduction in personnel costs.

ARGENTINA

Three Months Ended June 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**45,669**	28,593	60
Expenses			
Operating	**41,221**	28,122	47
SG&A	**2,367**	2,712	(13)
	43,588	30,834	41
Operating income (loss)[1]	**2,081**	(2,241)	NM
Operating income (loss) (%)	**4.6**	(7.8)	NM
Total pumping horsepower, end of period (000s)	**108**	122	(11)
Active cementing units, end of period (#)	**11**	12	(8)
Idle cementing units, end of period (#)	**2**	2	—
Total cementing units, end of period (#)	**13**	14	(7)
Active coiled tubing units, end of period (#)	**5**	6	(17)
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	7	(14)
Argentinean peso/C$ average exchange rate[2]	**0.0551**	0.0854	(35)

[1] Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.
[2] Source: Bank of Canada and Bloomberg.

REVENUE

Calfrac's Argentinean operations generated total revenue of $45.7 million during the second quarter of 2018 versus $28.6 million in the comparable three-month period in 2017. Revenue in Argentina was 60 percent higher than the comparable quarter primarily due to higher fracturing activity in all operating areas, including the Vaca Muerta shale play. The increase in revenue was partially offset by lower cementing activity in northern Argentina combined with the impact of union strikes in southern Argentina during the early part of the quarter. Coiled tubing revenue in Argentina increased year-over-year due to the completion of larger coiled tubing jobs during the second quarter of 2018 in unconventional gas plays.

OPERATING INCOME (LOSS)

The Company's operations in Argentina generated operating income of $2.1 million during the second quarter of 2018 compared to a loss of $2.2 million in the second quarter of 2017. The Company achieved modest positive operating income through a combination of improved utilization and cost controls during the quarter as it continued to transition to unconventional operations in Argentina. The comparable quarter in 2017 included $1.4 million in one-time costs that were not repeated in 2018. SG&A expenses were 13 percent lower during the second quarter in 2018 compared to the second quarter in 2017 primarily due to lower personnel expenses.

CORPORATE

Three Months Ended June 30,	**2018**	2017	Change
(C$000s) *(unaudited)*	***($)***	*($)*	*(%)*
Expenses			
Operating	**1,615**	745	117
SG&A	**13,317**	3,480	283
	14,932	4,225	253
Operating loss[1]	**(14,932)**	(4,225)	253
% of Revenue	**2.7**	1.3	108

[1] *Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.*

OPERATING LOSS

Corporate expenses for the second quarter of 2018 were $14.9 million compared to $4.2 million in the second quarter of 2017. Operating expenses were $0.9 million higher primarily due to higher personnel costs during the quarter. SG&A expenses increased by $9.8 million primarily due to a $6.7 million increase in stock-based compensation expense recorded during the quarter. The remaining increase related to the reinstatement of compensation that was scaled back through the downturn, offset partially by the allocation of costs that were attributed to the Company's operating divisions.

DEPRECIATION

For the three months ended June 30, 2018, depreciation expense increased by $7.3 million to $39.0 million from $31.7 million in the corresponding quarter of 2017. The increase in depreciation was primarily due to the $76.3 million impairment reversal that was recorded during the fourth quarter of 2017 combined with capital expenditures related to the continued activation of fleets in North America during 2017 and 2018.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss of $32.5 million during the second quarter of 2018 versus a loss of $16.3 million in the comparative three-month period of 2017. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada and Argentina, and liabilities held in Canadian dollars in Russia. The Company's foreign exchange loss for the second quarter of 2018 was largely attributable to the translation of U.S. dollar-denominated liabilities held in Argentina as the value of the Argentinean peso depreciated 44 percent against the U.S. dollar during the second quarter. U.S. dollar-denominated assets held in Canada partially offset the foreign exchange loss during the quarter.

INTEREST

The Company's net interest expense of $43.1 million for the second quarter of 2018 was $21.0 million higher than in the comparable period of 2017. This increase was partially due to the repayment of the Company's second lien term loan during the period and resulted in the write-off of deferred financing costs of $5.8 million. In addition, the Company closed a private offering of US$650.0 million aggregate principal amount of its 8.50 percent senior notes during the second quarter, which were used to repay all of its outstanding 7.50 percent senior notes due 2020. The early repayment of these notes resulted in a make-whole interest payment of $10.4 million during the second quarter in 2018 and the write-off of the remaining $5.0 million unamortized deferred finance costs.

INCOME TAXES

The Company recorded an income tax recovery of $19.4 million during the second quarter of 2018 compared to a recovery of $12.4 million in the comparable period of 2017. The recovery position was the result of pre-tax losses incurred during the quarter in Canada, Russia and Argentina which partially offset positive income in the United States. The effective tax recovery rate of 33 percent was slightly lower than the tax recovery rate of 36 percent in the comparable quarter in 2017.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	**Jun. 30, 2018**
(C$000s, except per share and operating data) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
Financial								
Revenue	174,925	192,846	268,815	325,344	448,090	485,456	582,838	**544,602**
Operating income (loss)[1]	(12,392)	(18,291)	20,395	36,740	78,196	44,789	67,974	**66,528**
Per share – basic	(0.11)	(0.15)	0.15	0.27	0.57	0.32	0.47	**0.46**
Per share – diluted	(0.11)	(0.15)	0.15	0.27	0.57	0.31	0.46	**0.45**
Adjusted EBITDA[1]	(11,055)	(13,717)	21,584	39,913	81,113	49,213	72,953	**81,910**
Per share – basic	(0.10)	(0.11)	0.16	0.29	0.59	0.35	0.51	**0.57**
Per share – diluted	(0.10)	(0.11)	0.16	0.29	0.59	0.34	0.50	**0.56**
Net income (loss) attributable to the shareholders of Calfrac	(40,862)	(61,493)	(19,547)	(20,349)	7,822	38,013	3,234	**(32,838)**
Per share – basic	(0.35)	(0.51)	(0.14)	(0.15)	0.06	0.27	0.02	**(0.23)**
Per share – diluted	(0.35)	(0.51)	(0.14)	(0.15)	0.06	0.26	0.02	**(0.23)**
Capital expenditures	6,907	15,708	12,965	22,358	22,093	34,518	51,334	**42,404**
Working capital (end of period)	269,081	271,581	278,818	293,411	334,606	327,049	360,654	**361,613**
Total equity (end of period)	501,926	497,458	485,452	463,180	477,188	543,645	546,018	**507,607**
Operating (end of period)								
Active pumping horsepower (000s)	644	659	727	874	1,057	1,115	1,259	**1,313**
Idle pumping horsepower (000s)	578	563	493	443	338	280	134	**80**
Total pumping horsepower (000s)	1,222	1,222	1,220	1,317	1,395	1,395	1,393	**1,393**
Active coiled tubing units (#)	20	19	20	21	21	21	22	**22**
Idle coiled tubing units (#)	12	13	12	11	11	9	8	**8**
Total coiled tubing units (#)	32	32	32	32	32	30	30	**30**
Active cementing units (#)	14	14	12	12	12	12	12	**11**
Idle cementing units (#)	11	11	13	13	13	11	11	**12**
Total cementing units (#)	25	25	25	25	25	23	23	**23**

[1] *Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.*

SEASONALITY OF OPERATIONS

The Company's North American business is seasonal. The lowest activity is typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up weather conditions and access to well sites in Canada and North Dakota is reduced (refer to "Business Risks - Seasonality" in the 2017 Annual Report).

FOREIGN EXCHANGE FLUCTUATIONS

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in the exchange rates for United States, Russian and Argentinean currency (refer to "Business Risks - Foreign Exchange Fluctuations" in the 2017 Annual Report).

FINANCIAL OVERVIEW – SIX MONTHS ENDED JUNE 30, 2018 VERSUS 2017

CANADA

Six Months Ended June 30,	**2018**	2017	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**321,600**	222,331	45
Expenses			
Operating	**271,881**	192,400	41
SG&A	**6,859**	4,298	60
	278,740	196,698	42
Operating income[1]	**42,860**	25,633	67
Operating income (%)	**13.3**	11.5	16
Fracturing revenue per job ($)	**21,762**	19,983	9
Number of fracturing jobs	**13,408**	10,023	34
Active pumping horsepower, end of period (000s)	**322**	250	29
Idle pumping horsepower, end of period (000s)	**33**	157	(79)
Total pumping horsepower, end of period (000s)	**355**	407	(13)
Coiled tubing revenue per job ($)	**22,891**	21,585	6
Number of coiled tubing jobs	**1,119**	1,004	11
Active coiled tubing units, end of period (#)	**11**	9	22
Idle coiled tubing units, end of period (#)	**4**	4	—
Total coiled tubing units, end of period (#)[2]	**15**	13	15

[1] *Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.*

REVENUE

Revenue from Calfrac's Canadian operations during the first six months in 2018 was $321.6 million versus $222.3 million in the same period in 2017. Completions activity in Canada during the first six months of 2018 improved when compared to the same period in 2017. The number of fracturing and coiled tubing jobs increased by 34 percent and 11 percent, respectively, due to a larger operating scale combined with a more active and efficient customer base as compared to the same period in 2017. Revenue per fracturing job increased by 9 percent from the prior year while coiled tubing revenue per job was up 6 percent primarily due to higher pricing and job mix.

