Calfrac Announces Fourth Quarter Results

CALGARY, ALBERTA - February 23, 2017 - Calfrac Well Services Ltd. ("Calfrac" or "the Company") (TSX-CFW) announces its financial and operating results for the three months and year ended December 31, 2016.

HIGHLIGHTS

	Three Months Ended December 31,			Year Ended December 31,		
	2016	2015	Change	**2016**	2015	Change
(C$000s, except per share and unit data) *(unaudited)*	***($)***	*($)*	*(%)*	***($)***	*($)*	*(%)*
Financial						
Revenue	**192,846**	286,194	(33)	**734,514**	1,495,205	(51)
Operating income (loss)[1]	**(18,291)**	5,787	NM	**(58,204)**	29,384	NM
Per share – basic	**(0.15)**	0.06	NM	**(0.50)**	0.31	NM
Per share – diluted	**(0.15)**	0.06	NM	**(0.50)**	0.31	NM
Adjusted EBITDA[1]	**(13,717)**	22,933	NM	**(44,750)**	52,057	NM
Per share – basic	**(0.11)**	0.24	NM	**(0.38)**	0.54	NM
Per share – diluted	**(0.11)**	0.24	NM	**(0.38)**	0.54	NM
Net loss attributable to the shareholders of Calfrac before foreign exchange gains or losses[2]	**(62,549)**	(119,113)	(47)	**(185,558)**	(199,284)	(7)
Per share – basic	**(0.52)**	(1.22)	(57)	**(1.59)**	(2.08)	(24)
Per share – diluted	**(0.52)**	(1.22)	(57)	**(1.59)**	(2.08)	(24)
Net loss attributable to the shareholders of Calfrac	**(61,493)**	(141,498)	(57)	**(198,097)**	(221,594)	(11)
Per share – basic	**(0.51)**	(1.45)	(65)	**(1.69)**	(2.31)	(27)
Per share – diluted	**(0.51)**	(1.45)	(65)	**(1.69)**	(2.31)	(27)
Working capital (end of period)				**271,581**	305,952	(11)
Total equity (end of period)				**497,458**	623,719	(20)
Weighted average common shares outstanding (000s)						
Basic	**121,361**	97,254	25	**116,906**	95,907	22
Diluted	**122,782**	97,423	26	**117,326**	96,076	22
Operating (end of period)						
Active pumping horsepower (000s)				**659**	776	(15)
Idle pumping horsepower (000s)[3]				**563**	524	7
Total pumping horsepower (000s)[3]				**1,222**	1,300	(6)
Active coiled tubing units (#)				**19**	20	(5)
Idle coiled tubing units (#)				**13**	17	(24)
Total coiled tubing units (#)				**32**	37	(14)
Active cementing units (#)				**14**	23	(39)
Idle cementing units (#)				**11**	8	38
Total cementing units (#)				**25**	31	(19)

[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.

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

[3] Excludes 92,500 pumping horsepower that has not been commissioned at December 31, 2016 (December 31, 2015 - 60,000).

FOURTH QUARTER 2016 OVERVIEW

CONSOLIDATED HIGHLIGHTS

Three Months Ended December 31,	**2016**	2015	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**192,846**	286,194	(33)
Expenses			
Operating	**193,264**	259,633	(26)
Selling, general and administrative (SG&A)	**17,873**	20,774	(14)
	211,137	280,407	(25)
Operating (loss) income[1]	**(18,291)**	5,787	NM
Operating (loss) income (%)	**(9.5)**	2.0	NM
Adjusted EBITDA[1]	**(13,717)**	22,933	NM
Adjusted EBITDA (%)	**(7.1)**	8.0	NM
Fracturing revenue per job ($)	**26,382**	34,199	(23)
Number of fracturing jobs	**5,932**	7,008	(15)
Active pumping horsepower, end of period (000s)	**659**	776	(15)
Idle pumping horsepower, end of period (000s)[2]	**563**	524	7
Total pumping horsepower, end of period (000s)[2]	**1,222**	1,300	(6)
Coiled tubing revenue per job ($)	**30,439**	40,264	(24)
Number of coiled tubing jobs	**644**	620	4
Active coiled tubing units, end of period (#)	**19**	20	(5)
Idle coiled tubing units, end of period (#)	**13**	17	(24)
Total coiled tubing units, end of period (#)	**32**	37	(14)
Cementing revenue per job ($)	**45,351**	55,430	(18)
Number of cementing jobs	**214**	336	(36)
Active cementing units, end of period (#)	**14**	23	(39)
Idle cementing units, end of period (#)	**11**	8	38
Total cementing units, end of period (#)	**25**	31	(19)

[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.
[2] Excludes 92,500 pumping horsepower that has not been commissioned at December 31, 2016 (December 31, 2015 - 60,000).

