THE RIGHT PLACE. THE RIGHT TIME. THE RIGHT PEOPLE.

Q3 THIRD QUARTER INTERIM REPORT

For the Three Months and Nine Months Ended September 30, 2010

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	**2010**	2009	Change
(000s, except per share and unit data) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Financial						
Revenue	**275,245**	133,261	107	**667,217**	418,376	59
Operating income[1]	**69,366**	16,499	320	**123,181**	47,978	157
Net income (loss)	**31,194**	2,842	998	**34,373**	(6,400)	637
Per share – basic	**0.72**	0.08	800	**0.80**	(0.17)	571
Per share – diluted	**0.72**	0.08	800	**0.79**	(0.17)	565
Funds provided by operations[1]	**66,016**	12,199	441	**108,687**	35,040	210
Per share – basic	**1.53**	0.32	378	**2.53**	0.93	172
Per share – diluted	**1.52**	0.32	375	**2.50**	0.93	169
EBITDA[1]	**70,582**	15,112	367	**123,425**	45,397	172
Per share – basic	**1.64**	0.40	310	**2.87**	1.20	139
Per share – diluted	**1.62**	0.40	305	**2.84**	1.20	137
Working capital (end of period)	**177,716**	103,331	72	**177,716**	103,331	72
Shareholders' equity (end of period)	**497,911**	378,972	31	**497,911**	378,972	31
Weighted average common shares outstanding (#)						
Basic	**43,076**	37,742	14	**43,037**	37,742	14
Diluted	**43,444**	37,742	15	**43,470**	37,742	15
Operating (end of period)						
Pumping horsepower (000s)				**481**	371	30
Coiled tubing units (#)				**28**	18	56
Cementing units (#)				**21**	21	–

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

CEO MESSAGE

I am pleased to present Calfrac's operating and financial highlights for the three and nine months ended September 30, 2010 and to discuss our prospects for the remainder of 2010 and 2011. During the third quarter, our Company:

- achieved record third quarter revenue resulting from high levels of pressure pumping activity in the unconventional plays of western Canada and the United States;
- achieved strong period-over-period growth in operating income and EBITDA despite inclement weather in western Canada during September;
- performed a large-scale project in the Horn River play in northeast British Columbia, which resulted in the completion of 144 fracturing stages in 42 days; and
- announced a $56.0 million increase to its 2010 capital program for a revised total of $236.0 million. This increase primarily related to the construction of a large fracturing spread for the Company's United States operations, supported by a recently executed long-term minimum commitment contract with a large customer focused on the Marcellus shale play in Pennsylvania.

FINANCIAL HIGHLIGHTS

For the three months ended September 30, 2010, the Company recorded:

- all-time record quarterly revenue of $275.2 million versus $133.3 million in the comparable quarter of 2009, led by higher year-over-year activity in Canada and the United States;
- operating income of $69.4 million versus $16.5 million in the comparable period in 2009, resulting from strong activity and improved pricing in Canada and the United States combined with a continued focus on cost control; and
- net income of $31.2 million or $0.72 per share diluted, compared to net income of $2.8 million or $0.08 per share diluted in the third quarter of 2009.

For the nine months ended September 30, 2010, Calfrac generated:

- revenue of $667.2 million, an increase of 59 percent from the same period of 2009;
- operating income of $123.2 million versus $48.0 million in the comparable period in 2009, resulting from strong activity levels in Canada and the United States;
- net income of $34.4 million or $0.79 per share diluted compared to a net loss of $6.4 million or $0.17 per share diluted in the comparable 2009 period;
- proceeds of $4.8 million and a gain on disposal of $1.1 million on the sale of Canadian real estate assets made redundant by the acquisition of Century Oilfield Services Inc. ("Century"); and
- end-of-period working capital of $177.7 million, an increase of 39 percent from December 31, 2009.

OPERATIONAL HIGHLIGHTS

Canada

In the third quarter of 2010 Calfrac experienced very strong demand for its pressure pumping services despite poor weather in September. Activity was concentrated in the unconventional natural gas and oil resource plays of western Canada, including the Horn River, Montney, Deep Basin, Cardium and Bakken. Activity in unconventional natural gas reservoirs was very strong as the horizontal well count continued at historically high levels. Equipment utilization was positively impacted by the trend towards 24-hour completions operations by many of the Company's customers. Calfrac is very pleased to report the completion of one of the most successful Horn River projects to date during the third quarter. This program was distinguished by our completion of 144 fracturing stages in a 42-day period, which equates to an average of approximately 3.5 fracturing stages per day. The success of this project is the culmination of many months of planning between Calfrac and its customer.

In addition, the Company is encouraged by the momentum it experienced in oil well completions activity throughout the third quarter. High levels of activity in the Cardium, Bakken, and Viking formations continued to support strong demand for the Company's services. Oil-related completion activity in western Canada was at a pace that has not been experienced since the late 1990s, which provided greater commodity diversification to Calfrac's Canadian operations. The Company expects that the industry trend towards large, horizontal multi-stage completions in the unconventional natural gas and oil resource plays of the Western Canada Sedimentary Basin will continue to drive strong financial results in this market throughout the remainder of 2010 and into 2011.

United States

The Company's operations in the United States continued to deliver superior financial and operational performance during the third quarter. Strong overall demand for pressure pumping services resulted in improved pricing levels throughout all of Calfrac's operating regions. In Arkansas, fracturing and cementing activity levels remained strong, resulting in high levels of equipment utilization. Calfrac's customers in this region continue to transition towards 24-hour operations. As a result of this trend, several additional pumping units were deployed in early 2010 to service the Fayetteville shale play, increasing operating flexibility and lowering maintenance expenses in the midst of very high rates of equipment utilization. The Company also continued to experience strong demand for its services in the Marcellus shale play. Late in the third quarter, Calfrac entered into a long-term minimum commitment contract for the provision of a large fracturing crew in the Marcellus shale play. This is the Company's second major recent contract in this region and will represent a major growth platform for Calfrac in 2011. Activity levels in the Rocky Mountain region of Colorado continued at a steady pace during the third quarter. During the quarter, Calfrac completed several projects in the emerging Niobrara oil play in northern Colorado. While this play is still in its very early stages of development, the Company is encouraged by its potential and is well-positioned to participate in its future growth.

Russia

Activity levels in Western Siberia during the third quarter improved from the first half of the year as the Company's customers more aggressively pursued the completion of their 2010 capital programs. Overall activity and financial performance in the quarter were essentially consistent with the Company's expectations based on the 2010 tender process. The third quarter is traditionally a strong quarter for Calfrac's Russian operations as weather-related issues tend to be less of a factor. The Company's reported financial results were impacted by a 3 percent decline in the value of the Russian rouble from the third quarter of 2009. In addition, Calfrac recently commenced the deployment of a fifth fracturing spread and seventh coiled tubing unit to Russia. This equipment is anticipated to commence operations late in the fourth quarter of 2010.

Latin America

The third quarter represented a very difficult quarter for Calfrac's Mexican operations as Pemex curtailed its activity levels significantly due to budgetary constraints. This impacted all operating areas and the reduced activity is expected to continue for the rest of the year. In response to these market conditions, the Company rationalized its cost structure in this market. In addition, the Company redeployed some fracturing and cementing equipment into other geographical segments. Calfrac remains firmly committed to the Mexican market and continues to focus its attention on the application of new technological solutions to improve the economics of the basins in this region where the Company operates.

During the third quarter, cementing activity levels in Argentina improved from the second quarter as the Company was able to secure additional commitments from its customer base. These contractual commitments are expected to provide stable revenue for the rest of 2010. A shallow coiled tubing unit was recently deployed from Canada to Argentina and is expected to commence operations during the fourth quarter of 2010.

OUTLOOK AND BUSINESS PROSPECTS

Exploration and development activity in Canada and the United States remains focused on horizontal wells incorporating multi-stage fracturing technology in unconventional resource plays. This industry trend is expected to provide robust utilization levels for the pressure pumping service industry during the remainder of 2010 and into 2011. The momentum experienced thus far in the liquids-rich natural gas and oil formations in North America has provided a tremendous amount of incremental oilfield activity, which resulted in strong demand for the Company's services in 2010 and is expected to provide the foundation for additional growth in 2011. Calfrac continues to proactively work with its customers to optimize efficiencies in our programs, which have become increasingly important in the face of lower natural gas prices.

The Company's outlook for the Canadian market remains encouraging. Activity in the Montney and Deep Basin plays is strong with a greater proportion of wells being drilled horizontally. These regions are amongst the most economic plays in North America and the natural gas liquids (NGL) component of these plays has contributed significantly to their economic viability. Calfrac is also pleased to announce that it has secured a long-term minimum commitment contract with a major customer for the provision of two fracturing crews targeting the shallow gas region of southern Alberta. Activity in unconventional light oil plays, such as the Cardium, Viking and Bakken, is expected to be strong as the price of crude oil remains at attractive levels and has led to greater commodity-based diversification of the Company's Canadian operations. The focus on developing unconventional natural gas and oil plays is expected to result in high levels of equipment utilization in Canada into 2011, continuing to drive the financial performance of Calfrac's Canadian division.

The outlook for Calfrac's United States division is also positive, as overall demand in this market remains strong. The Company expects to deploy two large fracturing crews to the Marcellus shale play during the first half of 2011, based on long-term minimum commitment contracts. By mid-2011, Calfrac anticipates operating three large fracturing crews in this emerging basin. With a total of approximately 140,000 hydraulic horsepower, the Company's operations in Pennsylvania will become the largest of its operating districts in the United States. The Company has recently deployed a fracturing crew from Colorado to North Dakota to service the Bakken oil play. Calfrac has purchased facilities in this region and expects them to be operational by the end of the year. The entry into the Bakken was based on numerous customer requests and high levels of drilling activity in this oil-focused market. The Company is very encouraged about this play's prospects and the commodity diversification it will bring to Calfrac's United States operations. Fracturing and cementing activity in the

Fayetteville shale play of Arkansas is expected to remain strong during 2011 due to high customer demand. Fracturing activity levels in the Rocky Mountain region of Colorado are expected to remain consistent in the foreseeable future, although the continued development of the Niobrara oil shale play in northern Colorado provides a significant growth opportunity for this market. The improved pricing levels recently seen in the United States market are anticipated to result in strong financial performance during the remainder of the year and into 2011.