OPERATING INCOME

The Company's Canadian division generated operating income of $42.9 million during the first half of 2018 compared to $25.6 million in 2017. The increase was due to significantly improved utilization and better pricing compared to the same period in 2017. The 13 percent operating income margin was negatively impacted by higher than expected third-party sand transportation costs during the first quarter, due primarily to temporary industry-wide logistical conditions that required the transportation of sand from outside Calfrac's optimal logistics network. Higher costs for diesel fuel and products also reduced operating income margins. The $2.6 million increase in SG&A expenses compared to the first half of 2017 was primarily due to the full reinstatement of compensation. Additionally, the Company allocated a greater proportion of its corporate SG&A costs to its operating divisions during the period, and the implementation of IFRS 9, as described in note 2 of the interim consolidated financial statements, resulted in a higher reported bad debt expense.

UNITED STATES

Six Months Ended June 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**658,016**	251,990	161
Expenses			
Operating	**526,013**	211,148	149
SG&A	**9,730**	5,665	72
	535,743	216,813	147
Operating income[1]	**122,273**	35,177	248
Operating income (%)	**18.6**	14.0	33
Fracturing revenue per job ($)	**58,798**	39,055	51
Number of fracturing jobs	**11,154**	6,323	76
Active pumping horsepower, end of period (000s)	**806**	432	87
Idle pumping horsepower, end of period (000s)	**47**	286	(84)
Total pumping horsepower, end of period (000s)	**853**	718	19
Active coiled tubing units, end of period (#)	**—**	—	—
Idle coiled tubing units, end of period (#)	**2**	5	(60)
Total coiled tubing units, end of period (#)	**2**	5	(60)
Active cementing units, end of period (#)	**—**	—	—
Idle cementing units, end of period (#)	**10**	11	(9)
Total cementing units, end of period (#)	**10**	11	(9)
US$/C$ average exchange rate[2]	**1.2779**	1.3340	(4)

[1] *Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.*
[2] *Source: Bank of Canada.*

REVENUE

Revenue from Calfrac's United States operations increased to $658.0 million during the first six months in 2018 from $252.0 million in the comparable period in 2017 due to significantly higher fracturing activity and improved pricing. Completions activity in the United States significantly improved year-over-year, which allowed the Company to reactivate equipment throughout 2017 and 2018, including the start-up of operations in Texas and New Mexico. The result was a 76 percent increase in the number of fracturing jobs completed period-over-period. Revenue per job increased 51 percent year-over-year due to improved pricing combined with the impact of job mix as the Company's operations in Texas resulted in higher overall job sizes. The 4 percent depreciation in the U.S. dollar versus the Canadian dollar partially offset the increase in revenue.

OPERATING INCOME

The Company's United States division generated operating income of $122.3 million during the first six months in 2018 compared to $35.2 million during the same period in 2017. The significant increase was primarily the result of improved utilization and pricing in Colorado, North Dakota and Pennsylvania, as well as the addition of operations in Texas and New Mexico that did not commence until the third quarter of 2017. The operating income of 19 percent during the first half of 2018 was negatively impacted by market-driven logistical issues that resulted in higher than normal transportation and sand costs during the first three months of the year. These conditions abated during the second quarter; however, cost inflation continued, with products and fuel experiencing the largest increases. In addition, operating results included $10.0 million of reactivation costs during the first half of 2018. SG&A expenses increased by 72 percent in the first half of 2018 due to higher personnel costs combined with growth in business scale and increased activity. Additionally, the Company allocated a greater proportion of its corporate SG&A costs to its operating divisions during 2018, and the implementation of IFRS 9, as described in note 2 of the interim consolidated financial statements, resulted in a higher reported bad debt expense.

RUSSIA

Six Months Ended June 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**56,260**	59,218	(5)
Expenses			
Operating	**56,386**	52,877	7
SG&A	**1,627**	1,628	—
	58,013	54,505	6
Operating (loss) income[1]	**(1,753)**	4,713	NM
Operating (loss) income (%)	**(3.1)**	8.0	NM
Fracturing revenue per job ($)	**84,827**	75,647	12
Number of fracturing jobs	**561**	663	(15)
Pumping horsepower, end of period (000s)	**77**	70	10
Coiled tubing revenue per job ($)	**38,716**	45,779	(15)
Number of coiled tubing jobs	**224**	198	13
Active coiled tubing units, end of period (#)	**6**	6	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate[2]	**0.0215**	0.0230	(7)

[1] Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.
[2] Source: Bank of Canada.

REVENUE

Revenue from Calfrac's Russian operations during the first six months in 2018 decreased by 5 percent to $56.3 million from $59.2 million in the comparable period in 2017. The decrease in revenue, which is generated in roubles, was partially related to lower fracturing activity combined with the 7 percent depreciation of the Russian rouble in 2018 versus 2017. Revenue per fracturing job increased by 12 percent due to the impact of providing sand to a significant customer during the first half of 2018 and not in the comparable period in 2017. The decrease in fracturing revenue was partially offset by higher coiled tubing activity.

OPERATING (LOSS) INCOME

The Company's Russia division incurred an operating loss of $1.8 million during the first six months in 2018 compared to income of $4.7 million in the same period in 2017 primarily due to lower fracturing crew utilization. Calfrac's operations during the first six months of 2018 were impacted by weather-related delays and lower activity with one of its customers in Western Siberia.

ARGENTINA

Six Months Ended June 30,	**2018**	2017	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**91,564**	60,620	51
Expenses			
Operating	**86,784**	55,447	57
SG&A	**5,717**	5,191	10
	92,501	60,638	53
Operating loss[1]	**(937)**	(18)	NM
Operating loss (%)	**(1.0)**	0.0	NM
Total pumping horsepower, end of period (000s)	**108**	122	(11)
Active cementing units, end of period (#)	**11**	12	(8)
Idle cementing units, end of period (#)	**2**	2	—
Total cementing units, end of period (#)	**13**	14	(7)
Active coiled tubing units, end of period (#)	**5**	6	(17)
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	7	(14)
Argentinean peso/C$ average exchange rate[2]	**0.0597**	0.0850	(30)

[1] Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.
[2] Source: Bank of Canada and Bloomberg.

REVENUE

Calfrac's Argentinean operations generated total revenue of $91.6 million during the first half of 2018 versus $60.6 million in the comparable six-month period in 2017. Revenue in Argentina was 51 percent higher than the comparable quarter primarily due to higher activity in the Vaca Muerta shale play. The increase in revenue was partially offset by lower cementing activity in northern Argentina combined with the impact of union strikes in southern Argentina during the first quarter of 2018. Coiled tubing revenue in Argentina increased year-over-year due to increased activity in unconventional resource plays in Neuquen which also resulted in higher revenue per job.

OPERATING LOSS

The Company's operations in Argentina generated an operating loss of $0.9 million during the first six months of 2018 compared to near break-even in the comparable period in 2017. Although the Company improved its revenue during the first half in 2018, operating margins were negatively impacted by the continued transition to unconventional operations in Argentina. The Company also incurred higher maintenance and sand management costs than the comparable period in 2017, which contributed to the decrease in operating income. Additionally, there were a number of one-time costs recorded during the first half of 2018 including $0.8 million in restructuring charges, a $0.4 million inventory write-down and $0.2 million in bad debt expense. Similarly, the Company had $1.0 million in one-time costs during the first six months of 2017 related to the retrofitting of equipment and $0.4 million of restructuring costs.

CORPORATE

Six Months Ended June 30,	**2018**	2017	Change
(C$000s) *(unaudited)*	***($)***	*($)*	*(%)*
Expenses			
Operating	**2,793**	1,735	61
SG&A	**25,148**	6,635	279
	27,941	8,370	234
Operating loss[1]	**(27,941)**	(8,370)	234
% of Revenue	**2.5**	1.4	79

[1] *Refer to "Non-GAAP Measures" on pages 22 and 23 for further information.*

OPERATING LOSS

Corporate expenses for the first six months in 2018 were $27.9 million compared to $8.4 million in the comparable period in 2017. Operating expenses were $1.1 million higher primarily due to higher personnel costs during the period. SG&A expenses increased by $18.5 million primarily due to a $14.1 million increase in stock-based compensation expense recorded during the first half of 2018. The remaining increase related to the full reinstatement of compensation, offset partially by the allocation of costs that were attributed to the Company's operating divisions.

DEPRECIATION

Depreciation expense for first six months in 2018 increased by 21 percent to $77.3 million from $63.7 million in the comparable period in 2017. The increase in depreciation was primarily due to the $76.3 million impairment reversal that was recorded during the fourth quarter of 2017 combined with capital expenditures related to the continued activation of fleets in North America during 2017 and 2018.

FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange loss of $33.1 million during the first six months in 2018 versus a loss of $12.6 million in the same period in 2017. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada and Argentina, and liabilities held in Canadian dollars in Russia. The Company's foreign exchange loss for the first six months of 2018 was largely attributable to the translation of U.S. dollar-denominated liabilities held in Argentina as the value of the Argentinean peso depreciated 56 percent against the U.S. dollar during the first half of 2018. U.S. dollar-denominated assets held in Canada partially offset the foreign exchange loss during the period.

INTEREST

The Company's interest expense was $63.8 million during the first six months in 2018 versus $43.4 million in 2017. The $20.4 million increase was partially due to the repayment of the Company's second lien term loan during the period which resulted in the write-off of the remaining deferred financing costs of $5.8 million. In addition, the Company closed a private offering of US$650.0 million aggregate principal amount of 8.50 percent senior notes during the second quarter, which were used to repay all of its outstanding 7.50 percent senior notes due 2020. The early repayment of these notes resulted in a make-whole interest payment of $10.4 million during the second quarter in 2018 and the write-off of the remaining $5.0 million unamortized deferred finance costs. The increase was offset partially by the impact of a stronger Canadian dollar relative to the U.S. dollar compared to the same period in 2017, which resulted in lower reported interest on the Company's U.S. dollar-denominated unsecured notes.