Revenue in the fourth quarter of 2016 was $192.8 million, a decrease of 33 percent from the same period in 2015. The Company's fracturing job count decreased by 15 percent mainly due to lower activity in Canada and the United States. Consolidated revenue per fracturing job decreased by 23 percent primarily due to lower pricing and job mix in North America and Argentina offset partially by higher service intensity in Canada and the completion of larger jobs in the United States. Cementing revenue per job decreased by 18 percent due to the closure of cementing operations in the United States, which included larger jobs in the comparative quarter in 2015, and the impact of job mix in Argentina as the Company performed a greater number of surface jobs compared to intermediate and production cementing jobs, which are typically larger.

Pricing in Canada decreased on average by 15 percent and in the United States it declined on average by 10 percent in the fourth quarter of 2016 from the fourth quarter of 2015. Pricing in Argentina was negatively impacted by the lower rig count in that country and the resulting competitive pricing pressure experienced from certain multinational competitors. In Russia, pricing was consistent with the fourth quarter of 2015.

Adjusted EBITDA of negative $13.7 million for the fourth quarter of 2016 declined from positive $22.9 million in the comparable period in 2015 due to significantly lower utilization and pricing in the United States and Canada, and to a lesser extent, lower utilization and pricing in Argentina and lower utilization in Russia. The reduction in Adjusted EBITDA was partially offset by continued cost reduction initiatives since the end of the fourth quarter of 2015.

Net loss attributable to shareholders of Calfrac was $61.5 million or $0.51 per share diluted, compared to a net loss of $141.5 million or $1.45 per share diluted in the same period last year. The net loss in 2016 included a $3.2 million write-down of

inventory and a one-time depreciation charge of $21.5 million that resulted from the Company decreasing its useful life depreciation estimate and salvage value for certain of its components relating to pumping equipment during the quarter. The net loss in the comparable quarter of 2015 included the write-downs of property, plant and equipment and inventory of $114.5 million and $14.3 million, respectively.

Three Months Ended	**December 31, 2016**	September 30, 2016	Change
(C$000s, except operational information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**192,846**	174,925	10
Expenses			
Operating	**193,264**	173,579	11
SG&A	**17,873**	13,738	30
	211,137	187,317	13
Operating loss[1]	**(18,291)**	(12,392)	48
Operating loss (%)	**(9.5)**	(7.1)	34
Adjusted EBITDA[1]	**(13,717)**	(11,055)	24
Adjusted EBITDA (%)	**(7.1)**	(6.3)	13
Fracturing revenue per job ($)	**26,382**	30,906	(15)
Number of fracturing jobs	**5,932**	4,508	32
Active pumping horsepower, end of period (000s)	**659**	644	2
Idle pumping horsepower, end of period (000s)[2]	**563**	578	(3)
Total pumping horsepower, end of period (000s)[2]	**1,222**	1,222	—
Coiled tubing revenue per job ($)	**30,439**	36,482	(17)
Number of coiled tubing jobs	**644**	592	9
Active coiled tubing units, end of period (#)	**19**	20	(5)
Idle coiled tubing units, end of period (#)	**13**	12	8
Total coiled tubing units, end of period (#)	**32**	32	—
Cementing revenue per job ($)	**45,351**	34,515	31
Number of cementing jobs	**214**	238	(10)
Active cementing units, end of period (#)	**14**	14	—
Idle cementing units, end of period (#)	**11**	11	—
Total cementing units, end of period (#)	**25**	25	—

[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.
[2] Excludes 92,500 pumping horsepower that has not been commissioned at December 31, 2016 (September 30, 2016 - 92,500)

Revenue in the fourth quarter of 2016 was $192.8 million, an increase of 10 percent from the third quarter of 2016 primarily due to higher activity in Canada, the United States and Argentina. Revenue per fracturing job decreased by 15 percent due to a change in job mix in Canada combined with not providing proppant to a large customer. The Company pumped 15 percent more proppant per stage compared to the third quarter as a result of greater service intensity. Pricing across all of Calfrac's operating districts was mostly consistent with the third quarter of 2016.