Calfrac operates in Russia under the terms of eight annual contracts with two of that country's largest oil and natural gas companies and currently operates four fracturing spreads and six coiled tubing units in this oil-focused market. A fifth fracturing spread and seventh coiled tubing crew are being deployed into this market and are expected to commence operations late in the fourth quarter of 2010. The Company is currently engaged in the early stages of the 2011 contract tender process and we are optimistic that further growth will continue through the deployment of this additional capital in 2011.

The Company does not expect the decline of activity experienced in the Mexican market to improve significantly for the remainder of 2010. Calfrac is cautiously optimistic that the current operating conditions represent a short-term interruption in the business environment and anticipates that activity will improve in 2011. While Calfrac remains committed to this market, the Company will continue to evaluate its position as more information regarding 2011 activity levels becomes available. Currently, the Company is focused on providing additional technical solutions to Pemex with the goal of improving the economics of both the Chicontepec and Burgos plays.

The Company recently deployed a coiled tubing unit to Argentina and it is expected to become operational during the fourth quarter. This new service line will augment the cementing and acidizing operations, which are anticipated to be relatively active throughout the remainder of the year and into 2011. Calfrac is also actively pursuing new opportunities to expand the Latin America segment.

In September Calfrac announced a $56.0 million increase to its 2010 capital program for a revised total of $236.0 million. This increase is mainly to construct a large fracturing spread for Calfrac's United States operations in the Marcellus shale play under the terms of a recently executed long-term minimum commitment contract with EXCO Resources (PA), LLC, a 50-50 joint venture between EXCO Resources, Inc. and BG Group, plc. This fracturing spread is expected to commence operations during the second quarter of 2011. As a result of this expansion, the Company's total pressure pumping capacity will increase by 55,000 horsepower to approximately 658,000 horsepower upon completion of the 2010 capital program. These capital expenditures will be funded from the Company's funds provided by operations and available credit facilities.

The overall outlook for the North American pressure pumping services industry is anticipated to remain strong over the long term, primarily due to the expected growth in completions activity in certain unconventional natural gas and oil plays, which remain profitable at relatively low commodity prices. However, natural gas drilling and completions activity in North America could decrease from current levels if the price for natural gas remains low. The Company is in a relatively strong position given its relationships and long-term commitments with some of the most active customers in resource play development. Calfrac expects to realize further commodity diversification in 2011 as it expands its presence in the emerging North American unconventional oil plays. The Company remains focused on maintaining a competitive cost structure and improving operating efficiencies. Calfrac will continue to capitalize on future growth opportunities in existing and new markets while using a conservative financial approach to maintain a strong balance sheet and overall financial flexibility.

It is my pleasure to announce that Fernando Aguilar has been appointed as the President and Chief Operating Officer of Calfrac, effective November 1, 2010. Mr. Aguilar will report to me as I continue to serve as Chief Executive Officer and a director, and in that role will remain responsible for providing stewardship and control over the business affairs of the Company. Mr. Aguilar, who has been a director of Calfrac since May 2008, has resigned from the Board of Directors. Mr. Gordon Dibb, Calfrac's current Chief Operating Officer, will remain with Calfrac as Executive Vice President until June 30, 2011 at which point he will retire from the day-to-day affairs of the business. Mr. Dibb will assist Mr. Aguilar with matters of transition. Mr. Dibb is a founding shareholder of Calfrac Well Services Ltd. He was the company's initial Chief Financial Officer on its incorporation in 1999, and transitioned to the position of Chief Operating Officer in April 2006. We would like to thank Gordon for his many years of dedicated service to the Company, and the time he has given us to transition company leadership.

On behalf of the Board of Directors,

Douglas R. Ramsay
Chief Executive Officer
November 2, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of November 2, 2010 and is a review of the financial condition and results of operations of the Company based on Canadian generally accepted accounting principles (GAAP). Its focus is primarily a comparison of the Company's financial performance for the three and nine months ended September 30, 2010 with the comparable periods of 2009 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009. Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used have been included on page 10.

CALFRAC'S BUSINESS

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

The Company's reportable business segments during the three and nine months ended September 30, 2010 were as follows:

- The Canadian segment is focused on the provision of fracturing and coiled tubing services to diverse oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia and Saskatchewan. The Company's customer base in Canada ranges from large multi-national public companies to small private companies. Calfrac had 211,000 hydraulic horsepower, 22 coiled tubing units and six cementing units in Canada at September 30, 2010.
- The United States segment of the Company's business provides pressure pumping services from operating bases in Colorado, Arkansas and Pennsylvania. The Company provides fracturing services to a number of oil and natural gas companies operating in the Piceance Basin of western Colorado, the Uintah Basin of northeast Utah and the Denver-Julesburg Basin in eastern Colorado, including the Niobrara oil play of northern Colorado, as well as fracturing and cementing operations in the Fayetteville shale play of Arkansas. In the fourth quarter of 2009, Calfrac commenced fracturing operations for several oil and natural gas companies in the Marcellus shale play in Pennsylvania and West Virginia. At September 30, 2010, the Company deployed approximately 202,000 hydraulic horsepower and operated seven cementing units in its United States segment.
- The Company's Russian segment is focused on the provision of fracturing and coiled tubing services in Western Siberia. In the first nine months of 2010, the Company operated under the terms of eight annual contracts signed with two of Russia's largest oil and natural gas producers. At September 30, 2010, the Company operated six coiled tubing units and deployed approximately 45,000 hydraulic horsepower forming four fracturing spreads in Russia.
- The Latin America segment provides pressure pumping services from operating bases in central and northern Mexico and central Argentina. The Company provides hydraulic fracturing services to Pemex Exploracion y Produccion in the Burgos field of northern Mexico and the Chicontepec field of central Mexico. The Company also provides cementing services in the Chicontepec field. In Argentina, the Company provides cementing and acidizing services to local oil and natural gas companies. In the Latin America segment, the Company deployed approximately 23,000 hydraulic horsepower forming three fracturing spreads and eight cementing units at September 30, 2010.

CONSOLIDATED HIGHLIGHTS

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	**2010**	2009	Change
(000s, except per share amounts) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**275,245**	133,261	107	**667,217**	418,376	59
Operating income[1]	**69,366**	16,499	320	**123,181**	47,978	157
Net income (loss)	**31,194**	2,842	998	**34,373**	(6,400)	637
Per share – basic	**0.72**	0.08	800	**0.80**	(0.17)	571
Per share – diluted	**0.72**	0.08	800	**0.79**	(0.17)	565
Funds provided by operations[1]	**66,016**	12,199	441	**108,687**	35,040	210
Per share – basic	**1.53**	0.32	378	**2.53**	0.93	172
Per share – diluted	**1.52**	0.32	375	**2.50**	0.93	169
EBITDA[1]	**70,582**	15,112	367	**123,425**	45,397	172
Per share – basic	**1.64**	0.40	310	**2.87**	1.20	139
Per share – diluted	**1.62**	0.40	305	**2.84**	1.20	137
Working capital, end of period				**177,716**	103,331	72
Total assets, end of period				**917,937**	678,220	35
Long-term debt, end of period				**276,705**	200,168	38
Shareholders' equity, end of period				**497,911**	378,972	31

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

2010 OVERVIEW

In the third quarter of 2010, the Company:

- achieved record third quarter revenue of $275.2 million, an increase of 107 percent from the comparable quarter of 2009 driven primarily by strong growth in Calfrac's Canadian and United States operations;
- reported operating income of $69.4 million versus $16.5 million in the same quarter of 2009, an increase of 320 percent, mainly as a result of high levels of fracturing activity in the unconventional plays of western Canada and the United States;
- reported net income of $31.2 million or $0.72 per share diluted, including a $1.3 million foreign exchange gain, compared to net income of $2.8 million or $0.08 per share diluted in the third quarter of 2009, which included a foreign exchange loss of $1.8 million;
- announced a $56.0 million increase to its 2010 capital program for a revised total of $236.0 million. This increase is primarily to fund the construction of a large fracturing spread for Calfrac's United States operations, supported by a recently executed long-term minimum commitment contract with a large customer focused on the Marcellus shale play in Pennsylvania; and
- generated funds provided by operations of $66.0 million or $1.52 per share diluted versus $12.2 million or $0.32 per share diluted in the third quarter of 2009.

In the nine months ended September 30, 2010, the Company:

- increased revenue by 59 percent to $667.2 million from $418.4 million in the same period of 2009, driven primarily by strong growth in Calfrac's Canadian and United States operations and the contribution from the purchase of fracturing assets from Pure Energy Services Ltd. ("Pure") in August 2009 and the acquisition of Century in November 2009;
- reported operating income of $123.2 million versus $48.0 million in the same period of 2009, an increase of 157 percent, mainly as a result of high levels of fracturing activity in the unconventional resource plays of western Canada and the United States;
- reported net income of $34.4 million or $0.79 per share diluted compared to a net loss of $6.4 million or $0.17 per share diluted in the same period of 2009;
- sold redundant Canadian real estate assets from the acquisition of Century for proceeds of $4.8 million and a gain on disposal of $1.1 million;
- generated funds provided by operations of $108.7 million or $2.50 per share diluted versus $35.0 million or $0.93 per share diluted in the comparable period of 2009; and
- increased its period-end working capital by 39 percent over December 31, 2009 to $177.7 million at September 30, 2010.

NON-GAAP MEASURES

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under Canadian GAAP and, therefore, are considered non-GAAP measures. These measures have been described and presented in order to provide shareholders and potential investors with additional information regarding the Company's financial results, liquidity and ability to generate funds to finance its operations. These measures may not be comparable to similar measures presented by other entities, and are further explained as follows:

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
Net income (loss)	**31,194**	2,842	**34,373**	(6,400)
Add back (deduct):				
Depreciation	**20,416**	15,448	**59,184**	45,563
Interest, net	**6,229**	3,763	**18,561**	10,951
Foreign exchange (gains) losses	**(1,325)**	1,807	**630**	3,902
Loss (gain) on disposal of capital assets	**109**	(420)	**(874)**	(1,321)
Income taxes	**12,757**	(6,972)	**11,326**	(4,828)
Non-controlling interest	**(14)**	31	**(19)**	111
Operating income	**69,366**	16,499	**123,181**	47,978

Funds provided by operations is defined as cash provided by operating activities before the net change in non-cash operating assets and liabilities. Funds provided by operations is a measure that provides shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes these measures to assess the Company's ability to finance operating activities and capital expenditures. Funds provided by operations was calculated as follows:

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
Cash provided by (used in) operating activities	**57,857**	(11,721)	**80,054**	25,290
Add back:				
Net change in non-cash operating assets and liabilities	**8,159**	23,920	**28,633**	9,750
Funds provided by operations	**66,016**	12,199	**108,687**	35,040

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
Net income (loss)	**31,194**	2,842	**34,373**	(6,400)
Add back (deduct):				
Depreciation	**20,416**	15,448	**59,184**	45,563
Interest, net	**6,229**	3,763	**18,561**	10,951
Income taxes	**12,757**	(6,972)	**11,326**	(4,828)
Non-controlling interest	**(14)**	31	**(19)**	111
EBITDA	**70,582**	15,112	**123,425**	45,397

FINANCIAL OVERVIEW – THREE MONTHS ENDED SEPTEMBER 30, 2010 VERSUS 2009

Canada

Three Months Ended September 30,	**2010**	2009	Change
(000s, except operational information)	**($)**	($)	(%)
(unaudited)			
Revenue	**160,465**	45,463	253
Expenses			
Operating	**103,102**	37,221	177
Selling, General and Administrative (SG&A)	**3,890**	2,152	81
	106,992	39,373	172
Operating income[1]	**53,473**	6,090	778
Operating income (%)	**33.3%**	13.4%	149
Fracturing revenue per job ($)	**129,390**	83,910	54
Number of fracturing jobs	**1,122**	496	126
Coiled tubing revenue per job ($)	**26,545**	14,784	80
Number of coiled tubing jobs	**576**	260	122

[1] Refer to “Non-GAAP Measures” on page 10 for further information.