INCOME TAXES

The Company recorded an income tax recovery of $20.0 million during the first six months in 2018 compared to a recovery of $23.2 million in the comparable period in 2017. Positive income in the United States was more than offset by pre-tax losses incurred during the period in Canada, Russia and Argentina, which resulted in the tax recovery position. The effective tax recovery rate of 35 percent was consistent with the tax recovery rate of 36 percent in the comparable six-month period in 2017.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended June. 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
(C$000s) *(unaudited)*	***($)***	*($)*	***($)***	*($)*
Cash provided by (used in):				
Operating activities	**22,718**	(35,076)	**14,485**	(68,165)
Financing activities	**9,799**	28,009	**39,082**	42,544
Investing activities	**(33,650)**	(19,388)	**(80,957)**	(28,398)
Effect of exchange rate changes on cash and cash equivalents	**(16,057)**	(9,962)	**(12,353)**	(6,525)
Decrease in cash and cash equivalents	**(17,190)**	(36,417)	**(39,743)**	(60,544)

OPERATING ACTIVITIES

The Company's cash provided by operating activities for the three months ended June 30, 2018 was $22.7 million versus cash used of $35.1 million in the second quarter of 2017. The increase in cash provided by operations was primarily due to significantly improved operating results in the United States and a lower working capital requirement ($11.3 million versus $36.6 million). At June 30, 2018, Calfrac's working capital was approximately $361.6 million compared to $327.0 million at December 31, 2017.

FINANCING ACTIVITIES

Net cash provided by financing activities for the three months ended June 30, 2018 was $9.8 million compared to $28.0 million in the comparable period in 2017. During the three months ended June 30, 2018, the Company received net funds from the issuance of senior notes of $822.1 million, had net borrowings under its credit facilities of $157.2 million, proceeds of $0.8 million from the issuance of common shares, repaid senior notes totalling $773.8 million and made principal payments under its term loan of $196.5 million.

On May 31, 2018 the Company repaid in full the remaining $196.5 million principal amount of its second lien senior secured term loan facility with AIMCo. The term loan, which had a maturity date of September 30, 2020 provided Calfrac the right to prepay the loan prior to June 10, 2018 with a nominal prepayment premium.

On May 30, 2018, Calfrac closed a private offering of US$650.0 million aggregate principal amount of 8.50 percent senior notes due 2026. Fixed interest on the notes is payable on June 15 and December 15 of each year. The notes will mature on June 15, 2026, and provide Calfrac with the option to redeem up to 10% of the aggregate principal amount of the notes at a redemption price of 108.50% of the principal amount using the proceeds of asset sales at any time prior to December 15, 2019. The Company used a portion of the net proceeds from the offering of the notes to repay all of its outstanding 7.50 percent senior notes due 2020.

On May 9, 2018, Calfrac amended its credit facilities to exercise $100.0 million of accordion capacity which increased its total facility capacity from $275.0 million to $375.0 million. The facilities consist of an operating facility of $27.5 million and a syndicated facility of $347.5 million. The Company's credit facilities mature on June 1, 2020 and can be extended by one or more years at the Company's request and lenders' acceptance. The Company also may prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 0.50 percent to prime plus 2.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 3.50 percent above the respective base rates. The accordion feature of the syndicated facility was reduced to $100.0 million, and is available to the Company during the term of the agreement. The Company incurs interest at the high end of the ranges outlined above if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00, certain restrictions would apply including the following: (a) acquisitions will be subject to majority lender consent; (b) distributions will be restricted other than those relating to the Company's share unit plans, and no increase in the rate of dividends will be permitted; and (c) the Company will be prohibited from utilizing advances under the credit facilities to redeem or repay subordinated debt. As at June 30, 2018, the Company's net Total Debt to Adjusted EBITDA ratio was 3.75:1.00.

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

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

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

iii. 25 percent of the net book value of property, plant and equipment (PP&E) of the parent company and its U.S. operating subsidiary. The value of PP&E excludes assets under construction and is limited to $125.0 million.

At June 30, 2018, the Company had used $0.9 million of its credit facilities for letters of credit and had $215.0 million of borrowings under its credit facilities, leaving $159.1 million in available capacity under its credit facilities. As described above, the Company's credit facilities are subject to a monthly borrowing base calculation, which at June 30, 2018 resulted in a liquidity amount of $88.0 million.

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

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

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

Proceeds from equity offerings may be applied, as an equity cure, in the calculation of Adjusted EBITDA towards the Funded Debt to Adjusted EBITDA covenant for any of the quarters ending prior to and including June 30, 2020 subject to certain conditions including:

i. the Company is only permitted to use the proceeds of a common share issuance to increase Adjusted EBITDA a maximum of two times;

ii. the Company cannot use the proceeds of a common share issuance to increase Adjusted EBITDA in consecutive quarter ends;

iii. the maximum proceeds of each common share issuance permitted to be attributed to Adjusted EBITDA cannot exceed the greater of 50 percent of Adjusted EBITDA on a trailing four-quarter basis and $25.0 million; and

iv. if proceeds are not used immediately as an equity cure they must be held in a segregated bank account pending an election to use them for such purpose, and if they are removed from such account but not used as an equity cure they will no longer be eligible for such use.

On December 6, 2016, Calfrac closed a bought deal private placement of 21,055,000 common shares for net proceeds of approximately $56.6 million. On December 22, 2015, Calfrac closed a bought deal private placement of 20,370,370 common shares for net proceeds of approximately $25.2 million. $50.0 million of the net proceeds from these offerings were held in a segregated account pending an election to use them as an equity cure. On April 3, 2017, the Company elected to use the first of its two fully-funded $25.0 million equity cures effective as of the quarter ending on June 30, 2017. The September 2017 amendments to the credit facilities provided that the Company can utilize two equity cures during the term of the credit facilities subject to the conditions described above, and confirmed that the previously funded $25.0 million equity cure could continue to be held in a segregated account to be used as an equity cure if required at a future date. To utilize an equity cure, the Company must provide notice of any such election to the lending syndicate at any time prior to the filing of its quarterly financial statements for the applicable quarter on SEDAR. Amounts used as an equity cure prior to June 30, 2020 will increase Adjusted EBITDA over the relevant twelve-month rolling period and will also serve to reduce Funded Debt. The funds that were removed from the segregated account and utilized as an equity cure for the quarter ending on June 30, 2017, as described above, were used for general working capital and corporate purposes. On April 30, 2018, the remaining $25.0 million was removed from

the segregated account without being designated as an equity cure. This decision was based on the Company's Adjusted EBITDA performance during its most recent four-quarter period prior to such removal, combined with the supportive commodity price environment and visibility on future activity at the time. The funds were used to reduce outstanding indebtedness.

As shown in the table below, at June 30, 2018, the Company was in compliance with the financial covenants associated with its credit facilities.

	Covenant	**Actual**
As at June 30,	2018	**2018**
Working capital ratio not to fall below	1.15x	**2.43x**
Funded Debt to Adjusted EBITDA not to exceed	3.00x	**0.75x**
Funded Debt to Capitalization not to exceed	0.30x	**0.13x**

The Company's credit facilities also contain certain restrictions with respect to dispositions of property or assets in Canada and the United States. For such dispositions occurring on or prior to December 31, 2018, majority lender consent is required if the aggregate market value exceeds $40.0 million and for such dispositions occurring in a calendar year commencing January 1, 2019, majority lender consent is required if the aggregate market value exceeds $20.0 million. There are no restrictions pertaining to dispositions of property or assets outside of Canada and the United States, except that to the extent that advances under the credit facilities exceed $50.0 million at the time of any such dispositions, Calfrac must use the resulting proceeds to reduce the advances to less than $50.0 million before using the balance for other purposes.

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

i. the Company is in default under the indenture or the making of such payment would result in a default;

ii. the Company is not meeting the Fixed Charge Coverage Ratio[(1)] under the indenture of at least 2:1 for the most recent four fiscal quarters, with the restricted payments regime commencing once internal financial statements are available which show that the ratio is not met on a pro forma basis for the most recently ended four fiscal quarter period; or

iii. there is insufficient room for such payment within a builder basket included in the indenture.

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20.0 million. As at June 30, 2018 this basket was not utilized. The indenture also restricts the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of $375.0 million or 30 percent of the Company's consolidated tangible assets.

As at June 30, 2018, the Company's Fixed Charge Coverage Ratio of 3.37:1 was higher than the required 2:1 ratio so the aforementioned prohibitions will not be applicable as long as the Company remains above this ratio.

INVESTING ACTIVITIES

Calfrac's net cash used for investing activities was $33.7 million for the three months ended June 30, 2018 versus $19.4 million in the comparable period in 2017. Cash outflows relating to capital expenditures were $36.6 million during the second quarter in 2018 compared to $21.4 million in 2017. Capital expenditures were primarily to support the Company's North American fracturing operations. The Company disposed of assets during the second quarter for proceeds of $2.9 million compared to $2.0 million in the comparable quarter in 2017.

Calfrac's Board of Directors has approved a 2018 capital budget of $155.0 million.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the three months ended June 30, 2018 was a loss of $16.1 million versus a loss of $10.0 million during the comparable period in 2017. These losses relate to cash and cash equivalents held by the Company in a foreign currency.