In Canada, revenue increased by 21 percent to $72.3 million in the fourth quarter of 2016 due to higher fracturing and coiled tubing activity, offset partially by the completion of smaller jobs resulting from a change in job mix combined with not providing sand to a major customer. Operating income as a percentage of revenue was 2 percent, which was up from negative 3 percent in the third quarter primarily due to higher utilization offset partially by $1.5 million in reactivation costs.

In the United States, revenue in the fourth quarter of 2016 increased by 10 percent from the third quarter to $58.0 million, mainly as a result of higher activity in North Dakota and Pennsylvania. The operating loss as a percentage of revenue increased from 11 percent in the third quarter of 2016 to 12 percent in the fourth quarter. The deterioration in sequential results was primarily driven by operational inefficiencies with new customers in North Dakota and Colorado.

In Russia, revenue of $24.4 million in the fourth quarter of 2016 was 7 percent lower than the third quarter of 2016 as activity that was delayed during the quarter due to extremely cold weather conditions in Western Siberia. Operating income as a percentage of revenue declined to 4 percent from 16 percent primarily due to lower utilization during the quarter.

In Latin America, revenue increased by 5 percent to $38.2 million primarily due to higher fracturing activity in Argentina. Operating income included restructuring costs of $3.4 million that were recorded during the fourth quarter of 2016 compared to $0.5 million recorded during the third quarter. Excluding these one-time costs operating income as a percentage of revenue increased from negative 4 percent in the third quarter, to positive 1 percent in the fourth quarter of 2016. The improvement in operating income was primarily due to improved utilization and cost reduction measures initiated during the fourth quarter.

OUTLOOK

Last year was one of the most challenging years experienced by the North American pressure pumping industry. The U.S. land rig count fell to 380 rigs while the Canadian rig count dropped to as low as 34 rigs in 2016. As a result of this lack of activity, pricing in the pressure pumping sub-sector fell to unsustainable levels and, consequently, drove several North American competitors into bankruptcy or to undertake significant financial restructuring measures. In 2016, Calfrac was focused on managing its cost structure and preserving liquidity which resulted in significant headcount reductions across the Company, the introduction of structural changes in Canadian field labour compensation, further idling of assets and the closure of certain districts both on a permanent and temporary basis. While difficult decisions had to be made over the course of the last two years, Calfrac was able to navigate through the downturn and is optimistic for an industry recovery. As evident in the rebound in the North American rig count and the recent strength in crude oil prices and relative strength in natural gas prices, the Company believes that the market has begun to improve. Activity has experienced positive momentum over the last few months and utilization of Calfrac's active fleet has meaningfully increased in North America while the Company's international operations have stabilized. Although Calfrac believes that 2017 will be an improvement from 2016, the Company expects the first half of the year to be a transition period as the pressure pumping industry begins to recover in Canada and the United States.

CANADA

Calfrac's activity has been strong since the beginning of the year and the Company anticipates full utilization of its active fleet through to spring break-up. Given that the rig count has held above 300 rigs for the last several weeks, Calfrac believes that completion activity in the second half of 2017 will exceed levels experienced over the last few years. The Company reactivated a fleet at the end of November that is dedicated to the Saskatchewan light oil plays as well as a larger fleet focused in the Grande Prairie region that was deployed in late January. The majority of Calfrac's activity is focused in the Montney gas and Saskatchewan light oil plays where the Company maintains a strong market share while activity in the Cardium has also begun to reemerge. Based on the previously mentioned capacity additions and given current activity levels and visibility, Calfrac believes that it has an appropriate amount of active capacity but the Company will continue to monitor the market for opportunities to redeploy additional horsepower on a profitable basis. The labour market is and will continue to be tight and the Company believes that this factor will be a significant constraint in bringing additional capacity back into service.

Given the high utilization of active horsepower in the market, Calfrac has been able to increase pricing for its services and first quarter levels are expected to improve from the lows experienced in the third quarter of 2016. Pricing remains dynamic but the Company expects this positive momentum will continue over the course of 2017. In terms of supplier costs, third-party trucking was the first to increase and sand and chemical costs are starting to trend higher as the market recovers. Calfrac does not anticipate the higher input costs to have a significant impact on its financial results given that the Company has and will continue to pass these increased costs along to its customers.