Revenue

Revenue from Calfrac’s Canadian operations during the third quarter of 2010 was $160.5 million versus $45.5 million in the comparable three-month period of 2009. The 253 percent increase in revenue was primarily due to higher fracturing activity in the unconventional natural gas resource plays of northern Alberta and northeast British Columbia and an increase in oil-related fracturing in the resource plays of Saskatchewan and west central Alberta combined with improved pricing. In addition, higher coiled tubing activity levels in Saskatchewan and larger job sizes also contributed to the increase in revenue during the third quarter. This increase was partially driven by incremental revenue as a result of the acquisition of Century in mid-November 2009, which added 70,000 horsepower and 10 coiled tubing units to the Canadian equipment fleet.

Operating Expenses

Operating expenses in Canada increased by 177 percent to $103.1 million during the third quarter of 2010 from $37.2 million in the same period of 2009. The increase in Canadian operating expenses was mainly due to higher overall fracturing activity levels in the unconventional oil and natural gas resource plays of western Canada, a larger Canadian equipment fleet and the impact of the trend towards increased 24-hour operations.

SG&A Expenses

SG&A expenses for Calfrac's Canadian operations during the third quarter of 2010 increased from the corresponding period in 2009 by 81 percent to $3.9 million, primarily due to a significant increase in operating scale and personnel costs following the acquisition of Century in November 2009, as well as to higher annual bonus expenses.

United States

Three Months Ended September 30,	**2010**	2009	Change
(000s, except operational and exchange rate information)	**($)**	($)	(%)
(unaudited)			
Revenue	**83,603**	52,524	59
Expenses			
Operating	**59,331**	45,257	31
SG&A	**2,871**	1,585	81
	62,202	46,842	33
Operating income[(1)]	**21,401**	5,682	277
Operating income (%)	**25.6%**	10.8%	137
Fracturing revenue per job ($)	**67,777**	56,313	20
Number of fracturing jobs	**1,181**	883	34
Cementing revenue per job ($)	**24,885**	18,786	32
Number of cementing jobs	**143**	149	(4)
Cdn$/US$ average exchange rate[(2)]	**1.0391**	1.0976	(5)

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

Revenue

Revenue from Calfrac's United States operations increased during the third quarter of 2010 to $83.6 million from $52.5 million in the comparable quarter of 2009. The increase was due primarily to higher fracturing activity levels in the Rocky Mountain region of Colorado, the Fayetteville shale play in Arkansas and the Marcellus shale formation in Pennsylvania and West Virginia combined with improved pricing and larger cementing job sizes. This increase in revenue was partially offset by a 5 percent decline in the United States dollar against the Canadian dollar.

Operating Expenses

Operating expenses in the United States were $59.3 million for the third quarter of 2010, an increase of 31 percent from the comparative period in 2009. The increase in operating expenses was primarily due to higher fracturing activity in Arkansas and the Rocky Mountain region of Colorado combined with the commencement of fracturing operations in the Marcellus shale play of Pennsylvania and West Virginia during the fourth quarter of 2009. The expanded operating scale in the United States was mainly a result of the acquisition of fracturing assets from Pure during the third quarter of 2009, which added 45,000 horsepower. These factors were offset partially by the impact of the depreciation of the United States dollar versus the Canadian dollar.

SG&A Expenses

SG&A expenses in the United States during the third quarter of 2010 increased by 81 percent from the comparable period in 2009 to $2.9 million. This increase was primarily due to higher personnel expenses related to the Company's larger scope of operations resulting from the acquisition of Pure's fracturing assets during August 2009, the expansion into the Marcellus Basin during the fourth quarter of 2009 and higher annual bonus expenses. These factors were offset partially by the impact of the decline in the value of the United States dollar compared to the Canadian dollar.

Russia

Three Months Ended September 30,	**2010**	2009	Change
(000s, except operational and exchange rate information)	**($)**	($)	(%)
(unaudited)			
Revenue	**21,878**	17,774	23
Expenses			
Operating	**15,320**	10,735	43
SG&A	**1,374**	888	55
	16,694	11,623	44
Operating income[1]	**5,184**	6,151	(16)
Operating income (%)	**23.7%**	34.6%	(32)
Fracturing revenue per job ($)	**77,702**	74,572	4
Number of fracturing jobs	**184**	147	25
Coiled tubing revenue per job ($)	**42,354**	45,112	(6)
Number of coiled tubing jobs	**179**	151	19
Cdn$/rouble average exchange rate[2]	**0.0340**	0.0350	(3)

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

[2] Source: Bank of Canada.

Revenue

During the third quarter of 2010, the Company's revenue from its Russian operations increased by 23 percent to $21.9 million from $17.8 million in the corresponding three-month period of 2009. The increase in revenue was mainly due to higher fracturing and coiled tubing activity levels in Western Siberia as well as larger fracturing job sizes. The increase in revenue was offset partially by the completion of smaller coiled tubing jobs combined with the depreciation of the Russian rouble by 3 percent versus the Canadian dollar.

Operating Expenses

Operating expenses in Russia in the third quarter of 2010 were $15.3 million compared to $10.7 million in the corresponding period of 2009. The increase in operating expenses was primarily due to the provision of proppant for a new customer in Western Siberia, offset partially by the depreciation in the Russian rouble against the Canadian dollar.

SG&A Expenses

SG&A expenses in Russia were $1.4 million for the three-month period ended September 30, 2010 versus $0.9 million in the same quarter of 2009. The increase in SG&A expenses was primarily due to higher personnel expenses resulting from the Company's broader scope of operations in Western Siberia, offset partially by the depreciation of the Russian rouble versus the Canadian dollar.

Latin America

Three Months Ended September 30,	2010	2009	Change
(000s, except operational and exchange rate information)	($)	($)	(%)
(unaudited)			
Revenue	9,299	17,500	(47)
Expenses			
Operating	11,196	14,328	(22)
SG&A	848	617	37
	12,044	14,945	(19)
Operating income (loss)[1]	(2,745)	2,555	(207)
Operating income (loss) (%)	-29.5%	14.6%	(302)
Cdn$/Mexican peso average exchange rate[2]	0.0812	0.0828	(2)
Cdn$/Argentine peso average exchange rate[2]	0.2595	0.2846	(9)

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

Revenue

Calfrac's Latin America operations generated total revenue of $9.3 million during the third quarter of 2010 versus $17.5 million in the comparable three-month period in 2009. Revenue generated through subcontractors during the quarter was $3.3 million and $3.2 million, respectively. The decrease in revenue was primarily due to significantly lower Mexican fracturing and cementing activity resulting from Pemex budget constraints combined with the completion of smaller cementing jobs in Latin America.

Operating Expenses

Operating expenses in Latin America for the three months ended September 30, 2010 decreased by 22 percent from the comparable period in 2009 to $11.2 million. The decrease was primarily due to the impact of lower fracturing activity levels in Mexico, and was offset partially by additional costs related to job specific requirements in the Chicontepec region.

SG&A Expenses

SG&A expenses increased to $0.8 million from $0.6 million in the comparable quarter of 2009 primarily due to higher personnel expenses.

Corporate

Three Months Ended September 30,	2010	2009	Change
(000s)	($)	($)	(%)
(unaudited)			
Expenses			
Operating	1,401	488	187
SG&A	6,546	3,491	88
	7,947	3,979	100
Operating loss[1]	(7,947)	(3,979)	(100)

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

Operating Expenses

Operating expenses primarily relate to global operations and R&D personnel located in the corporate headquarters who directly support the Company's global field operations. The 187 percent increase in corporate operating expenses from the third quarter of 2009 was mainly due to higher compensation expenses as a result of an increase in the number of personnel supporting the growth in the Company's operations, the reinstatement of wage rollbacks combined with more resources dedicated to the Company's R&D activities.

SG&A Expenses

For the three months ended September 30, 2010, corporate SG&A expenses increased by 88 percent from the comparable 2009 period to $6.5 million, mainly due to higher annual bonuses and stock-based compensation expenses combined with the reinstatement of wage rollbacks and additional corporate personnel supporting the Company's broader scale of operations.

Interest and Depreciation Expenses

The Company's net interest expense of $6.2 million for the third quarter of 2010 increased from $3.8 million in the comparable period of 2009. This increase was primarily due to the issuance of an additional US$100.0 million in senior unsecured notes during December 2009 and a slightly larger drawdown on the Company's revolving term loan facility. The increase in total long-term debt was used to partially fund the purchase of fracturing assets from Pure, the acquisition of Century and the 2010 capital program. This increase was partially offset by lower interest expense related to the Company's senior unsecured notes resulting from the depreciation of the United States dollar.

For the three months ended September 30, 2010, depreciation expense increased to $20.4 million from $15.4 million in the corresponding quarter of 2009. The increase was mainly a result of a larger fleet of equipment operating in North America from the Company's 2009 and 2010 capital programs, the 2009 acquisition of fracturing assets from Pure and the fracturing and coiled tubing equipment acquired in the acquisition of Century in November 2009. This increase was offset partially by the depreciation of the United States dollar versus the Canadian dollar.