With its working capital position, available credit facilities and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2018 and beyond.

At June 30, 2018, the Company had cash and cash equivalents of $13.0 million.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Employees have been granted both performance share units as well as options to purchase common shares under the Company's shareholder-approved equity compensation plans. The number of shares reserved for issuance under the stock option plan and performance share unit plan is equal to 10 percent of the Company's issued and outstanding common shares. As at July 20, 2018, there were 144,453,957 common shares issued and outstanding, 313,644 equity-based performance share units issued and outstanding and 9,996,845 options to purchase common shares.

BUSINESS UPDATE AND OUTLOOK

Calfrac's second-quarter results reflect continued strength in the Company's United States operations, combined with a very active quarter in Canada.

CANADA

In Canada, the second quarter began at a slow pace as spring break-up conditions impacted operations in April. However, activity increased significantly in May and June, which included a number of multi-well pad operations that provided consistent activity and revenue. As road conditions improved throughout May, the Company was able to realize high utilization across its Canadian operations.

Calfrac's coiled tubing service line continues to grow in 2018, supported by incremental assets redeployed from the United States. In addition to supporting the Company's fracturing operations, Calfrac expects to be able to provide a greater amount of well servicing work for new and existing clients, incremental to existing work associated with its fracturing operations.

Cost inflation has continued to impact Calfrac's Canadian operations, driven mainly by higher product and fuel costs. The Company continues to work with its customer base to share in these cost increases.

Continued strength in oil and liquids pricing should support strong activity levels through the third quarter and early into the fourth quarter across Calfrac's Canadian client base. With increasing intensity across existing plays and meaningful acceleration in the East Duvernay oil play, Calfrac believes that demand for fracturing services will grow and should result in constructive market dynamics. Based on current visibility, the Company anticipates a slowdown in the fourth quarter, albeit with a more typical pattern than the sharp decrease experienced in 2017.

UNITED STATES

The United States showed sequential improvement in the second quarter as a result of fleet reactivations, aided by improved productivity and no material impact from the industry sand network challenges that occurred in the first quarter. This growth was tempered by some breaks in completion schedules in Texas and New Mexico. The Company reactivated a 17th fracturing fleet in San Antonio which is now expected to commence work in August due to customer scheduling changes.

Of the 17 fracturing fleets active in the United States, 14 are large fleets while the remaining three fleets are approximately half the size of a standard fleet. With recent commentary surrounding the impact of production take-away capacity on the fracturing market in the United States, the Company continues to work closely with its clients to manage any issues that may arise. Calfrac expects that up to three of its fleets may experience lower utilization during the third quarter due to changes in client well completion schedules resulting in possible redeployments of fracturing crews into different operating districts. A number of opportunities for short and long-term work exist in most of Calfrac's U.S. operating districts, and the Company will seek to balance risk and growth when looking at any asset reallocation.

Cost inflation in the U.S. continued in the second quarter, with products and fuel experiencing the largest increases. Calfrac's work in the United States is covered by agreements that provide regular opportunities to pass through cost increases to clients, and the Company manages this as part of the normal course of business.

In the U.S., the horizontal rig count has increased by over 15% since the beginning of the year, and with continued improvement in oil prices, the Company's outlook for fracturing fundamentals remains optimistic despite the short-term issues related to take-away capacity in the Permian Basin.

RUSSIA

Calfrac's Russian operations experienced continued challenging operating conditions during the second quarter of 2018 which impacted activity levels through April and May. The majority of work not executed in the quarter has been rescheduled through the summer months and into the autumn, which should drive stronger results in Calfrac's Russian operations over this time frame.

ARGENTINA

Calfrac's operations in Argentina delivered a significant improvement in profitability in spite of a high level of variability in client work programs during the quarter. Internal cost control and a focus on field productivity remain central to short-term improvements, and should be aided by an expected increase in activity levels through the remainder of the year as producers ramp up activity in the Vaca Muerta shale basin.

Subsequent to the end of the second quarter, Calfrac purchased the 20 percent non-controlling interest in its Argentinean operations.

CORPORATE

Having completed a refinancing of the Company's long-term indebtedness, which included the repayment of the second lien term loan, Calfrac's focus at the Corporate level will be building free cash flow to reduce debt levels while examining opportunities to manage its fleet and client base for the long-term benefit of all stakeholders.

NON-GAAP MEASURES

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

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	2017	**2018**	2017
(C$000s) *(unaudited)*	***($)***	*($)*	***($)***	*($)*
Net loss	**(38,689)**	(22,370)	**(37,593)**	(41,963)
Add back (deduct):				
Depreciation	**39,008**	31,748	**77,289**	63,703
Foreign exchange losses	**32,471**	16,304	**33,149**	12,618
Loss on disposal of property, plant and equipment	**7,991**	1,391	**15,764**	2,668
Impairment of inventory	**2,058**	—	**2,058**	—
Interest	**43,060**	22,101	**63,814**	43,354
Income taxes	**(19,371)**	(12,434)	**(19,979)**	(23,245)
Operating income	**66,528**	36,740	**134,502**	57,135

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	2017	**2018**	2017
(C$000s) *(unaudited)*			***($)***	*($)*
Net loss	**(38,689)**	(22,370)	**(37,593)**	(41,963)
Add back (deduct):				
Depreciation	**39,008**	31,748	**77,289**	63,703
Unrealized foreign exchange losses	**41,075**	16,003	**42,116**	12,394
Loss on disposal of property, plant and equipment	**7,991**	1,391	**15,764**	2,668
Impairment of inventory	**1,479**	—	**2,058**	—
Provision for settlement of litigation	**—**	—	**—**	(139)
Restructuring charges	**11**	174	**779**	355
Stock-based compensation	**1,495**	1,279	**2,626**	2,303
Losses attributable to non-controlling interest	**5,851**	2,021	**7,989**	2,067
Interest	**43,060**	22,101	**63,814**	43,354
Income taxes	**(19,371)**	(12,434)	**(19,979)**	(23,245)
Adjusted EBITDA	**81,910**	39,913	**154,863**	61,497

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Calfrac has various contractual lease commitments related to vehicles, equipment and facilities as well as purchase obligations for products, services and property, plant and equipment as disclosed in the Company's 2017 annual consolidated financial statements.

GREEK LITIGATION

As described in note 14 to the interim consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. Management is of the view that it is improbable there will be a material financial impact to the Company as a result of these claims. Consequently, no provision was recorded in the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the three months ended June 30, 2018 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 annual consolidated financial statements.

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

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. In situations where the creditworthiness of a customer is uncertain, services are typically provided on receipt of cash in advance or services are declined. Customer payments are regularly monitored and a provision for doubtful accounts has been established based on the new impairment model under IFRS 9, which requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument. Calfrac's management believes that the provision for doubtful accounts receivable, which was $5.4 million at June 30, 2018, is adequate.

DEPRECIATION

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

FINANCIAL INSTRUMENTS

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes based on the closing market price at June 30, 2018 was $861.0 million before deduction of unamortized debt issuance costs and debt discount (December 31, 2017 – $743.1 million). The carrying value of the senior unsecured notes at June 30, 2018 was $855.9 million before deduction of unamortized debt issuance costs and debt discount (December 31, 2017 – $752.7 million). The fair values of the remaining long-term debt and finance lease obligations approximate their carrying values, as described in note 4 to the interim consolidated financial statements.

IMPAIRMENT

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

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

A substantial improvement in the commodity price environment occurred in the fourth quarter of 2017, and since December 2017, crude oil prices have averaged more than US$60 per barrel. The current and expected commodity price environment combined with the significant improvement in the operating and financial results of the Company's United States CGU unit was an indicator that the impairment loss previously recorded in December 2015 may no longer exist. In addition, the Company reviewed each of its CGUs for potential impairment. A comparison of the recoverable amounts of each CGU with their respective carrying amounts resulted in no impairment against property, plant and equipment and supported the reversal of a portion of the impairment loss that was previously recorded in the United States CGU. A reversal of impairment loss of $76.3 million was recorded in the fourth quarter of 2017. There were no further triggers or indications of impairment that warranted an assessment of impairment of the Company's property, plant and equipment during the three months ended June 30, 2018.

INCOME TAXES

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

STOCK-BASED COMPENSATION

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

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

FUNCTIONAL CURRENCY

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

CASH-GENERATING UNITS

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

RELATED-PARTY TRANSACTIONS

In November 2010, the Company loaned a senior officer $2.5 million to purchase common shares of the Company on the Toronto Stock Exchange (TSX). The loan is on a non-recourse basis and is secured by the common shares acquired with the loan proceeds. The loan was amended in February 2015 to extend the term by five years to November 8, 2020 and change the interest rate to the prescribed rate under the Income Tax Act (Canada), which rate was 1.0 percent per annum at the time of the amendment. The loan was subsequently amended in December 2016 to make it non-interest bearing, effective February 24, 2015. The market value of the shares that secure the loan was approximately $0.9 million as at June 30, 2018 (December 31, 2017 – $1.0 million). In accordance with applicable accounting standards regarding share purchase loans receivable, this loan is classified as a reduction of shareholders' equity due to its non-recourse nature. In addition, the shares purchased with the loan proceeds are considered to be, in substance, stock options.