UNITED STATES

The United States division has been the most challenged market throughout the downturn. While the Company believes it will benefit from increased pressure pumping demand in the first half of 2017, Calfrac remains cautious as it builds back scale across its operating areas and pricing levels improve. The Company has reactivated a second fleet for the Bakken and increased the size of one of its Rockies fleets in order to satisfy the demand of its customers. Pricing fundamentals are improving and the addition of the aforementioned capacity is expected to yield returns that will drive the U.S. division towards positive operating margins. Calfrac is also experiencing increased demand for its services in the Marcellus and if pricing continues to strengthen the Company believes there may be an opportunity to reactivate an additional fleet in 2017. Consistent with Calfrac's Canadian operations, supplier costs have started to increase but those costs have and will continue to be passed along to its customers.

RUSSIA

To date, activity in the first quarter is meeting the Company's expectations and financial results are anticipated to be relatively consistent with the first quarter of 2016. The majority of the 2017 tendering process has come to a close and Calfrac was successful in securing work with both existing as well as new customers. Overall, activity and pricing are expected to remain relatively flat on a year-over-year basis with financial results projected to remain stable when compared to 2016.

LATIN AMERICA

The Argentinean government recently announced a plan that aims to boost the exploration and development of unconventional resources in the Neuquén area. Included in the deal was the extension of Plan Gas, a commitment to investments in infrastructure, positive tax reforms and an adjustment to certain union conditions aimed at improving labor productivity. Oil and gas companies are expected to invest US$5.0 billion in unconventional exploration and development in 2017 and Calfrac believes additional joint ventures in the Vaca Muerta shale formation are likely to be announced over the coming year. Overall, this announcement reinforces the Company's positive long-term outlook for the country and Calfrac believes it is in a strong position to benefit from the expected increase in activity in the coming years. In the near-term, the Company expects financial results to improve due to a combination of cost cutting initiatives and stabilized activity levels. However, labor disruptions in the form of work slowdowns have recently emerged and could negatively impact operating results. Overall, the Company anticipates that increased fracturing activity in 2017 will offset a decrease in cementing activity while pricing is expected to remain largely stable with current levels.

In Mexico, the business environment remains challenging with very limited pressure pumping activity. Calfrac will continue to evaluate the market while maintaining a small scale operating presence with a minimal cost structure.

CORPORATE

In the fourth quarter of 2016, Calfrac completed an equity raise for net proceeds of $56.6 million which served to further improve liquidity as well as pre-fund the Company's second equity cure. With the ability to utilize two equity cures, coupled with its cash position, undrawn credit facilities, modest capital budget and overall improved visibility, the Company believes it is in a strong position as the pressure pumping market recovers.

On behalf of the Board of Directors I am pleased to announce that Michael (Mike) Olinek has been appointed Chief Financial Officer of the Corporation. Mike joined Calfrac in August of 2006 as Corporate Controller and was promoted to Vice President, Finance in April of 2011. He has been serving as Interim Chief Financial Officer since March of 2016 and has done an outstanding job in that role amidst a particularly challenging operating environment, resulting from low oil and gas prices. Prior to joining Calfrac, Mike first served five years with a major accounting firm where he obtained his Chartered Professional Accountant designation. He then served in progressively-responsible financial roles over twelve years with two large, multinational exploration and production companies. Mike's firsthand knowledge of our industry and the valuable experience he has gained over the past decade with Calfrac will be invaluable as the Company seeks to capitalize on the improving market fundamentals that are emerging.

Calfrac is also very pleased to announce the appointment of Scott Treadwell as Vice President, Capital Markets and Strategy, and the transition of Mark Paslawski, previously the Corporation's Vice President, General Counsel and Corporate Secretary, to the role of Vice President, Corporate Development and Corporate Secretary. Scott has over seven years of capital markets experience in the oil and gas services sector, and most recently served as Director, Energy Services Research at a major Canadian investment bank. Scott also has over nine years of domestic and international oil and gas industry experience, the bulk of which was in the oilfield services arena. We are excited to bring Scott on board to lead our capital markets efforts and to play an important role in strategic planning and execution with the rest of the executive management team. Mark joined Calfrac as General Counsel and Corporate Secretary in September of 2007 having practiced securities and corporate law for eight years at the Calgary office of a major Canadian law firm. Mark has been assuming a progressively more business focused role throughout his tenure with Calfrac, and his transition to this new position will allow him to dedicate more time and energy to these endeavors.

I look forward to the contributions each of these individuals will make to our executive management team in the years ahead.