Foreign Exchange Losses or Gains

The Company incurred a foreign exchange gain of $1.3 million during the third quarter of 2010 versus a $1.8 million loss in the comparative three-month period of 2009. Foreign exchange gains and losses arise primarily from the translation of Calfrac's international operations in Russia, Mexico and Argentina using the temporal method. The foreign exchange gain recorded in the third quarter of 2010 was partially related to the translation of a U.S. dollar-denominated inter-company loan from a subsidiary in the United States to the parent company. As the U.S. subsidiary is translated using the current rate method, the associated foreign exchange loss is recorded in the Statement of Other Comprehensive Income.

Income Tax Expenses

The Company recorded income tax expense of $12.8 million during the third quarter of 2010 compared to an income tax recovery of $7.0 million in the comparable period of 2009. The effective income tax rate for the three months ended September 30, 2010 was 29 percent versus 170 percent in the comparable quarter of 2009. The increase in total income tax expense was primarily due to higher earnings generated in Canada and the United States. This increase was offset partially by lower profitability in Latin America. During the third quarter of 2009, the increase in the deferred credit balance that was recorded in the first half of 2009 was reversed as the Company had adjusted its estimated tax position for the full year in Canada. This resulted in an additional future income tax recovery of $5.5 million for the three months ended September 30, 2009.

Summary of Quarterly Results

Three Months Ended	Dec. 31, 2008	Mar. 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	**Sept. 30, 2010**
(000s, except per share and unit data)	($)	($)	($)	($)	($)	($)	($)	**($)**
(unaudited)								
Financial								
Revenue	172,430	180,388	104,727	133,261	173,124	227,123	164,849	**275,245**
Operating income[(1)]	25,658	27,427	4,052	16,499	23,157	38,908	14,907	**69,366**
Net income (loss)	7,861	5,528	(14,770)	2,842	864	13,636	(10,457)	**31,194**
Per share – basic	0.21	0.15	(0.39)	0.08	0.02	0.32	(0.24)	**0.72**
Per share – diluted	0.21	0.15	(0.39)	0.08	0.02	0.31	(0.24)	**0.72**
Funds provided by operations[(1)]	24,838	22,713	128	12,199	19,580	36,512	6,159	**66,016**
Per share – basic	0.66	0.60	–	0.32	0.48	0.85	0.14	**1.53**
Per share – diluted	0.66	0.60	–	0.32	0.48	0.84	0.14	**1.52**
EBITDA[(1)]	26,740	25,945	4,340	15,112	23,398	40,867	11,976	**70,582**
Per share – basic	0.71	0.69	0.11	0.40	0.58	0.95	0.28	**1.64**
Per share – diluted	0.71	0.69	0.11	0.40	0.57	0.94	0.28	**1.62**
Capital expenditures	32,233	15,857	9,862	58,212	18,245	14,938	26,825	**30,099**
Working capital (end of period)	100,575	129,532	111,864	103,331	128,243	157,688	139,581	**177,716**
Shareholders' equity (end of period)	393,476	402,537	380,515	378,972	459,932	474,718	466,746	**497,911**
Operating (end of period)								
Pumping horsepower (000s)	287	303	319	371	456	465	472	**481**
Coiled tubing units (#)	18	18	18	18	28	28	28	**28**
Cementing units (#)	18	20	20	21	21	21	21	**21**

[(1)] Refer to "Non-GAAP Measures" on page 10 for further information.

FINANCIAL OVERVIEW – NINE MONTHS ENDED SEPTEMBER 30, 2010 VERSUS 2009

Canada

Nine Months Ended September 30,	2010	2009	Change
(000s, except operational information)	($)	($)	(%)
(unaudited)			
Revenue	346,279	157,067	120
Expenses			
Operating	241,323	135,870	78
SG&A	10,558	7,090	49
	251,881	142,960	76
Operating income[1]	94,398	14,107	569
Operating income (%)	27.3%	9.0%	203
Fracturing revenue per job ($)	121,575	90,515	34
Number of fracturing jobs	2,598	1,504	73
Coiled tubing revenue per job ($)	28,651	18,226	57
Number of coiled tubing jobs	1,062	952	12

[1] Refer to “Non-GAAP Measures” on page 10 for further information.

Revenue

Revenue from Calfrac’s Canadian operations during the nine months ended September 30, 2010 was $346.3 million versus $157.1 million in the comparable nine-month period of 2009. The 120 percent increase in revenue was primarily due to the completion of larger jobs in the unconventional resource plays located in northern Alberta and northeast British Columbia and an increase in oil-related fracturing in the Bakken and Viking resource plays of Saskatchewan and the Cardium play of west central Alberta, combined with higher pricing levels. In addition the increase was partially driven by incremental revenue as a result of the acquisition of Century in mid-November 2009, which added 70,000 horsepower and 10 coiled tubing units to the Canadian equipment fleet, and was also impacted by larger coiled tubing job sizes.

Operating Expenses

Operating expenses in Canada increased by 78 percent to $241.3 million during the first nine months of 2010 from $135.9 million in the same period of 2009. The increase in Canadian operating expenses was mainly due to higher fracturing and coiled tubing activity levels combined with larger job sizes in the unconventional oil and natural gas resource plays of western Canada. In addition, higher operating expenses resulted from Calfrac’s larger equipment fleet.

SG&A Expenses

SG&A expenses for Calfrac’s Canadian operations during the first nine months of 2010 increased by 49 percent from the corresponding period in 2009 to $10.6 million, primarily due to larger scope of operations, an increase in personnel and related costs following the acquisition of Century in November 2009, combined with higher annual bonus expenses.

United States

Nine Months Ended September 30,	2010	2009	Change
(000s, except operational and exchange rate information)	($)	($)	(%)
(unaudited)			
Revenue	217,322	164,020	32
Expenses			
Operating	165,655	136,212	22
SG&A	7,310	5,319	37
	172,965	141,531	22
Operating income[1]	44,357	22,489	97
Operating income (%)	20.4%	13.7%	49
Fracturing revenue per job ($)	63,976	76,899	(17)
Number of fracturing jobs	3,255	1,973	65
Cementing revenue per job ($)	21,929	19,998	10
Number of cementing jobs	414	615	(33)
Cdn$/US$ average exchange rate[2]	1.0358	1.1694	(11)

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

Revenue

Revenue from Calfrac's United States operations increased during the first nine months of 2010 to $217.3 million from $164.0 million in the comparable period of 2009. The increase was due primarily to higher fracturing activity levels in the Rocky Mountain region of Colorado and the commencement of fracturing operations in Pennsylvania during the fourth quarter of 2009. This was partially offset by the 11 percent decline in the United States dollar against the Canadian dollar, smaller fracturing job sizes, and lower cementing activity levels.

Operating Expenses

Operating expenses in the United States were $165.7 million for the first nine months of 2010, an increase of 22 percent from the comparative period in 2009. The increase in operating expenses was primarily due to a higher revenue base, expenses related to the commencement of fracturing operations in the Marcellus shale play of Pennsylvania and West Virginia and a larger equipment fleet resulting from the acquisition of fracturing assets from Pure during the third quarter of 2009. These factors were partially offset by the impact of the depreciation of the United States dollar.

SG&A Expenses

SG&A expenses in the United States during the first nine months of 2010 increased by 37 percent from the comparable period in 2009 to $7.3 million, primarily due to higher personnel expenses related to the Company's larger scope of operations resulting from the acquisition of Pure's fracturing assets during August 2009, the expansion into the Marcellus shale play during the fourth quarter of 2009 and higher compensation expenses. This increase was offset slightly by the impact of the decline in the value of the United States dollar against the Canadian dollar.

Russia

Nine Months Ended September 30,	2010	2009	Change
(000s, except operational and exchange rate information)	($)	($)	(%)
(unaudited)			
Revenue	57,501	51,932	11
Expenses			
Operating	46,559	33,364	40
SG&A	3,451	2,648	30
	50,010	36,012	39
Operating income[(1)]	7,491	15,920	(53)
Operating income (%)	13.0%	30.7%	(58)
Fracturing revenue per job ($)	82,450	75,430	9
Number of fracturing jobs	450	438	3
Coiled tubing revenue per job ($)	43,680	45,418	(4)
Number of coiled tubing jobs	467	416	12
Cdn$/rouble average exchange rate[(2)]	0.0342	0.0360	(5)

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

Revenue

During the first nine months of 2010, the Company's revenue from its Russian operations increased by 11 percent to $57.5 million from $51.9 million in the corresponding nine-month period of 2009. The increase in revenue was mainly due to higher coiled tubing activity levels due to a larger equipment fleet and contract base combined with an increase in fracturing job sizes. This increase in revenue was offset partially by smaller coiled tubing job sizes and the depreciation of the Russian rouble by 5 percent versus the Canadian dollar.

Operating Expenses

Operating expenses in Russia in the first nine months of 2010 were $46.6 million compared to $33.4 million in the corresponding period of 2009. The increase in operating expenses was primarily due to the higher revenue base and the provision of proppant for a new customer in Western Siberia. These factors were offset partially by the depreciation of the Russian rouble against the Canadian dollar.

SG&A Expenses

SG&A expenses in Russia were $3.5 million for the nine-month period ended September 30, 2010 versus $2.6 million in the same period of 2009. The increase in SG&A expenses was primarily due to higher personnel expenses resulting from Calfrac's larger operating scale in Western Siberia and higher compensation expenses, offset partially by the depreciation of the Russian rouble against the Canadian dollar.

Latin America

Nine Months Ended September 30,	2010	2009	Change
(000s, except operational and exchange rate information)	($)	($)	(%)
(unaudited)			
Revenue	46,115	45,357	2
Expenses			
Operating	46,153	35,658	29
SG&A	2,294	1,685	36
	48,447	37,343	30
Operating income (loss)[1]	(2,332)	8,014	(129)
Operating income (loss) (%)	-5.1%	17.7%	(129)
Cdn$/Mexican peso average exchange rate[2]	0.0815	0.0857	(5)
Cdn$/Argentine peso average exchange rate[2]	0.2622	0.3124	(16)

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

Revenue

Calfrac's Latin American operations generated total revenue of $46.1 million during the first nine months of 2010 versus $45.4 million in the comparable nine-month period in 2009. For the nine months ended September 30, 2010 and 2009, revenue generated through subcontractors was $14.1 million and $9.3 million, respectively. The slight increase in revenue was primarily due to higher cementing activity and higher subcontractor activity. It was offset by smaller fracturing job sizes in Mexico, smaller cementing job sizes in Argentina and the depreciation of the Mexican and Argentine pesos versus the Canadian dollar.