The Company leases certain premises from a company controlled by Ronald P. Mathison, one of the Company's directors. The rent charged for these premises during the six months ended June 30, 2018 was $0.9 million (six months ended June 30, 2017 – $0.9 million), as measured at the exchange amount which is based on market rates.

CHANGES IN ACCOUNTING POLICIES

The IASB issued IFRS 15 *Revenue from Contracts with Customers,* a new standard for the recognition of revenue, which replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard is required to be adopted either retrospectively or using a modified retrospective approach. In accordance with the transition provisions in IFRS 15, the Company has adopted the new standard using the modified retrospective method; the cumulative effective of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings as of January 1, 2018. Comparative prior year periods are not restated. The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

The IASB issued the final version of IFRS 9 *Financial Instruments*, which is effective for annual periods beginning on or after January 1, 2018. IFRS 9, as amended, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a substantially reformed approach to hedge accounting and a new impairment model for financial assets. The Company has adopted the standard retrospectively from January 1, 2018, with the transition provisions permitted under the standard. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in the opening balance as of January 1, 2018. Comparative prior year periods are not restated. The adoption of IFRS 9 did not result in a significant change to the Company's consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize all leases on the balance sheet. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of the standard on its financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the interim period ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

BUSINESS RISKS

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

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

ADVISORIES

FORWARD-LOOKING STATEMENTS

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

In particular, forward-looking statements in this MD&A include, but are not limited to, statements with respect to expected operating strategies and targets, capital expenditure programs, future financial resources, use of funds held in the Company's segregated bank account (as an equity cure or otherwise), anticipated equipment utilization levels, future oil and natural gas well activity in each of the Company's operating jurisdictions, results of acquisitions, the impact of environmental regulations and economic reforms and sanctions on the Company's business, future costs or potential liabilities, projections of market prices and costs, supply and demand for oilfield services, expectations regarding the Company's ability to maintain its competitive position, anticipated benefits of the Company's competitive position, expectations regarding the Company's financing activities and restrictions including with regard to its credit agreement and the indenture pursuant to which its senior notes were issued and its ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events (including exposure under existing legal proceedings), expectations regarding trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth strategy and prospects, and the impact of changes in accounting policies and standards on the Company and its financial statements. These statements are derived from certain assumptions and analyses made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the economic and political environment in which the Company operates, the Company's expectations for its current and prospective customers' capital budgets and geographical areas of focus, the Company's existing contracts and the status of current negotiations with key customers and suppliers, the focus of the Company's customers on increasing the use of 24-hour operations in North America, the effectiveness of cost reduction measures instituted by the Company, the effect unconventional gas projects have had on supply and demand fundamentals for natural gas and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

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

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

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

ADDITIONAL INFORMATION

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

CONSOLIDATED BALANCE SHEETS

	June 30, 2018	December 31, 2017
(C$000s) (unaudited)	***($)***	*($)*
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	**13,006**	52,749
Accounts receivable	**408,071**	359,955
Income taxes recoverable	**2,995**	1,759
Inventories	**172,271**	145,072
Prepaid expenses and deposits	**18,746**	16,803
	615,089	576,338
Non-current assets		
Property, plant and equipment	**1,128,002**	1,114,685
Deferred income tax assets	**100,581**	86,943
Total assets	**1,843,672**	1,777,966
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**253,295**	246,943
Current portion of long-term debt (note 4)	**—**	2,169
Current portion of finance lease obligations	**181**	177
	253,476	249,289
Non-current liabilities		
Long-term debt (note 4)	**1,051,165**	958,825
Finance lease obligations	**646**	737
Deferred income tax liabilities	**30,778**	25,470
Total liabilities	**1,336,065**	1,234,321
Equity attributable to the shareholders of Calfrac		
Capital stock (note 5)	**503,204**	501,456
Contributed surplus	**37,285**	35,094
Loan receivable for purchase of common shares (note 10)	**(2,500)**	(2,500)
(Deficit) retained earnings	**(8,336)**	21,268
Accumulated other comprehensive (loss) income	**(649)**	2,728
	529,004	558,046
Non-controlling interest	**(21,397)**	(14,401)
Total equity	**507,607**	543,645
Total liabilities and equity	**1,843,672**	1,777,966

Contingencies (note 14)
See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
(C$000s, except per share data) (unaudited)	***($)***	*($)*	***($)***	*($)*
Revenue	**544,602**	325,344	**1,127,440**	594,159
Cost of sales (note 12)	**492,759**	307,680	**1,021,146**	577,310
Gross profit	**51,843**	17,664	**106,294**	16,849
Expenses				
Selling, general and administrative	**24,323**	12,672	**49,081**	23,417
Foreign exchange losses	**32,471**	16,304	**33,149**	12,618
Loss on disposal of property, plant and equipment	**7,991**	1,391	**15,764**	2,668
Impairment of inventory	**2,058**	—	**2,058**	—
Interest	**43,060**	22,101	**63,814**	43,354
	109,903	52,468	**163,866**	82,057
Loss before income tax	**(58,060)**	(34,804)	**(57,572)**	(65,208)
Income tax expense (recovery)				
Current	**(569)**	708	**(319)**	1,544
Deferred	**(18,802)**	(13,142)	**(19,660)**	(24,789)
	(19,371)	(12,434)	**(19,979)**	(23,245)
Net loss	**(38,689)**	(22,370)	**(37,593)**	(41,963)
Net loss attributable to:				
Shareholders of Calfrac	**(32,838)**	(20,349)	**(29,604)**	(39,896)
Non-controlling interest	**(5,851)**	(2,021)	**(7,989)**	(2,067)
	(38,689)	(22,370)	**(37,593)**	(41,963)
Loss per share (note 5)				
Basic	**(0.23)**	(0.15)	**(0.21)**	(0.29)
Diluted	**(0.23)**	(0.15)	**(0.21)**	(0.29)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
(C$000s) (unaudited)	***($)***	*($)*	***($)***	*($)*
Net loss	**(38,689)**	(22,370)	**(37,593)**	(41,963)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustment	**(2,061)**	(1,195)	**(2,384)**	5,107
Comprehensive loss	**(40,750)**	(23,565)	**(39,977)**	(36,856)
Comprehensive loss attributable to:				
Shareholders of Calfrac	**(35,883)**	(21,566)	**(32,981)**	(34,803)
Non-controlling interest	**(4,867)**	(1,999)	**(6,996)**	(2,053)
	(40,750)	(23,565)	**(39,977)**	(36,856)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to the Shareholders of Calfrac							
	Share Capital	Contributed Surplus	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total	Non-Controlling Interest	**Total Equity**
(C$000s) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
Balance – Jan. 1, 2018	**501,456**	**35,094**	**(2,500)**	**2,728**	**21,268**	**558,046**	**(14,401)**	**543,645**
Net loss	—	—	—	—	(29,604)	(29,604)	(7,989)	**(37,593)**
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	(3,377)	—	(3,377)	993	**(2,384)**
Comprehensive loss	—	—	—	(3,377)	(29,604)	(32,981)	(6,996)	**(39,977)**
Stock options:								
Stock-based compensation recognized (note 6)	—	2,205	—	—	—	2,205	—	**2,205**
Proceeds from issuance of shares	1,748	(435)	—	—	–	1,313	—	**1,313**
Performance share units:								
Stock-based compensation recognized (note 6)	—	421	—	—	—	421	—	**421**
Balance – Jun. 30, 2018	**503,204**	**37,285**	**(2,500)**	**(649)**	**(8,336)**	**529,004**	**(21,397)**	**507,607**
Balance – Jan. 1, 2017	466,445	36,040	(2,500)	(8,736)	15,329	506,578	(9,120)	497,458
Net loss	—	—	—	—	(39,896)	(39,896)	(2,067)	(41,963)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	5,093	—	5,093	14	5,107
Comprehensive income (loss)	—	—	—	5,093	(39,896)	(34,803)	(2,053)	(36,856)
Stock options:								
Stock-based compensation recognized (note 6)	—	2,303	—	—	—	2,303	—	2,303
Proceeds from issuance of shares	350	(75)	—	—	—	275	—	275
Balance – Jun. 30, 2017	466,795	38,268	(2,500)	(3,643)	(24,567)	474,353	(11,173)	463,180

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
(C$000s) (unaudited)	***($)***	*($)*	***($)***	*($)*
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss	**(38,689)**	(22,370)	**(37,593)**	(41,963)
Adjusted for the following:				
Depreciation	**39,008**	31,748	**77,289**	63,703
Stock-based compensation	**1,495**	1,279	**2,626**	2,303
Unrealized foreign exchange losses	**41,075**	16,003	**42,116**	12,394
Loss on disposal of property, plant and equipment	**7,991**	1,391	**15,764**	2,668
Impairment of inventory	**2,058**	—	**2,058**	—
Interest	**43,060**	22,101	**63,814**	43,354
Interest paid	**(43,224)**	(35,510)	**(47,838)**	(40,430)
Deferred income taxes	**(18,802)**	(13,142)	**(19,660)**	(24,789)
Changes in items of working capital (note 8)	**(11,254)**	(36,576)	**(84,091)**	(85,405)
Cash flows provided by (used in) operating activities	**22,718**	(35,076)	**14,485**	(68,165)
FINANCING ACTIVITIES				
Issuance of long-term debt, net of debt issuance costs	**1,019,367**	28,729	**1,048,848**	43,729
Long-term debt repayments	**(1,010,368)**	(629)	**(1,010,992)**	(1,256)
Finance lease obligation repayments	**(44)**	(105)	**(87)**	(204)
Proceeds on issuance of common shares	**844**	14	**1,313**	275
Cash flows provided by financing activities	**9,799**	28,009	**39,082**	42,544
INVESTING ACTIVITIES				
Purchase of property, plant and equipment (note 8)	**(36,553)**	(21,385)	**(85,774)**	(31,768)
Proceeds on disposal of property, plant and equipment	**2,903**	1,997	**4,824**	3,370
Other	**—**	—	**(7)**	—
Cash flows used in investing activities	**(33,650)**	(19,388)	**(80,957)**	(28,398)
Effect of exchange rate changes on cash and cash equivalents	**(16,057)**	(9,962)	**(12,353)**	(6,525)
Decrease in cash and cash equivalents	**(17,190)**	(36,417)	**(39,743)**	(60,544)
Cash and cash equivalents, beginning of period	**30,196**	85,790	**52,749**	109,917
Cash and cash equivalents, end of period (note 3)	**13,006**	49,373	**13,006**	49,373

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2018 and 2017

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

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC). They should be read in conjunction with the annual financial statements for the year ended December 31, 2017. Unless otherwise noted, the Company has consistently applied the same accounting policies throughout all periods presented, as if these policies were always in effect.