FINANCIAL OVERVIEW – THREE MONTHS ENDED DECEMBER 31, 2016 VERSUS 2015

CANADA

Three Months Ended December 31,	**2016**	2015	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**72,327**	123,341	(41)
Expenses			
Operating	**68,918**	109,651	(37)
SG&A	**1,941**	3,529	(45)
	70,859	113,180	(37)
Operating income[1]	**1,468**	10,161	(86)
Operating income (%)	**2.0**	8.2	(76)
Fracturing revenue per job ($)	**16,415**	26,201	(37)
Number of fracturing jobs	**3,855**	4,368	(12)
Active pumping horsepower, end of period (000s)	**206**	223	(8)
Idle pumping horsepower, end of period (000s)	**188**	202	(7)
Total pumping horsepower, end of period (000s)[2]	**394**	425	(7)
Coiled tubing revenue per job ($)	**24,456**	25,344	(4)
Number of coiled tubing jobs	**370**	351	5
Active coiled tubing units, end of period (#)	**7**	6	17
Idle coiled tubing units, end of period (#)	**6**	12	(50)
Total coiled tubing units, end of period (#)[2]	**13**	18	(28)

[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.
[2] Reduction recorded in the first quarter of 2016 was the result of equipment that was identified as permanently impaired based on the impairment provision at December 31, 2015.

REVENUE

Revenue from Calfrac's Canadian operations during the fourth quarter of 2016 was $72.3 million versus $123.3 million in the same period of 2015. The 41 percent decrease in revenue was primarily due to the completion of smaller jobs combined with lower fracturing activity and pricing. Revenue per fracturing job decreased by 37 percent from the same period in the prior year as a result of job mix, which included a higher proportion of activity in the Viking oil play, combined with the impact of a major customer beginning to supply its own sand and lower pricing. In addition, the number of fracturing jobs decreased by 12 percent which also contributed to the decrease in revenue. The number of coiled tubing jobs increased by 5 percent from the fourth quarter in 2015 due to increased activity in Saskatchewan light oil plays quarter-over-quarter.

OPERATING INCOME

Operating income in Canada during the fourth quarter of 2016 was $1.5 million compared to $10.2 million in the same period of 2015. Included in the fourth quarter of 2016 were reactivation costs of approximately $1.5 million, while the fourth quarter of 2015 included approximately $4.0 million in restructuring costs. Operating costs were 37 percent lower than the comparable quarter of 2015 primarily due to the decline in activity. Pricing for proppant and chemicals was 10 to 15 percent lower than the comparable quarter in 2015 while subcontractor costs were consistent with 2015. The rationalization of its district cost structure contributed to lower operating costs while the 45 percent decrease in SG&A expenses resulted from workforce reductions implemented earlier in the year.

UNITED STATES

Three Months Ended December 31,	**2016**	2015	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**57,956**	81,263	(29)
Expenses			
Operating	**62,330**	80,193	(22)
SG&A	**2,865**	4,953	(42)
	65,195	85,146	(23)
Operating loss[1]	**(7,239)**	(3,883)	86
Operating loss (%)	**(12.5)**	(4.8)	NM
Fracturing revenue per job ($)	**36,868**	34,664	6
Number of fracturing jobs	**1,572**	2,191	(28)
Active pumping horsepower, end of period (000s)	**252**	352	(28)
Idle pumping horsepower, end of period (000s)	**375**	322	16
Total pumping horsepower, end of period (000s)[2]	**627**	674	(7)
Cementing revenue per job ($)	**—**	54,786	(100)
Number of cementing jobs	**—**	97	(100)
Active cementing units, end of period (#)	**—**	10	(100)
Idle cementing units, end of period (#)	**11**	8	38
Total cementing units, end of period (#)[2]	**11**	18	(39)
US$/C$ average exchange rate[3]	**1.3344**	1.3354	—

[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.
[2] Reduction recorded in the first quarter of 2016 was the result of equipment that was identified as permanently impaired based on the impairment provision at December 31, 2015.
[3] Source: Bank of Canada.

REVENUE

Revenue from Calfrac's United States operations decreased to $58.0 million during the fourth quarter of 2016 from $81.3 million in the comparable quarter of 2015 due to significantly lower pricing and fracturing activity across most of the Company's operating regions, with the exception of Colorado, as 28 percent fewer fracturing jobs were completed period-over-period. The Company temporarily closed its south Texas operations and suspended all remaining cementing operations during the first quarter of 2016, which contributed to the year-over-year decline in revenue. Revenue per job was 6 percent higher year-over-year due to the completion of larger jobs in the Marcellus shale gas play in Pennsylvania offset partially by the completion of smaller jobs in Colorado as Calfrac performed non-proppant fracturing jobs for a new customer during the quarter while another customer changed to a smaller job design.