Operating Expenses

Operating expenses in Latin America for the nine months ended September 30, 2010 increased by 29 percent from the comparative period in 2009 to $46.2 million. The increase was primarily due to higher product costs related to fracturing activity in the Chicontepec region of Mexico and higher subcontractor activity. In addition, operating expenses increased due to the start-up and commencement of cementing operations in Mexico during the third quarter of 2009 and the start-up costs for the commencement of coiled tubing operations in Argentina. The increase in operating expenses was partially offset by the impact of the decline in the Mexican and Argentine pesos versus the Canadian dollar.

SG&A Expenses

SG&A expenses in Latin America increased to $2.3 million during the first nine months of 2010 from $1.7 million in the same period of 2009, primarily due to the Company's expanded scale of operations in Mexico and Argentina, partially offset by the impact of the depreciation of the Mexican and Argentine pesos against the Canadian dollar.

Corporate

Nine Months Ended September 30,	2010	2009	Change
(000s)	($)	($)	(%)
(unaudited)			
Expenses			
Operating	3,702	1,898	95
SG&A	17,031	10,654	60
	20,733	12,552	65
Operating loss[1]	(20,733)	(12,552)	(65)

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

Operating Expenses

Operating expenses primarily relate to global operations and R&D personnel located in the corporate headquarters who directly support the Company's global field operations. The 95 percent increase in corporate operating expenses from the first nine months of 2009 was mainly due to higher compensation expenses as a result of an increase in the number of personnel supporting the Company's larger scale of operations as well as from the acquisition of Century and Pure's fracturing assets.

SG&A Expenses

For the nine months ended September 30, 2010, corporate SG&A expenses increased by 60 percent from the comparable 2009 period to $17.0 million, mainly due to higher annual bonus and stock-based compensation expenses as well as additional corporate personnel supporting the Company's broader scale of operations.

Interest and Depreciation Expenses

The Company's net interest expense for the first nine months of 2010 was $18.6 million, an increase of $7.6 million from the comparable period in 2009. This increase was primarily due to the issuance of an additional US$100.0 million in senior unsecured notes during December 2009 and a larger drawdown on the Company's revolving term loan facility. Total debt levels increased to partially fund the purchase of Pure's fracturing assets, the acquisition of Century in November 2009 and the 2010 capital program. This increase was partially offset by lower interest expense related to the Company's senior unsecured notes resulting from the depreciation of the United States dollar.

For the nine months ended September 30, 2010, depreciation expense increased by 30 percent to $59.2 million from $45.6 million in the corresponding period of 2009. The increase was mainly a result of a larger fleet of equipment operating in North America from Calfrac's 2009 and 2010 capital programs, the Company's 2009 acquisition of fracturing assets from Pure and the fracturing and coiled tubing equipment acquired in the acquisition of Century in November 2009. This increase was offset partially by the depreciation of the United States dollar versus the Canadian dollar.

Foreign Exchange Losses or Gains

The Company incurred a foreign exchange loss of $0.6 million during the first nine months of 2010 versus a $3.9 million loss in the comparative nine-month period of 2009. Foreign exchange gains and losses arise primarily from the translation of Calfrac's international operations in Russia, Mexico and Argentina using the temporal method. The foreign exchange loss recorded in the first nine months of 2010 was primarily related to the translation of a U.S. dollar-denominated inter-company loan from a subsidiary in the United States to the parent company. As the United States subsidiary is translated using the current rate method, the associated foreign exchange gain is recorded in the Statement of Other Comprehensive Income.

Income Tax Expenses

The Company recorded an income tax expense of $11.3 million during the first nine months of 2010 compared to income tax recovery of $4.8 million in the comparable period of 2009. The effective income tax rate for the nine months ended September 30, 2010 was 25 percent versus 43 percent in the comparable period of 2009. The Company's consolidated income tax provision and effective tax rate are impacted by the mix of earnings or losses from the different jurisdictions in which it operates. Taxable earnings during the first nine months of 2010 were higher in Canada and the United States and lower in Russia, Mexico and Argentina than in the same period of 2009. Furthermore, the effective tax rate on Canadian earnings was reduced during the first quarter of 2010 by the elimination of the deferred credit balance, which resulted from the amalgamation with Denison Energy Inc. Thereafter, Canadian earnings or losses are subject to income taxes at full statutory rates.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
Cash provided by (used in):				
Operating activities	**57,857**	(11,721)	**80,054**	25,290
Financing activities	**(3,247)**	32,483	**10,612**	45,596
Investing activities	**(31,686)**	(56,080)	**(69,234)**	(89,066)
Effect of exchange rate changes on cash and cash equivalents	**(4,470)**	(4,184)	**(2,565)**	(7,690)
Increase in cash and cash equivalents	**18,454**	(39,502)	**18,867**	(25,870)

Operating Activities

The Company's cash provided by operating activities for the nine months ended September 30, 2010 was $80.1 million versus $25.3 million in the same period of 2009. The increase was due primarily to a $73.6 million increase in funds provided by operations that was partially offset by an $18.9 million net decrease in non-cash working capital (refer to "Non-GAAP Measures" on page 10). At September 30, 2010, Calfrac's working capital was approximately $177.7 million, an increase of 39 percent from December 31, 2009. The Company reviewed its period-end accounts receivable in detail and determined that a provision for doubtful accounts receivable totalling $1.5 million was adequate. The majority of this provision related to a customer that filed for Chapter 11 restructuring under United States bankruptcy law.

Financing Activities

Net cash provided by financing activities during the first nine months of 2010 was $10.6 million compared to $45.6 million in the comparable period of 2009. The net issuance of long-term debt in the first nine months of 2010 was $10.8 million compared to $62.5 million in the same period of 2009. The net repayment of the bank loan was nil for the nine months ended September 30, 2010 and $15.0 million for the comparable period in 2009. At September 30, 2010, the Company's total long-term debt was $276.7 million compared to $267.4 million at December 31, 2009.

On September 28, 2010, the Company renewed its credit facilities with a syndicate of Canadian chartered banks which resulted in an increase in the operating facility from $10.0 million to $15.0 million and a decrease in the extendible revolving term syndicated facility from $165.0 million to $160.0 million. The interest rate on the revolving term facility is based upon the parameters of certain bank covenants. For prime based loans, the rate ranges from prime plus 0.75 percent

to prime plus 2.25 percent. For LIBOR based loans and Bankers' Acceptance based loans the margin thereon ranges from 2.00 percent to 3.50 percent above the respective base rates for such loans. As of September 30, 2010, the Company had drawn $40.6 million on its syndicated facility, including letters of credit, leaving $134.4 million in available credit.

The Company is currently in compliance with all financial covenants under its credit facility agreement.

On December 16, 2009, Calfrac completed an additional private placement of senior unsecured notes for an aggregate principal amount of US$100.0 million. The Company's combined total of US$235.0 million of senior unsecured notes is due on February 15, 2015. The notes bear interest at 7.75 percent per annum, which is paid semi-annually.

Calfrac pays semi-annual dividends to shareholders at the discretion of the Board of Directors. Dividend payments were $2.2 million ($0.05 per share) for the first nine months ended September 30, 2010 and $1.9 million ($0.05 per share) for the same period in 2009.

At September 30, 2010, the Company had cash and cash equivalents of $43.9 million. A portion of these funds was invested in short-term investments, which consisted primarily of an overnight money market fund.

Investing Activities

For the nine months ended September 30, 2010, Calfrac's net cash used for investing activities was $69.2 million versus $89.1 million for 2009. Capital expenditures for the first nine months of 2010 were $71.9 million compared to $83.9 million in 2009, which included the acquisition of Pure's fracturing assets for $44.5 million. Capital expenditures were primarily related to supporting the Company's fracturing operations throughout North America.

In March 2010, the Company acquired a non-controlling interest in one of its subsidiaries for approximately $2.1 million. The agreement required an immediate cash payment of approximately $1.5 million as well as a second cash payment to be made in 2011, which is based upon a formula incorporating the earnings generated by the subsidiary during 2010. The second cash payment is estimated to be approximately $0.5 million. The acquisition was accounted for as a step acquisition and the consideration paid has been assigned to goodwill as the fair value of the subsidiary's tangible assets, net of liabilities, was nominal.

On November 10, 2009, the Company acquired all of the issued and outstanding common shares of Century, a privately held fracturing services company operating in Western Canada. Under the terms of the agreement, the purchase price of $90.0 million consisted of approximately $13.5 million of cash plus 5,144,344 common shares of the Company with an agreed value of $76.5 million. For accounting purposes, the shares issuable in the transaction have a fair value of approximately $82.2 million based on the weighted average price of the Company's shares for the three trading days preceding and the three trading days following the date of the announcement of the agreement. The fair value of the share consideration for accounting purposes is calculated on a different basis than the agreed value and results in a higher recorded purchase price. Including transaction costs, the total consideration was $100.9 million for accounting purposes.

Additionally, net cash used for investing activities was impacted by the net change in non-cash working capital from the purchase of capital assets.

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the first nine months of 2010 was a loss of $2.6 million versus a loss of $7.7 million during the same period of 2009. These gains and losses relate to cash and cash equivalents held by the Company in a foreign currency.

With its strong working capital position, 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 2010 and beyond.

Subsequent Event

Subsequent to September 30, 2010, the Company has agreed to loan Fernando Aguilar, the Company's President and Chief Operating Officer since November 1, 2010 and a member of the Company's Board of Directors from May 12, 2008 to October 16, 2010, $2,500 for the purpose of facilitating the purchase of 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 to be acquired with the loan proceeds. It is for a term of five years and bears interest at the rate of 3.375% per annum, payable annually.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares under the Company's shareholder-approved stock option plan. The number of shares reserved for issuance under the stock option plan is equal to 10 percent of the Company's issued and outstanding common shares. As at October 31, 2010, there were 43,160,315 common shares issued and outstanding, and 2,888,525 options to purchase common shares.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Calfrac has various contractual lease commitments related to vehicles, equipment and facilities as well as purchase obligations for products, services and capital assets.

Greek Legal Proceedings

As described in note 12 to the interim unaudited consolidated financial statements for the three and nine months ended September 30, 2010, 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. As these proceedings have yet to reach a status where the direction and financial consequences of the potential decisions can be determined with any reliability, management is unable to evaluate the Company's potential financial exposure to these legal proceedings at this time.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to the December 31, 2009 MD&A for a comprehensive discussion of the Critical Accounting Policies and Estimates.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policy adopted pursuant to the Canadian Institute of Chartered Accountants (CICA) Handbook in 2010.