These financial statements were approved by the Audit Committee of the Board of Directors for issuance on July 25, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Changes in Accounting Policies and Disclosure

The IASB issued IFRS 15 *Revenue from Contracts with Customers,* a new standard for the recognition of revenue, which replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard is required to be adopted either retrospectively or using a modified retrospective approach. In accordance with the transition provisions in IFRS 15, the Company has adopted the new standard using the modified retrospective method; the cumulative effective of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings as of January 1, 2018. Comparative prior year periods are not restated. The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

The IASB issued the final version of IFRS 9 *Financial Instruments*, which is effective for annual periods beginning on or after January 1, 2018. IFRS 9, as amended, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a substantially reformed approach to hedge accounting and a new impairment model for financial assets. The Company has adopted the standard retrospectively from January 1, 2018, with the transition provisions permitted under the standard. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in the opening balance as of January 1, 2018. Comparative prior year periods are not restated. The adoption of IFRS 9 did not result in a significant change to the Company's consolidated financial statements.

(b) Revenue Recognition

Effective January 1, 2018, upon adoption of IFRS 15 *Revenue from Contracts with Customers*, the Company recognizes revenue for services rendered when the performance obligations have been completed, as control of the services transfer to the customer, when the services performed have been accepted by the customer, and collectability is reasonably assured. The consideration for services rendered is measured at the fair value of the consideration received and allocated based on their standalone selling prices. The standalone selling prices are determined based on the agreed upon list prices at which the Company sells its services in separate transactions. Payment terms with customers vary by country and contract. Standard payment terms are 30 days from invoice date.

Revenue for the sale of product is recognized when control or ownership of the product is transferred to the customer and collectability is reasonably assured.

Revenue is measured net of returns, trade discounts and volume discounts.

The Company does not expect to have any revenue contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

See note 11 for further information on revenue.

(c) Financial Instruments

The new guidance under IFRS 9 *Financial Instruments* does not affect the Company's classification, measurement and recognition of financial assets and financial liabilities. The Company does not have any hedging arrangements.

The new impairment model under IFRS 9 requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument.

i) Classification

From January 1, 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains and losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in profit or loss.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or less. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

See note 7 for further information on financial instruments.

(d) Recently Issued Accounting Standards Not Yet Applied

In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize all leases on the balance sheet. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of the standard on its financial statements.

3. CASH AND CASH EQUIVALENTS

During 2016, the Company received net proceeds of $56,636 from a private placement offering of 21,055,000 common shares for total gross proceeds of $60,007. Share issuance costs for the transaction were $3,371, resulting in net proceeds of $56,636.

Prior to April 3, 2017, $50,000 of the net proceeds from the private placement was held in a segregated account. These funds were available for use at the Company's discretion and were eligible to be transferred to its operating bank account at any time. The Company could also elect to use the proceeds as an equity cure. When the proceeds are utilized as an equity cure, the funds are transferred to the Company's operating bank account and are available for use at the Company's discretion. In addition, proceeds used in this manner would be applied as a reduction of Funded Debt and included in the calculation of EBITDA for purposes of the Company's Funded Debt to EBITDA bank covenant.

On April 3, 2017, the Company elected to use the first of its two fully-funded $25,000 equity cures effective as of the quarter ending on June 30, 2017. On April 30, 2018, the remaining $25,000 was transferred from the segregated account without being designated as an equity cure.

4. LONG-TERM DEBT

	June 30, 2018	December 31, 2017
(C$000s)	***($)***	*($)*
US$650,000 senior unsecured notes (December 31, 2018 – US$600,000) due June 15, 2026, bearing interest at 8.50% payable semi-annually	**855,920**	752,700
$200,000 second lien senior secured term loan facility due September 30, 2020, bearing interest at 9% payable quarterly, secured by the Canadian and U.S. assets of the Company on a second priority basis	**—**	197,000
$347,500 extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company	**215,000**	25,000
Less: unamortized debt issuance costs	**(19,755)**	(13,875)
	1,051,165	960,825
US$nil mortgage matured on May 2018 bearing interest at U.S. prime less 1%, repayable at US$33 per month principal and interest, secured by certain real property	**—**	169
	1,051,165	960,994
Less: current portion of long-term debt	**—**	(2,169)
	1,051,165	958,825

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at June 30, 2018, was $861,021 (December 31, 2017 – $743,111). The carrying value of the revolving term loan facility approximates its fair value as the interest rate is not significantly different from current interest rates for similar loans.

On May 30, 2018, the Company closed a private offering of US$650,000 aggregate principal amount of its 8.50 percent senior notes due 2026. Fixed interest on the notes is payable on June 15 and December 15 of each year. The notes will mature on June 15, 2026, and provide the Company with the option to redeem up to 10% of the aggregate principal amount of the notes at a redemption price of 108.50% of the principal amount with the proceeds of asset sales at any time prior to December 15, 2019. The Company used a portion of the net proceeds from the offering of the notes to repay all of its outstanding 7.50 percent

senior notes due 2020. The early repayment of these notes resulted in a make-whole interest payment of $10,403 and the write-off of the remaining $5,023 unamortized deferred finance costs.

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

On May 9, 2018, the Company amended its credit facilities to exercise $100,000 of accordion capacity, bringing the total facilities from $275,000 to $375,000. The facilities consist of an operating facility of $27,500 and a revolving term loan facility of $347,500. The Company's credit facilities mature on June 1, 2020 and can be extended by one or more years at the Company's request and lenders' acceptance. The Company also may prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 0.50 percent to prime plus 2.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 3.50 percent above the respective base rates. The accordion feature of the revolving term loan facility was reduced to $100,000, and is available to the Company during the term of the agreement. The Company incurs interest at the high end of the ranges outlined above if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00, certain restrictions would apply including the following: (a) acquisitions will be subject to majority lender consent; (b) distributions will be restricted other than those relating to the Company's share unit plans; and (c) the Company will be prohibited from utilizing advances under the credit facilities to redeem or repay subordinated debt. As at June 30, 2018, the Company's net Total Debt to Adjusted EBITDA ratio was 3.75:1.00.

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

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the six months ended June 30, 2018 was $64,023 (six months ended June 30, 2017 – $43,446).

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

	2018
(C$000s)	*($)*
Balance, January 1	960,994
Issuance of long-term debt, net of debt issuance costs	1,048,848
Long-term debt repayments	(1,010,992)
Amortization of debt issuance costs and debt discount	14,050
Foreign exchange adjustments	38,265
Balance, June 30	1,051,165

At June 30, 2018, the Company had utilized $856 of its loan facility for letters of credit and had $215,000 outstanding under its revolving term loan facility, leaving $159,144 in available credit, subject to a monthly borrowing base calculation, which at June 30, 2018 resulted in a liquidity amount of $88,033.

See note 9 for further details on the covenants in respect of the Company's long-term debt.

5. CAPITAL STOCK

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

	Six Months Ended June 30, 2018		Year Ended, December 31, 2017	
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	***($000s)***	*(#)*	*($000s)*
Balance, beginning of period	**143,755,741**	**501,456**	136,634,590	466,445
Issued upon exercise of stock options	**460,999**	**1,748**	186,375	472
Issued upon exercise of warrants (note 6)	**—**	**—**	6,934,776	34,539
Balance, end of period	**144,216,740**	**503,204**	143,755,741	501,456

The weighted average number of common shares outstanding for the three months ended June 30, 2018 was 143,911,177 basic and 146,715,448 diluted (three months ended June 30, 2017 – 136,600,189 basic and 137,928,808 diluted). The weighted average number of common shares outstanding for the six months ended June 30, 2018 was 143,817,285 basic and 146,673,124 diluted (six months ended June 30, 2017 – 136,579,187 basic and 138,180,906 diluted). The difference between basic and diluted shares is attributable to the dilutive effect of stock options and warrants issued by the Company as disclosed in note 6.