OPERATING LOSS

The Company's United States operations had an operating loss of $7.2 million during the fourth quarter of 2016 compared to a loss of $3.9 million in the same period in 2015, which included $5.1 million in restructuring costs. The fourth quarter loss was primarily the result of lower than expected utilization in Colorado and North Dakota caused by operational inefficiencies associated with working with new customers as well as delays caused by a combination of bad weather and a slower than expected increase in customer activity. SG&A expenses decreased by 42 percent in the fourth quarter of 2016 from the prior year primarily due to workforce reductions since the end of 2015.

RUSSIA

Three Months Ended December 31,	**2016**	2015	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**24,400**	32,641	(25)
Expenses			
Operating	**22,705**	27,664	(18)
SG&A	**752**	745	1
	23,457	28,409	(17)
Operating income[1]	**943**	4,232	(78)
Operating income (%)	**3.9**	13.0	(70)
Fracturing revenue per job ($)	**71,753**	90,035	(20)
Number of fracturing jobs	**267**	301	(11)
Pumping horsepower, end of period (000s)	**70**	70	—
Coiled tubing revenue per job ($)	**46,392**	39,578	17
Number of coiled tubing jobs	**113**	140	(19)
Active coiled tubing units, end of period (#)	**6**	7	(14)
Idle coiled tubing units, end of period (#)	**1**	—	NM
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate[2]	**0.0212**	0.0202	5

[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.
[2] Source: Bank of Canada.

REVENUE

Revenue from Calfrac's Russian operations decreased by 25 percent during the fourth quarter of 2016 to $24.4 million from $32.6 million in the corresponding three-month period of 2015. The decline in revenue was largely attributable to the impact of no longer providing proppant to one of Calfrac's customers as well as lower activity due to extremely cold weather in Western Siberia during December. The 5 percent appreciation of the Russian rouble in the fourth quarter of 2016 as compared to the same quarter of 2015 partially offset the decline in revenue. Revenue per fracturing job declined by 20 percent primarily due to the impact of no longer providing proppant to one of Calfrac's customers.

OPERATING INCOME

Operating income in Russia was $0.9 million during the fourth quarter of 2016, a 78 percent decrease from the corresponding period of 2015. Operating income as a percentage of revenue was 4 percent compared to 13 percent in 2015 primarily due to lower utilization resulting from the impact of extremely cold weather in Western Siberia and operational inefficiencies with one of the Company's contracted customers. SG&A expenses were consistent with the comparable quarter in 2015.

LATIN AMERICA

Three Months Ended December 31,	**2016**	2015	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**38,163**	48,949	(22)
Expenses			
Operating	**38,236**	40,254	(5)
SG&A	**2,800**	4,666	(40)
	41,036	44,920	(9)
Operating (loss) income[1]	**(2,873)**	4,029	NM
Operating (loss) income (%)	**(7.5)**	8.2	NM
Pumping horsepower, end of period (000s)	**131**	131	—
Cementing units, end of period (#)	**14**	13	8
Coiled tubing units, end of period (#)	**7**	7	—
Mexican peso/C$ average exchange rate[2]	**0.0674**	0.0797	(15)
Argentinean peso/C$ average exchange rate[2]	**0.0863**	0.1337	(35)

[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.
[2] Source: Bank of Canada.

REVENUE

Calfrac's Latin American operations generated total revenue of $38.2 million during the fourth quarter of 2016 versus $48.9 million in the comparable three-month period in 2015. Revenue in Argentina was $6.3 million lower than the comparable quarter primarily due to lower pricing, the completion of smaller jobs and less cementing activity. In Mexico, revenue decreased by $4.5 million primarily due to lower coiled tubing work with its major customer.

OPERATING (LOSS) INCOME

The Company's operations in Latin America incurred an operating loss of $2.9 million during the fourth quarter of 2016 compared to operating income of $4.0 million in the fourth quarter of 2015. This decrease was primarily due to lower equipment utilization caused by flooding in Neuquén in late October combined with continued union strikes throughout the quarter and lower pricing. In addition, Calfrac recorded restructuring costs of $2.9 million and $0.5 million in Argentina and Mexico, respectively during the fourth quarter of 2016.