RECENT ACCOUNTING PRONOUNCEMENTS

There are no new Canadian or United States accounting pronouncements that have been issued for the 2010 fiscal year that affect the Company.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that International Financial Reporting Standards (IFRS) would replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting on January 1, 2011, it has developed a project plan, which includes the following key elements:

- determine appropriate changes to accounting policies and required amendments to financial disclosures;
- identify and implement changes in associated processes and information systems;
- comply with internal control requirements; and
- educate and train internal and external stakeholders.

Analysis of Differences Between IFRS and Canadian GAAP

The Company has completed its initial diagnostic phase and is nearing completion of its analysis of accounting policy alternatives for all areas potentially impacting the Company's consolidated financial statements. This analysis includes assessing available exemptions under IFRS *1 First-time Adoption of International Financial Reporting Standards* as well as any required system and process changes. The key areas where changes in accounting standards are expected to impact the Company's consolidated financial statements are described below. The standard-setting bodies that promulgate Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements in future years. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years. The differences described below are those existing based on Canadian GAAP and IFRS at September 30, 2010. At this stage, the full impact of adopting IFRS on the Company's consolidated financial statements is not reasonably determinable.

Most of the adjustments required upon transition to IFRS will be made retrospectively against opening retained earnings as at January 1, 2010, which is the first comparative balance sheet presented based on standards applicable at that time. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the date of transition, which is January 1, 2010.

Property, Plant and Equipment

International Accounting Standard (IAS) 16 *Property, Plant and Equipment* requires that each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item be depreciated separately. In addition, IAS 16 provides a choice between using a cost model and revaluation model to measure the value of property, plant and equipment after its initial recognition. The revaluation model does not exist under Canadian GAAP.

The Company has analyzed its significant components of property, plant and equipment, their respective useful lives and salvage values. The Company is in the process of determining the final impact of componentization on the financial results of the Company and has created a componentized model in its accounting system for use on transition to IFRS.

Foreign Currency Translation

The concepts of integrated and self-sustaining foreign operations as described under Canadian GAAP do not appear in IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Instead, IAS 21 focuses primarily on identifying the functional currency of the reporting entity and each of its foreign operations. An entity's functional currency is the currency of the primary economic environment in which it operates.

Operations with a functional currency different from the reporting entity are translated in a method similar to self-sustaining foreign operations under Canadian GAAP (referred to as the "current rate method" in CICA Handbook Section 1651).

The Company has determined that the functional currency of each of its foreign subsidiaries is different from the parent company's. Therefore, Calfrac's foreign subsidiaries in Russia, Mexico and Argentina that are currently translated using the temporal method under Canadian GAAP will be required to translate using the current rate method beginning on January 1, 2010. The adoption of this standard may have a significant impact on the financial results of the Company, as gains and losses in translation for these foreign operations will now be deferred and included in the shareholders' equity section as accumulated other comprehensive income rather than being included in the statement of income under Canadian GAAP. The adoption of this standard will not affect the foreign currency translation method of the Company's United States subsidiaries.

Impairment of Assets

Canadian GAAP uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values. IAS 36 *Impairment of Assets* uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This could result in provisions for impairment in cases where the carrying values of assets cannot be supported on a discounted cash flow basis under IFRS, but had previously been supported on an undiscounted cash flow basis under Canadian GAAP.

However, the extent of any new provisions for impairment might be partially offset by the requirements under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced or eliminated. The Company has identified its cash-generating units and has assessed its assets (property, plant and equipment and goodwill) for impairment as at January 1, 2010, which is required upon transition to IFRS. Calfrac has concluded that as of this date there is no impairment of assets under IFRS.

Income Taxes

Under IFRS, the tax benefit or cost of intercompany sales is recognized whereas the tax impact of these transactions were eliminated under Canadian GAAP. In addition, a deferred credit is not recorded for an asset acquisition where the tax attributes acquired are in excess of the proceeds paid under IFRS.

IFRS 1

The Company is in the process of finalizing the accounting policy choices available under IFRS 1, relating to business combinations, share-based payments, property, plant and equipment, and foreign currency translation.

Project Status

The audit of the Company's opening IFRS balance sheet at January 1, 2010 is in progress and the Company believes that it will meet its deadlines for completing the transition to IFRS by January 1, 2011.

Information Systems and Processes

The assessment of the impacts of adopting IFRS on the Company's information technology infrastructure is ongoing and any potential system or process issues are being analyzed concurrently with the analysis of GAAP differences. The testing and implementation of any required system or process changes are expected to be completed during the fourth quarter of 2010.

Training

The Company's IFRS training is substantially complete and Calfrac expects to complete any remaining training during the fourth quarter of 2010.

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 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 T2P 1E3, or at www.calfrac.com, or by facsimile at 403-266-7381.

OUTLOOK

Exploration and development activity in Canada and the United States remains focused on horizontal wells incorporating multi-stage fracturing technology in unconventional resource plays. This industry trend is expected to provide robust utilization levels for the pressure pumping service industry during the remainder of 2010 and into 2011. The momentum experienced thus far in the liquids-rich natural gas and oil formations in North America has provided a tremendous amount of incremental oilfield activity, which resulted in strong demand for the Company's services in 2010 and is expected to provide the foundation for additional growth in 2011. Calfrac continues to proactively work with its customers to optimize efficiencies in our programs, which have become increasingly important in the face of lower natural gas prices.

The Company's outlook for the Canadian market remains encouraging. Activity in the Montney and Deep Basin plays is strong with a greater proportion of wells being drilled horizontally. These regions are amongst the most economic plays in North America and the natural gas liquids (NGL) component of these plays has contributed significantly to their economic viability. Calfrac is also pleased to announce that it has secured a long-term minimum commitment contract with a major customer for the provision of two fracturing crews targeting the shallow gas region of southern Alberta. Activity in unconventional light oil plays, such as the Cardium, Viking and Bakken, is expected to be strong as the price of crude oil remains at attractive levels and has led to greater commodity-based diversification of the Company's Canadian operations. The focus on developing unconventional natural gas and oil plays is expected to result in high levels of equipment utilization in Canada into 2011, continuing to drive the financial performance of Calfrac's Canadian division.

The outlook for Calfrac's United States division is also positive, as overall demand in this market remains strong. The Company expects to deploy two large fracturing crews to the Marcellus shale play during the first half of 2011, based on long-term minimum commitment contracts. By mid-2011, Calfrac anticipates operating three large fracturing crews in this emerging basin. With a total of approximately 140,000 hydraulic horsepower, the Company's operations in Pennsylvania will become the largest of its operating districts in the United States. The Company has recently deployed a fracturing crew from Colorado to North Dakota to service the Bakken oil play. Calfrac has purchased facilities in this region and expects

them to be operational by the end of the year. The entry into the Bakken was based on numerous customer requests and high levels of drilling activity in this oil-focused market. The Company is very encouraged about this play's prospects and the commodity diversification it will bring to Calfrac's United States operations. Fracturing and cementing activity in the Fayetteville shale play of Arkansas is expected to remain strong during 2011 due to high customer demand. Fracturing activity levels in the Rocky Mountain region of Colorado are expected to remain consistent in the foreseeable future, although the continued development of the Niobrara oil shale play in northern Colorado provides a significant growth opportunity for this market. The improved pricing levels recently seen in the United States market are anticipated to result in strong financial performance during the remainder of the year and into 2011.

Calfrac operates in Russia under the terms of eight annual contracts with two of that country's largest oil and natural gas companies and currently operates four fracturing spreads and six coiled tubing units in this oil-focused market. A fifth fracturing spread and seventh coiled tubing crew are being deployed into this market and are expected to commence operations late in the fourth quarter of 2010. The Company is currently engaged in the early stages of the 2011 contract tender process and we are optimistic that further growth will continue through the deployment of this additional capital in 2011.

The Company does not expect the decline of activity experienced in the Mexican market to improve significantly for the remainder of 2010. Calfrac is cautiously optimistic that the current operating conditions represent a short-term interruption in the business environment and anticipates that activity will improve in 2011. While Calfrac remains committed to this market, the Company will continue to evaluate its position as more information regarding 2011 activity levels becomes available. Currently, the Company is focused on providing additional technical solutions to Pemex with the goal of improving the economics of both the Chicontepec and Burgos plays.

The Company recently deployed a coiled tubing unit to Argentina and it is expected to become operational during the fourth quarter. This new service line will augment the cementing and acidizing operations, which are anticipated to be relatively active throughout the remainder of the year and into 2011. Calfrac is also actively pursuing new opportunities to expand the Latin America segment.

In September Calfrac announced a $56.0 million increase to its 2010 capital program for a revised total of $236.0 million. This increase is mainly to construct a large fracturing spread for Calfrac's United States operations in the Marcellus shale play under the terms of a recently executed long-term minimum commitment contract with EXCO Resources (PA), LLC, a 50-50 joint venture between EXCO Resources, Inc. and BG Group, plc. This fracturing spread is expected to commence operations during the second quarter of 2011. As a result of this expansion, the Company's total pressure pumping capacity will increase by 55,000 horsepower to approximately 658,000 horsepower upon completion of the 2010 capital program. These capital expenditures will be funded from the Company's funds provided by operations and available credit facilities.

The overall outlook for the North American pressure pumping services industry is anticipated to remain strong over the long term, primarily due to the expected growth in completions activity in certain unconventional natural gas and oil plays, which remain profitable at relatively low commodity prices. However, natural gas drilling and completions activity in North America could decrease from current levels if the price for natural gas remains low. The Company is in a relatively strong position given its relationships and long-term commitments with some of the most active customers in resource play development. Calfrac expects to realize further commodity diversification in 2011 as it expands its presence in the emerging North American unconventional oil plays. The Company remains focused on maintaining a competitive cost structure and improving operating efficiencies. Calfrac will continue to capitalize on future growth opportunities in existing and new markets while using a conservative financial approach to maintain a strong balance sheet and overall financial flexibility.

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 "anticipates", "can", "may", "could", "expect", "believe", "intend", "forecast", "will", or similar words suggesting future outcomes, are forward-looking statements. Forward-looking statements in this document include, but are not limited to, statements with respect to future capital expenditures, future financial resources, future oil and natural gas well activity, future costs or potential liabilities, outcome of specific events, trends in the oil and natural gas industry and the Company's growth prospects including, without limitation, its international growth strategy and prospects. These statements are derived from certain assumptions and analyses made by the Company based on its experience and interpretation of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including assumptions related to commodity pricing, North American drilling activity and the expectation that access to capital will continue to be restricted for many of Calfrac's customers. 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. The most significant risk factors to Calfrac relate to prevailing economic conditions; commodity prices; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; dependence on major customers; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; and regional competition. Readers are cautioned that the foregoing list of risks and uncertainties is not exhaustive. Further information about these risks and uncertainties can be found in the Company's most recently filed Annual Information Form.

Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. 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 FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As at	September 30, 2010	December 31, 2009
(000s) (unaudited)	($)	($)
ASSETS		
Current assets		
Cash and cash equivalents	**43,937**	25,070
Accounts receivable	**181,593**	135,775
Income taxes recoverable	**1,461**	1,780
Inventory	**52,760**	44,297
Prepaid expenses and deposits	**10,202**	6,746
	289,953	213,668
Capital assets	**583,134**	579,233
Goodwill (note 4)	**12,564**	10,523
Future income taxes	**32,286**	37,466
	917,937	840,890
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**110,399**	82,212
Current portion of long-term debt (note 5)	**564**	1,996
Current portion of capital lease obligations (note 6)	**1,274**	1,217
	112,237	85,425
Long-term debt (note 5)	**276,705**	267,351
Capital lease obligations (note 6)	**2,846**	3,808
Other long-term liabilities	**1,070**	1,227
Future income taxes	**27,019**	20,474
Deferred credit	**–**	2,505
Non-controlling interest	**149**	168
	420,026	380,958
Shareholders' equity		
Capital stock (note 7)	**254,855**	251,282
Contributed surplus (note 8)	**14,335**	10,808
Retained earnings	**234,303**	202,083
Accumulated other comprehensive loss	**(5,582)**	(4,241)
	497,911	459,932
	917,937	840,890

Contingencies (note 12)

Subsequent event (note 14)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2010	2009	**2010**	2009
(000s, except per share data)	**($)**	($)	**($)**	($)
(unaudited)				
Revenue	**275,245**	133,261	**667,217**	418,376
Expenses				
Operating	**190,350**	108,028	**503,391**	343,001
Selling, general and administrative	**15,529**	8,734	**40,645**	27,397
Depreciation	**20,416**	15,448	**59,184**	45,563
Interest, net	**6,229**	3,763	**18,561**	10,951
Foreign exchange (gains) losses	**(1,325)**	1,807	**630**	3,902
Loss (gain) on disposal of capital assets	**109**	(420)	**(874)**	(1,321)
	231,308	137,360	**621,537**	429,493
Income (loss) before income taxes and non-controlling interest	**43,937**	(4,099)	**45,680**	(11,117)
Income taxes				
Current	**620**	(227)	**1,654**	1,234
Future	**12,137**	(6,745)	**9,672**	(6,062)
	12,757	(6,972)	**11,326**	(4,828)
Income (loss) before non-controlling interest	**31,180**	2,873	**34,354**	(6,289)
Non-controlling interest	**(14)**	31	**(19)**	111
Net income (loss) for the period	**31,194**	2,842	**34,373**	(6,400)
Retained earnings, beginning of period	**203,109**	200,523	**202,083**	211,652
Dividends	**–**	–	**(2,153)**	(1,887)
Retained earnings, end of period	**234,303**	203,365	**234,303**	203,365
Earnings (loss) per share				
Basic	**0.72**	0.08	**0.80**	(0.17)
Diluted	**0.72**	0.08	**0.79**	(0.17)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
Net income (loss) for the period	**31,194**	2,842	**34,373**	(6,400)
Other comprehensive income				
Change in foreign currency translation adjustment	**(2,285)**	(5,260)	**(1,341)**	(8,834)
Comprehensive income (loss)	**28,909**	(2,418)	**33,032**	(15,234)
Accumulated other comprehensive income (loss), beginning of period	**(3,297)**	2,140	**(4,241)**	5,714
Other comprehensive loss for the period	**(2,285)**	(5,260)	**(1,341)**	(8,834)
Accumulated other comprehensive loss, end of period	**(5,582)**	(3,120)	**(5,582)**	(3,120)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net income (loss) for the period	**31,194**	2,842	**34,373**	(6,400)
Items not involving cash				
Depreciation	**20,416**	15,448	**59,184**	45,563
Amortization of debt issue costs and debt discount	**708**	168	**2,098**	532
Stock-based compensation	**1,466**	875	**4,253**	2,617
Loss (gain) on disposal of capital assets	**109**	(420)	**(874)**	(1,321)
Future income taxes (recovery)	**12,137**	(6,745)	**9,672**	(6,062)
Non-controlling interest	**(14)**	31	**(19)**	111
	66,016	12,199	**108,687**	35,040
Net change in non-cash operating assets and liabilities	**(8,159)**	(23,920)	**(28,633)**	(9,750)
	57,857	(11,721)	**80,054**	25,290
FINANCING ACTIVITIES				
Bank loan proceeds	**–**	–	**–**	5,000
Issuance of long-term debt	**10,000**	42,541	**24,930**	62,541
Bank loan repayments	**–**	(10,000)	**–**	(20,000)
Long-term debt repayments	**(13,729)**	(58)	**(14,105)**	(58)
Capital lease obligation repayments	**(307)**	–	**(906)**	–
Net proceeds on issuance of common shares	**789**	–	**2,846**	–
Dividends	**–**	–	**(2,153)**	(1,887)
	(3,247)	32,483	**10,612**	45,596
INVESTING ACTIVITIES				
Purchase of capital assets	**(30,099)**	(58,212)	**(71,862)**	(83,931)
Proceeds on disposal of capital assets	**141**	959	**5,077**	2,133
Acquisitions (note 4)	**18**	–	**(2,041)**	–
Net change in non-cash working capital from purchase of capital assets	**(1,746)**	1,173	**(408)**	(7,268)
	(31,686)	(56,080)	**(69,234)**	(89,066)
Effect of exchange rate changes on cash and cash equivalents	**(4,470)**	(4,184)	**(2,565)**	(7,690)
Increase (decrease) in cash and cash equivalents	**18,454**	(39,502)	**18,867**	(25,870)
Cash and cash equivalents, beginning of period	**25,483**	50,124	**25,070**	36,492
Cash and cash equivalents, end of period	**43,937**	10,622	**43,937**	10,622

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2010
(figures in text and tables are in 000s except share data and certain other exceptions as indicated) (unaudited)

1. BASIS OF PRESENTATION

The interim financial statements of Calfrac Well Services Ltd. (the "Company") do not conform in all respects to the requirements of Canadian generally accepted accounting principles (GAAP) for annual financial statements. The interim financial statements should be read in conjunction with the most recent annual financial statements.

2. SEASONALITY OF OPERATIONS

The Company's Canadian business is seasonal in nature. The lowest activity levels are typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up and access to wellsites in Canada is reduced.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements.

(b) In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As a result, the Company will be required to report its results in accordance with IFRS beginning in 2011. The Company has developed a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information. The full impact of IFRS on the Company's consolidated financial statements is not reasonably determinable at this time.

4. GOODWILL

In March 2010, the Company acquired a non-controlling interest in one of its subsidiaries for $2,041. The agreement required an immediate cash payment of $1,527 as well as a second cash payment to be made in 2011, which is based upon a formula incorporating the earnings generated by the subsidiary during 2010, subject to a minimum payment. The second cash payment is currently estimated to be approximately $514. The acquisition was accounted for as a step acquisition and the consideration paid has been assigned to goodwill as the fair value of the subsidiary's tangible assets, net of liabilities, was nominal.

5. LONG-TERM DEBT

As at	**September 30, 2010**	December 31, 2009
(000s)	**($)**	($)
US$235,000 senior unsecured notes, due February 15, 2015, bearing interest at 7.75%, payable semi-annually	**241,815**	246,985
Less: unamortized debt issue costs and unamortized debt discount	**(9,812)**	(11,768)
	232,003	235,217
$160,000 extendible revolving term loan facility currently bearing interest at the Bankers' Acceptance rate plus 2.5%, secured by the Canadian and U.S. assets of the Company	**40,000**	24,699
Less: unamortized debt issue costs	**(822)**	(1,128)
	39,178	23,571
Mortgage obligations maturing between December 2012 and March 2014 bearing interest at rates ranging from 5.15% to 6.69%, repayable $35 per month principal and interest, secured by certain real property	**3,229**	7,379
US$2,778 mortgage maturing May 2018 bearing interest at U.S. prime less 1%, repayable US$35 per month principal and interest, secured by certain real property	**2,859**	3,180
	277,269	269,347
Less: current portion of long-term debt	**(564)**	(1,996)
	276,705	267,351

The fair value of the senior unsecured notes based on the closing market price at September 30, 2010 was $244,233 (December 31, 2009 – $239,575). The carrying value of the revolving credit facility approximates its fair value due to its variable interest rate and first priority security position. The carrying values of the mortgage obligations approximate their fair values as the interest rates are not significantly different from current mortgage rates for similar loans.

The interest rate on the revolving term facility is based upon the parameters of certain bank covenants. For prime based loans the rate ranges from prime plus 0.75 percent to prime plus 2.25 percent. For LIBOR based loans and Bankers' Acceptance based loans the margin thereon ranges from 2 percent to 3.5 percent above the respective base rates for such loans. The facility is repayable in seven equal quarterly principal instalments of $2,000 commencing December 31, 2011 plus a final payment of $26,000 on September 27, 2013, assuming the facility is not extended. The term and commencement of principal repayments under the facility may be extended by one year on each anniversary at the request of the Company and acceptance by the lenders. The Company also has the ability to prepay principal without penalty.

The Company also has an extendible operating loan facility which includes overdraft protection in the amount of $15,000. The interest rate is based upon the parameters of certain bank covenants in the same fashion as the revolving term facility. Drawdowns under this facility are repayable on September 27, 2013, assuming the facility is not extended. The term and commencement of principal repayments may be extended by one year on each anniversary at the request of the Company and acceptance of the lender. The operating facility is secured by the Canadian and U.S. assets of the Company.

The aggregate scheduled principal repayments required in each of the next five years as at September 30, 2010 are as follows:

	Amount
(000s)	($)
Remainder of 2010	**138**
2011	**2,570**
2012	**10,637**
2013	**30,459**
2014	**948**
2015	**242,195**
	286,947

6. OBLIGATIONS UNDER CAPITAL LEASES

As at	**September 30, 2010**	December 31, 2009
(000s)	($)	($)
Capital lease contracts bearing interest at rates ranging from 5.68% to 6.58%, repayable $124 per month, secured by certain equipment	**4,482**	5,599
Less: interest portion of contractual payments	**(362)**	(574)
	4,120	5,025
Less: current portion of capital lease obligations	**(1,274)**	(1,217)
	2,846	3,808

The carrying values of the capital lease obligations approximate their fair values as the interest rates are not significantly different from current rates for similar leases.