6. SHARE-BASED PAYMENTS

(a) Stock Options

Six Months Ended June 30,	**2018**		2017	
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	***($)***	*(#)*	*($)*
Balance, January 1	**9,616,173**	**5.30**	7,246,386	6.62
Granted during the period	**1,411,719**	**5.79**	4,114,200	4.76
Exercised for common shares	**(460,999)**	**2.85**	(138,125)	1.99
Forfeited	**(324,398)**	**5.64**	(682,214)	8.57
Expired	**(95,650)**	**12.56**	(61,500)	13.39
Balance, June 30	**10,146,845**	**5.40**	10,478,747	5.79

Stock options vest equally over three to four years and expire five years from the date of grant. The exercise price of outstanding options range from $1.34 to $20.81 with a weighted average remaining life of 2.94 years. When stock options are exercised, the proceeds together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

The weighted average fair value of options granted during 2018, determined using the Black-Scholes valuation method, was $2.55 per option (six months ended June 30, 2017 – $2.12 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

Six Months Ended June 30,	**2018**	2017
Expected life (years)	**3.00**	3.50
Expected volatility	**63.54%**	64.10%
Risk-free interest rate	**1.91%**	0.89%
Expected dividends	**$0.00**	$0.00

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

(b) Share Units

Six Months Ended June 30,	**2018**			2017		
Continuity of Stock Units	**Deferred Share Units**	**Performance Share Units**	**Restricted Share Units**	Deferred Share Units	Performance Share Units	Restricted Share Units
	(#)	*(#)*	*(#)*	*(#)*	*(#)*	*(#)*
Balance, January 1	**145,000**	**683,665**	**4,275,183**	145,000	639,330	2,757,850
Granted during the period	**145,000**	**754,700**	**—**	145,000	124,000	2,461,500
Exercised	**(145,000)**	**(232,249)**	**(866,933)**	(145,000)	—	—
Forfeited	**—**	**(102,516)**	**(181,500)**	—	(79,665)	(619,140)
Balance, June 30	**145,000**	**1,103,600**	**3,226,750**	145,000	683,665	4,600,210

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	2017	**2018**	2017
	($)	*($)*	*($)*	*($)*
Expense (recovery) from:				
Stock options	**1,149**	1,279	**2,205**	2,303
Deferred share units	**191**	44	**441**	204
Performance share units	**994**	(565)	**1,712**	(1,560)
Restricted share units	**2,623**	(2,527)	**5,690**	(4,995)
Total stock-based compensation expense	**4,957**	(1,769)	**10,048**	(4,048)

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

The Company grants deferred share units to its outside directors. These units vest in November of the year of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred share units is recognized equally over the vesting period, based on the current market price of the Company's shares. At June 30, 2018, the liability pertaining to deferred share units was $405 (December 31, 2017 – $867).

The Company grants performance share units to a senior officer. 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 share units, performance share units are settled either in cash or Company shares purchased on the open market. At June 30, 2018, the liability pertaining to performance share units was $870 (December 31, 2017 – $1,389).

In 2018, the Company expanded its performance share unit plan to its employees. These performance share units contain a cash-based component and an equity-based component. The cash-based component vests over three years based on corporate financial performance thresholds and are settled either in cash (equal to the market value of the underlying shares at the time of vesting) or in Company shares purchased on the open market. The equity-based component vests over three years without any further conditions and are settled in treasury shares issued by the Company. At June 30, 2018, the liability pertaining to the cash-based component of performance share units was $388 (December 31, 2017 – $nil).

Prior to 2018, the Company granted restricted share units to its employees. These units vest over three years and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the restricted share units is recognized over the vesting period, based on the current market price of the Company's shares. At June 30, 2018, the liability pertaining to restricted share units was $5,752 (December 31, 2017 – $5,096).

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

(c) Warrants

In conjunction with the second lien senior secured term loan facility as disclosed in note 4, 6,934,776 warrants to purchase common shares of the Company were issued during 2016, entitling the holder to acquire up to 6,934,776 common shares at a price of $4.14 per common share. On November 6, 2017, all the warrants were exercised, for total proceeds of $28,709.

7. FINANCIAL INSTRUMENTS

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

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes based on the closing market price at June 30, 2018 was $861,021 before deduction of unamortized debt issuance costs (December 31, 2017 – $743,111). The carrying value of the senior unsecured notes at June 30, 2018 was $855,920 before deduction of unamortized debt issuance costs and debt discount (December 31, 2017 – $752,700). The fair values of the remaining long-term debt approximate their carrying values, as described in note 4.

The adoption of IFRS 9 *Financial Instruments* requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Company's assessment, a small increase in the allowance for doubtful accounts of approximately 0.14% was recorded, using the lifetime expected credit loss model. The expected credit loss rates are based on actual credit loss experience over the past six years for each operating segment. The adjustment to allowance for doubtful accounts on initial application of IFRS 9 ranged from $38 to $164 depending on the operating segment for a total additional provision of $353.

The loss allowance provision for trade accounts receivable as at June 30, 2018 reconciles to the opening loss allowance provision as follows:

	2018
(C$000s)	*($)*
Balance, January 1 – calculated under IAS 39	4,649
Increase in loan loss allowance per IFRS 9	353
Receivables written off during period as uncollectible	113
Foreign exchange adjustments	245
Balance, June 30	5,360

8. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	2017	**2018**	2017
(C$000s)	***($)***	*($)*	***($)***	*($)*
Accounts receivable	**71,758**	(28,459)	**(48,116)**	(98,691)
Inventory	**(17,657)**	(6,558)	**(29,257)**	(15,383)
Prepaid expenses and deposits	**(3,843)**	(1,123)	**(1,943)**	(2,265)
Accounts payable and accrued liabilities	**(60,450)**	226	**(3,539)**	31,001
Income taxes recoverable	**(1,062)**	(662)	**(1,236)**	(67)
	(11,254)	(36,576)	**(84,091)**	(85,405)

Purchase of property, plant and equipment is comprised of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
(C$000s)	***($)***	*($)*	***($)***	*($)*
Property, plant and equipment additions	**(42,404)**	(22,358)	**(93,738)**	(35,323)
Change in liabilities related to purchase of property, plant and equipment	**5,851**	973	**7,964**	3,555
	(36,553)	(21,385)	**(85,774)**	(31,768)

9. CAPITAL STRUCTURE

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

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

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

For the Twelve Months Ended	**June 30, 2018**	December 31, 2017
(C$000s)	***($)***	*($)*
Net income	**4,956**	586
Adjusted for the following:		
Depreciation	**144,379**	130,793
Reversal of impairment of property, plant and equipment	**(76,296)**	(76,296)
Foreign exchange losses	**54,804**	34,273
Loss on disposal of property, plant and equipment	**26,135**	13,039
Impairment of inventory	**2,058**	—
Interest	**105,910**	85,450
Income taxes	**(4,459)**	(7,725)
Operating income	**257,487**	180,120

Net debt for this purpose is calculated as follows:

As at	**June 30, 2018**	December 31, 2017
(C$000s)	***($)***	*($)*
Long-term debt, net of debt issuance costs and debt discount (note 4)	**1,051,165**	960,994
Finance lease obligations	**827**	914
Less: cash and cash equivalents	**(13,006)**	(52,749)
Net debt	**1,038,986**	909,159

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

At June 30, 2018, the net debt to operating income ratio was 4.04:1 (December 31, 2017 – 5.05:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended	**June 30, 2018**	December 31, 2017
(C$000s, except ratio)	***($)***	*($)*
Net debt	**1,038,986**	909,159
Operating income	**257,487**	180,120
Net debt to operating income ratio	**4.04:1**	5.05:1

The Company is subject to certain financial covenants relating to working capital, leverage and the generation of cash flow in respect of its operating and revolving credit facilities. These covenants are monitored on a monthly basis. At June 30, 2018 and December 31, 2017, the Company was in compliance with its covenants with respect to its credit facilities.

As at June 30,	Covenant 2018	**Actual 2018**
Working capital ratio not to fall below	**1.15x**	**2.43x**
Funded Debt to Adjusted EBITDA not to exceed[(1)(2)]	**3.00x**	**0.75x**
Funded Debt to Capitalization not to exceed[(1)(3)]	**0.30x**	**0.13x**

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

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

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

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

iii. 25 percent of the net book value of property, plant and equipment (PP&E) of the parent company and its U.S. operating subsidiary. The value of PP&E excludes assets under construction and is limited to $125,000.

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

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

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20,000. As at June 30, 2018, this basket was not utilized.

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

As at June 30, 2018, the Company's Fixed Charge Coverage Ratio of 3.37:1 was higher than the required 2:1 ratio and the aforementioned prohibitions will not be applicable as long as the Company remains above this ratio.

The Company has measures in place to ensure that it has sufficient liquidity to navigate the cyclical nature of the oilfield services sector and safeguard the Company's ability to continue as a going concern. The Company negotiated amendments to its credit facilities to provide increased financial flexibility. These amendments include an "Equity Cure" feature pursuant to which proceeds from equity offerings may be applied as both an adjustment in the calculation of Adjusted EBITDA and as a reduction of Funded Debt towards the Funded Debt to Adjusted EBITDA ratio covenant for any of the quarters ending prior to and including June 30, 2020, subject to certain conditions including:

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

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

On April 3, 2017, the Company elected to use the first of its two fully-funded $25,000 equity cures effective as of the quarter ending on June 30, 2017. On April 30, 2018, the remaining $25,000 was removed from the segregated account without being designated as an equity cure.