CORPORATE

Three Months Ended December 31,	**2016**	2015	Change
(C$000s)	***($)***	*($)*	*(%)*
(unaudited)			
Expenses			
Operating	**1,075**	1,871	(43)
SG&A	**9,515**	6,881	38
	10,590	8,752	21
Operating loss[1]	**(10,590)**	(8,752)	21
% of Revenue	**5.5**	3.1	77

[1] *Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.*

OPERATING LOSS

Corporate expenses for the fourth quarter of 2016 increased by 21 percent compared to the fourth quarter of 2015. Operating expenses were 43 percent lower as a result of lower district personnel costs. SG&A expenses were $2.6 million higher, which resulted from a $4.4 million increase in stock-based compensation expense due to a higher share price at the end of the quarter combined with additional restricted share units granted during the period. Excluding stock-based compensation, the Company reduced SG&A expenses by $1.7 million primarily through personnel reductions.

DEPRECIATION

For the three months ended December 31, 2016, depreciation expense increased by 32 percent to $53.3 million from $40.3 million in the corresponding quarter of 2015. The increase resulted from the Company decreasing its useful life depreciation estimate and salvage value for certain of its components relating to pumping equipment during the quarter. This resulted in a one-time depreciation charge of $21.5 million to the income statement in the current period. The increase in depreciation was partially offset by the impact of the $114.5 million impairment of property, plant and equipment in the United States, Canada and Mexico that was recorded in the fourth quarter of 2015.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange gain of $0.3 million during the fourth quarter of 2016 versus a loss of $33.5 million in the comparative three-month period of 2015. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada, Russia and Latin America.

IMPAIRMENT

The Company tested each of its cash generating units (CGU) for potential impairment at the end of 2016 and 2015, as the impact of low oil and gas natural gas prices over the past two years on the Company's current and future financial results were indicators of impairment. Based on the results of the impairment test, no impairment was identified for the year ended December 31, 2016 (2015 - $114.5 million). The impairment losses by CGU are as follows:

For the quarter ended December 31,	**2016**	2015
(C$000s)	***($)***	*($)*
Canada	**—**	10,091
United States	**—**	102,528
Mexico	**—**	1,860
	—	114,479

The Company also evaluated the net realizable value of its inventories at December 31, 2016 and recorded a $3.2 million write-down (2015 - $14.3 million).

INTEREST

The Company's net interest expense of $22.1 million for the fourth quarter of 2016 was $3.8 million higher than in the comparable period of 2015. The main driver of this increase was interest expense related to the Company's $200.0 million secured second lien term loan as it contributed to an increase in debt levels and the interest rate on this loan was higher than the interest rate on the credit facility borrowings that were repaid.

INCOME TAXES

The Company recorded an income tax recovery of $32.2 million during the fourth quarter of 2016 compared to a recovery of $72.0 million in the comparable period of 2015. The recovery position was the result of pre-tax losses incurred during the quarter in Canada, the United States and Argentina. The effective tax recovery rate was 34 percent during the fourth quarter of 2016 compared to a normalized effective tax recovery rate of 30 percent in the comparable quarter in 2015. The effective tax recovery rate in 2016 was higher primarily due to a greater proportion of the consolidated losses being incurred in the United States, which has a higher statutory tax rate, compared to 2015.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Mar. 31, 2015	Jun. 30, 2015	Sep. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	Sep. 30, 2016	**Dec. 31, 2016**
(C$000s, except per share and operating data) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
Financial								
Revenue	600,383	319,553	289,075	286,194	216,138	150,605	174,925	**192,846**
Operating income (loss)[1]	27,844	(7,022)	2,775	5,787	(11,623)	(15,898)	(12,392)	**(18,291)**
Per share – basic	0.29	(0.07)	0.03	0.06	(0.10)	(0.14)	(0.11)	**(0.15)**
Per share – diluted	0.29	(0.07)	0.03	0.06	(0.10)	(0.14)	(0.11)	**(0.15)**
Adjusted EBITDA[1]	25,609	(3,696)	7,211	22,933	(5,883)	(14,095)	(11,055)	**(13,717)**
Per share – basic	0.27	(0.04)	0.08	0.24	(0.05)	(0.12)	(0.10)	**(0.11)**
Per share – diluted	0.27	(0.04)	0.08	0.24	(0.05)	(0.12)	(0.10)	**(0.11)**
Net income (loss) attributable to the shareholders of Calfrac	(12,628)	(43,277)	(24,191)	(141,498)	(54,071)	(41,671)	(40,862)	**(61,493)**
Per share – basic	(0.13)	(0.45)	(0.25)	(1.45)	(0.47)	(0.36)	(0.35)	**(0.51)**
Per share – diluted	(0.13)	(0.45)	(0.25)	(1.45)	(0.47)	(0.36)	(0.35)	**(0.51)**
Capital expenditures	52,669	50,356	24,945	29,964	7,723	8,370	6,907	**15,708**
Working capital (end of period)	413,950	340,639	296,816	305,952	261,072	306,346	269,081	**271,581**
Total equity (end of period)	818,825	775,646	742,972	623,719	576,465	543,530	501,926	**497,458**
Operating (end of period)								
Active pumping horsepower (000s)	1,259	804	754	776	640	582	644	**659**
Idle pumping horsepower (000s)[2]	—	455	533	524	586	640	578	**563**
Total pumping horsepower (000s)[2]	1,259	1,259	1,287	1,300	1,226	1,222	1,222	**1,222**
Active coiled tubing units (#)	37	20	20	20	18	19	20	**19**
Idle coiled tubing units (#)	—	17	17	17	14	13	12	**13**
Total coiled tubing units (#)	37	37	37	37	32	32	32	**32**
Active cementing units (#)	31	26	28	23	14	14	14	**14**
Idle cementing units (#)	—	5	3	8	11	11	11	**11**
Total cementing units (#)	31	31	31	31	25	25	25	**25**