The minimum lease payments required in each of the next five years, from September 30, 2010, are as follows:

	Amount
(000s)	($)
Remainder of 2010	**373**
2011	**1,490**
2012	**1,868**
2013	**751**
2014	**–**
2015	**–**
	4,482
Less: interest portion of contractual payments	**(362)**
	4,120

7. CAPITAL STOCK

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

Continuity of Common Shares (year-to-date)	Shares	Amount
	(#)	($000s)
Balance, January 1	42,898,880	251,282
Issued upon exercise of stock options	203,335	3,573
Balance, September 30	43,102,215	254,855

The weighted average number of common shares outstanding for the nine months ended September 30, 2010 was 43,037,030 basic and 43,469,551 diluted (nine months ended September 30, 2009 – 37,741,561 basic and 37,741,561 diluted). The difference between basic and diluted shares for the nine months ended September 30, 2010 is attributable to the dilutive effect of stock options issued by the Company as disclosed in note 9.

8. CONTRIBUTED SURPLUS

Continuity of Contributed Surplus (year-to-date)	2010
(000s)	($)
Balance, January 1	10,808
Stock options expensed	4,253
Stock options exercised	(726)
Balance, September 30	14,335

9. STOCK OPTIONS

Continuity of Stock Options (year-to-date)	2010		2009	
	Options	Average Exercise Price	Options	Average Exercise Price
	(#)	($)	(#)	($)
Balance, January 1	2,508,143	16.70	2,043,344	21.69
Granted during the period	1,091,200	20.84	852,500	8.45
Exercised for common shares	(203,335)	14.00	–	–
Forfeited	(70,466)	20.22	(191,049)	19.86
Expired	(357,292)	23.71	(164,400)	32.59
Balance, September 30	2,968,250	17.48	2,540,395	16.68

Stock options vest equally over three or four years and expire three-and-one-half or five years from the date of grant. The exercise price of outstanding options ranges from $8.35 to $29.79 with a weighted average remaining life of 3.32 years. When stock options are exercised the proceeds, together with the amount of compensation expense previously recorded in contributed surplus, are added to capital stock.

10. CAPITAL STRUCTURE

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

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

The 2010 capital program has been increased to $236.0 million of which $60.4 million has been expended during the nine months ended September 30, 2010. A significant portion of the remaining 2010 capital program is expected to be spent in 2011.

The Company monitors its capital structure and financing requirements using, amongst other parameters, the ratio of long-term debt to cash flow. Cash flow for this purpose is defined as cash provided by operating activities before the net change in non-cash operating assets and liabilities as reflected in the consolidated statement of cash flows. The ratio of long-term debt to cash flow does not have any standardized meaning prescribed under GAAP and may not be comparable to similar measures used by other companies.

At September 30, 2010, the long-term debt to cash flow ratio was 2.2:1 (December 31, 2009 – 4.9:1) calculated on a 12-month trailing basis as follows:

As at	**September 30, 2010**	December 31, 2009
(000s)	**($)**	($)
Long-term debt (net of unamortized debt issue costs and debt discount) (note 5)	**277,269**	269,347
Cash flow	**128,267**	54,620
Long-term debt to cash flow ratio	**2.2:1**	4.9:1

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

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

11. RELATED PARTY TRANSACTIONS

An entity controlled by a director of the Company provides ongoing real estate advisory services to the Company. The aggregate fees charged for such services following the election of said director on May 11, 2010 was $52, as measured at the exchange amount.

12. CONTINGENCIES

Greek Operations

As a result of the acquisition and amalgamation with Denison Energy Inc. ("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 gas operations in that country. Several groups of former employees have filed claims against NAPC and the consortium alleging that their termination was invalid and that their severance pay was improperly determined.

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $9,643 (6,846 euros) plus interest was due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. NAPC and the Company are assessing available rights of appeal to any other levels of court in any jurisdiction where such an appeal is warranted. Counsel to NAPC has obtained a judicial order entitling NAPC to obtain certain employment information in respect of the plaintiffs which is required in order to assess the extent to which the plaintiffs have mitigated any damages which may otherwise be payable.

Several other smaller groups of former employees have filed similar cases in various courts in Greece. One of these cases was heard by the Athens Court of First Instance on January 18, 2007. By judgment rendered November 23, 2007, the plaintiff's allegations were partially accepted, and the plaintiff was awarded compensation for additional work of approximately $49 (35 euros), plus interest. The appeal of this decision was heard on June 2, 2009, at which time an additional claim by the plaintiff seeking damages of $314 (223 euros), plus interest, was also heard. A decision in respect of the hearing has been rendered which accepted NAPC's appeal and rejected the additional claim of the plaintiff. Another one of the lawsuits seeking salaries in arrears of $180 (128 euros), plus interest, was heard by the Supreme Court of Greece on November 6, 2007, at which date the appeal of the plaintiffs was denied for technical reasons due to improper service. A rehearing of this appeal was heard on September 21, 2010, but to date no decision has been rendered. The remaining action, which is seeking salaries in arrears of approximately $618 (439 euros) plus interest, was scheduled to be heard before the Athens Court of First Instance on October 1, 2009, but was adjourned until November 18, 2011 as a result of the Greek elections.

The Company has signed an agreement with a Greek exploration and production company pursuant to which it has agreed to assign approximately 90 percent of its entitlement under an offshore licence agreement for consideration including a full indemnity in respect of the Greek legal claims described above. The completion of the transactions contemplated by such agreement is subject to certain conditions precedent, the fulfillment of which is not in the Company's control.

The direction and financial consequences of the potential decisions in these actions cannot be determined at this time and, consequently, no provision has been recorded in these financial statements.

Potential Claim

The Company has a potential claim related to a contract the outcome of which is not reasonably determinable at this time. The amount of the claim on an after-tax basis is estimated to be approximately $2,200.

13. SEGMENTED INFORMATION

The Company's activities are conducted in four geographic segments: Canada, Russia, the United States and Latin America. All activities are related to fracturing, coiled tubing, cementing and well stimulation services for the oil and natural gas industry.

	Canada	Russia	United States	Latin America	Corporate	Consolidated
(000s)	($)	($)	($)	($)	($)	($)
Three Months Ended Sept. 30, 2010						
Revenue	**160,465**	**21,878**	**83,603**	**9,299**	**–**	**275,245**
Operating income (loss)[1]	**53,473**	**5,184**	**21,401**	**(2,745)**	**(7,947)**	**69,366**
Segmented assets	**496,011**	**118,329**	**266,520**	**37,077**	**–**	**917,937**
Capital expenditures	**17,664**	**4,599**	**7,426**	**410**	**–**	**30,099**
Goodwill	**7,236**	**979**	**2,308**	**2,041**	**–**	**12,564**
Three Months Ended Sept. 30, 2009						
Revenue	45,463	17,774	52,524	17,500	–	133,261
Operating income (loss)[1]	6,090	6,151	5,682	2,555	(3,979)	16,499
Segmented assets	279,055	102,802	249,103	47,260	–	678,220
Capital expenditures	11,317	1,699	44,099	1,097	–	58,212
Goodwill	7,236	979	2,308	–	–	10,523
Nine Months Ended Sept. 30, 2010						
Revenue	**346,279**	**57,501**	**217,322**	**46,115**	**–**	**667,217**
Operating income (loss)[1]	**94,398**	**7,491**	**44,357**	**(2,332)**	**(20,733)**	**123,181**
Segmented assets	**496,011**	**118,329**	**266,520**	**37,077**	**–**	**917,937**
Capital expenditures	**43,797**	**7,913**	**19,124**	**1,028**	**–**	**71,862**
Goodwill	**7,236**	**979**	**2,308**	**2,041**	**–**	**12,564**
Nine Months Ended Sept. 30, 2009						
Revenue	157,067	51,932	164,020	45,357	–	418,376
Operating income (loss)[1]	14,107	15,920	22,489	8,014	(12,552)	47,978
Segmented assets	279,055	102,802	249,103	47,260	–	678,220
Capital expenditures	23,709	3,135	54,890	2,197	–	83,931
Goodwill	7,236	979	2,308	–	–	10,523

[1] Operating income (loss) is defined as net income (loss) before depreciation, interest, foreign exchange gains or losses, gains or losses on disposal of capital assets, income taxes and non-controlling interest.

The following table sets forth consolidated revenue by service line:

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
Fracturing	**244,207**	115,262	**587,316**	353,050
Coiled tubing	**22,871**	10,656	**50,826**	36,245
Cementing	**4,853**	4,151	**14,937**	19,754
Other	**3,314**	3,192	**14,138**	9,327
	275,245	133,261	**667,217**	418,376

14. SUBSEQUENT EVENT

Subsequent to September 30, 2010, the Company has agreed to loan Fernando Aguilar, the Company's President and Chief Operating Officer since November 1, 2010 and a member of the Company's Board of Directors from May 12, 2008 to October 16, 2010, $2,500 for the purpose of facilitating the purchase of 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 to be acquired with the loan proceeds. It is for a term of five years and bears interest at the rate of 3.375% per annum, payable annually.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Kevin R. Baker (2)(3)
President,
Baycor Capital Inc.

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

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

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

Douglas R. Ramsay
Chief Executive Officer
Calfrac Well Services Ltd.

R.T. (Tim) Swinton (1)(2)(3)
Independent Businessman

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance and Nominating Committee

(4) Member of the Health, Safety and Environment Committee

OFFICERS

Douglas R. Ramsay
Chief Executive Officer

Fernando Aguilar
President &
Chief Operating Officer

Gordon A. Dibb
Executive Vice President

F. Bruce Payne
President,
Canadian Division

John L. Grisdale
President,
United States Division

Robert L. Sutherland
President,
Russian Division

Laura A. Cillis
Senior Vice President, Finance
& Chief Financial Officer

Tom J. Medvedic
Senior Vice President,
Corporate Development

Dwight M. Bobier
Senior Vice President,
Technical Services

Stephen T. Dadge
Senior Vice President,
Health, Safety & Environment

Donald R. Battenfelder
Vice President,
Global Operations

L. Lee Burleson
Vice President,
Sales & Marketing
United States Division

Robert J. Montgomery
Vice President,
Operations,
Canadian Division

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

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

Patrick Schneider
Vice President,
Operations,
United States Division

A. Scott Tuttle
Vice President,
Human Resources

Michael D. Olinek
Corporate Controller

Matthew L. Mignault
Controller

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LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

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

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Dawson Creek
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Saskatchewan, Canada
Estevan

Arkansas, United States
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