10. RELATED-PARTY TRANSACTIONS

In November 2010, the Company lent a senior officer $2,500 to purchase common shares of the Company on the Toronto Stock Exchange. The loan is on a non-recourse basis and is secured by the common shares acquired with the loan proceeds. The loan was amended in February 2015 to extend the term by five years to November 8, 2020 and change the interest rate to the prescribed rate under the Income Tax Act (Canada), which rate was 1.0 percent per annum at the time of the amendment. The loan was subsequently amended in December 2016 to make it non-interest bearing, effective February 24, 2015. The market value of the shares that secure the loan was approximately $944 as at June 30, 2018 (December 31, 2017 – $1,012). In accordance with applicable accounting standards regarding share purchase loans receivable, this loan is classified as a reduction of shareholders' equity due to its non-recourse nature. In addition, the shares purchased with the loan proceeds are considered to be, in substance, stock options.

The Company leases certain premises from a company controlled by Ronald P. Mathison, one of the Company's directors. The rent charged for these premises during the six months ended June 30, 2018 was $871 (six months ended June 30, 2017 – $871), as measured at the exchange amount which is based on market rates.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

The IASB issued IFRS 15 *Revenue from Contracts with Customers,* a new standard for the recognition of revenue, which replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

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

	Canada	United States	Russia	Argentina	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*
Three Months Ended June 30, 2018					
Fracturing	**119,198**	**340,752**	**20,837**	**25,775**	**506,562**
Coiled tubing	**12,619**	**—**	**4,188**	**9,637**	**26,444**
Cementing	**—**	**—**	**—**	**3,216**	**3,216**
Product sales	**55**	**1,284**	**—**	**—**	**1,339**
Other	**—**	**—**	**—**	**7,041**	**7,041**
	131,872	**342,036**	**25,025**	**45,669**	**544,602**
Three Months Ended June 30, 2017					
Fracturing	100,804	148,900	26,367	15,528	291,599
Coiled tubing	10,137	—	5,125	5,017	20,279
Cementing	—	—	—	4,920	4,920
Product sales	372	5,046	—	—	5,418
Other	—	—	—	3,128	3,128
	111,313	153,946	31,492	28,593	325,344

	Canada	United States	Russia	Argentina	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*
Six Months Ended June 30, 2018					
Fracturing	**291,781**	**655,831**	**47,588**	**53,983**	**1,049,183**
Coiled tubing	**25,615**	**—**	**8,672**	**16,421**	**50,708**
Cementing	**—**	**—**	**—**	**5,819**	**5,819**
Product sales	**4,204**	**2,185**	**—**	**—**	**6,389**
Other	**—**	**—**	**—**	**15,341**	**15,341**
	321,600	**658,016**	**56,260**	**91,564**	**1,127,440**
Six Months Ended June 30, 2017					
Fracturing	200,287	246,944	50,154	30,441	527,826
Coiled tubing	21,672	—	9,064	9,901	40,637
Cementing	—	—	—	13,473	13,473
Product sales	372	5,046	—	—	5,418
Other	—	—	—	6,805	6,805
	222,331	251,990	59,218	60,620	594,159

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

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

12. PRESENTATION OF EXPENSES

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

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

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	2017	**2018**	2017
(C$000s)	***($)***	*($)*	***($)***	*($)*
Product costs	**169,650**	101,799	**355,831**	182,180
Personnel costs	**122,727**	74,328	**242,801**	141,959
Depreciation	**39,008**	31,748	**77,289**	63,703
Other operating costs	**161,374**	99,805	**345,225**	189,468
	492,759	307,680	**1,021,146**	577,310

13. EMPLOYEE BENEFITS EXPENSE

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	2017	**2018**	2017
(C$000s)	***($)***	*($)*	***($)***	*($)*
Salaries and short-term employee benefits	**123,109**	74,286	**244,086**	141,900
Post-employment benefits (group retirement savings plan)	**2,764**	42	**4,944**	42
Share-based payments	**4,957**	(1,769)	**10,048**	(4,048)
Termination benefits	**279**	174	**1,391**	355
	131,109	72,733	**260,469**	138,249

14. CONTINGENCIES

GREEK LITIGATION

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

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $10,515 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. As a result of Denison's participation in the consortium that was named in the lawsuit,

the Company has been served with three separate payment orders, one on March 24, 2015 and two others on December 29, 2015. The Company was also served with an enforcement order on November 23, 2015. Oppositions have been filed on behalf of the Company in respect of each of these orders which oppose the orders on the basis that they were improperly issued and are barred from a statute of limitations perspective. The salaries in arrears sought to be recovered through these orders are part of the $10,515 (6,846 euros) cited above and the interest being sought in respect of these orders is part of the $27,489 (17,896 euros) cited below. Provisional orders granting a temporary suspension of any enforcement proceedings have been granted in respect of all of the orders that have been served. The order served on March 24, 2015 was heard on November 24, 2015 and a decision was issued on November 25, 2016 accepting the Company's opposition on the basis that no lawful service of Judgment No 4528/2008 had taken place until the filing of the opponents' petition and/or the issuance of the payment order. The plaintiffs have filed an appeal against the above decision which has been scheduled to be heard on October 16, 2018. A hearing in respect of the order served on November 23, 2015 was adjourned until October 31, 2018. A hearing in respect of the orders served in December of 2015 scheduled for September 20, 2016 was adjourned until November 21, 2016 and two decisions were issued on January 9, 2017 accepting the Company's oppositions on a statute of limitations basis. The plaintiffs have filed appeals against the above decisions, which are scheduled to be heard on October 16, 2018.

NAPC is also the subject of a claim for approximately $4,396 (2,862 euros) plus associated penalties and interest from the Greek social security agency for social security obligations associated with the salaries in arrears that are the subject of the above-mentioned decision.

The maximum aggregate interest and penalties payable under the claims noted above, as well as three other immaterial claims against NAPC totaling $888 (578 euros), amounted to $27,489 (17,896 euros) as at June 30, 2018.

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

15. SEGMENTED INFORMATION

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

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

	Canada	**United States**	**Russia**	**Argentina**	**Corporate**	**Consolidated**
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Three Months Ended June 30, 2018						
Revenue	**131,872**	**342,036**	**25,025**	**45,669**	**—**	**544,602**
Operating income (loss)[1]	**11,150**	**69,024**	**(795)**	**2,081**	**(14,932)**	**66,528**
Segmented assets	**635,880**	**965,905**	**101,248**	**140,639**	**—**	**1,843,672**
Capital expenditures	**11,807**	**27,974**	**1,693**	**930**	**—**	**42,404**
Three Months Ended June 30, 2017						
Revenue	111,313	153,946	31,492	28,593	—	325,344
Operating income (loss)[1]	13,190	25,177	4,839	(2,241)	(4,225)	36,740
Segmented assets	625,264	741,006	107,640	148,198	—	1,622,108
Capital expenditures	10,754	10,336	791	477	—	22,358

	Canada	United States	Russia	Argentina	Corporate	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Six Months Ended June 30, 2018						
Revenue	**321,600**	**658,016**	**56,260**	**91,564**	**—**	**1,127,440**
Operating income (loss)[1]	**42,860**	**122,273**	**(1,753)**	**(937)**	**(27,941)**	**134,502**
Segmented assets	**635,880**	**965,905**	**101,248**	**140,639**	**—**	**1,843,672**
Capital expenditures	**23,929**	**65,556**	**1,762**	**2,491**	**—**	**93,738**
Six Months Ended June 30, 2017						
Revenue	222,331	251,990	59,218	60,620	—	594,159
Operating income (loss)[1]	25,633	35,177	4,713	(18)	(8,370)	57,135
Segmented assets	625,264	741,006	107,640	148,198	—	1,622,108
Capital expenditures	14,893	18,023	940	1,467	—	35,323

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
(C$000s)	*($)*	*($)*	*($)*	*($)*
Net loss	**(38,689)**	(22,370)	**(37,593)**	(41,963)
Add back (deduct):				
Depreciation	**39,008**	31,748	**77,289**	63,703
Foreign exchange losses	**32,471**	16,304	**33,149**	12,618
Loss on disposal of property, plant and equipment	**7,991**	1,391	**15,764**	2,668
Impairment of inventory	**2,058**	—	**2,058**	—
Interest	**43,060**	22,101	**63,814**	43,354
Income taxes	**(19,371)**	(12,434)	**(19,979)**	(23,245)
Operating income	**66,528**	36,740	**134,502**	57,135

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

16. SEASONALITY OF OPERATIONS

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

17. SUBSEQUENT EVENT

Subsequent to June 30, 2018, the Company entered into an agreement to acquire the 20 percent non-controlling interest in its subsidiary Calfrac Well Services (Argentina) S.A.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Douglas R. Ramsay (3)(4)
Vice Chairman
Calfrac Well Services Ltd.

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

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

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

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

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

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

OFFICERS

Fernando Aguilar
President & Chief Executive Officer

Lindsay R. Link
Chief Operating Officer

Michael D. Olinek
Chief Financial Officer

Armando J. Bertolin
Director General, Latin American Division

Tom J. Medvedic
President, Canadian Division

Robert L. Sutherland
President, Russian Division

Fred L. Toney
President, United States Division

J. Michael Brown
Vice President, Technical Services

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

Chris K. Gall
Vice President, Global Supply Chain

Joel Gaucher
General Counsel & Corporate Secretary

Roderick P. Kuntz
Vice President, HS&E

Chad J. Leier
Vice President, Sales & Marketing, Canadian Division

Gordon T. Milgate
Vice President, Operations, Canadian Division

Edward L. Oke
Vice President, Human Resources

B. Mark Paslawski
Vice President, Corporate Development

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

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

Scott A. Treadwell
Vice President, Capital Markets & Strategy

Matthew L. Mignault
Corporate Controller

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