[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.
[2] Excludes 92,500 pumping horsepower that had not been commissioned at December 31, 2016.

FINANCIAL OVERVIEW – YEAR ENDED DECEMBER 31, 2016 VERSUS 2015

CANADA

Year Ended December 31,	**2016**	2015	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**250,013**	533,102	(53)
Expenses			
Operating	**247,218**	487,634	(49)
SG&A	**7,785**	10,545	(26)
	255,003	498,179	(49)
Operating (loss) income[1]	**(4,990)**	34,923	NM
Operating (loss) income (%)	**(2.0)**	6.6	NM
Fracturing revenue per job ($)	**20,834**	31,809	(35)
Number of fracturing jobs	**10,654**	15,755	(32)
Active pumping horsepower, end of period (000s)	**206**	223	(8)
Idle pumping horsepower, end of period (000s)	**188**	202	(7)
Total pumping horsepower, end of period (000s)[2]	**394**	425	(7)
Coiled tubing revenue per job ($)	**24,242**	24,020	1
Number of coiled tubing jobs	**1,157**	1,330	(13)
Active coiled tubing units, end of period (#)	**7**	6	17
Idle coiled tubing units, end of period (#)	**6**	12	(50)
Total coiled tubing units, end of period (#)[2]	**13**	18	(28)

[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.
[2] Reduction recorded in the first quarter of 2016 was the result of equipment that was identified as permanently impaired based on the impairment provision at December 31, 2015.

REVENUE

Revenue from Calfrac's Canadian operations during 2016 was $250.0 million versus $533.1 million in 2015. The 53 percent decrease was primarily due to significantly lower fracturing and coiled tubing activity, lower pricing and job mix. Revenue per fracturing job decreased by 35 percent from the prior year primarily due to lower pricing and the impact of job mix offset partially by greater service intensity. On average, Calfrac pumped 40 percent more proppant per job in 2016 than in 2015.

OPERATING (LOSS) INCOME

The Company's Canadian division incurred an operating loss of $5.0 million during 2016 compared to operating income of $34.9 million in 2015. The reversal to a loss position was the result of significantly lower pricing and utilization. SG&A expenses declined by 26 percent year-over-year, primarily due to workforce reductions and a lower compensation structure.

UNITED STATES

Year Ended December 31,	**2016**	2015	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**234,633**	652,007	(64)
Expenses			
Operating	**246,161**	629,842	(61)
SG&A	**14,770**	22,222	(34)
	260,931	652,064	(60)
Operating loss[1]	**(26,298)**	(57)	NM
Operating loss (%)	**(11.2)**	—	NM
Fracturing revenue per job ($)	**33,216**	49,091	(32)
Number of fracturing jobs	**7,014**	12,639	(45)
Active pumping horsepower, end of period (000s)	**252**	352	(28)
Idle pumping horsepower, end of period (000s)	**375**	322	16
Total pumping horsepower, end of period (000s)[2]	**627**	674	(7)
Coiled tubing revenue per job ($)	**—**	51,750	(100)
Number of coiled tubing jobs	**—**	55	(100)
Active coiled tubing units, end of period (#)	**—**	—	—
Idle coiled tubing units, end of period (#)	**5**	5	—
Total coiled tubing units, end of period (#)	**5**	5	—
Cementing revenue per job ($)	**150,293**	49,224	NM
Number of cementing jobs	**11**	583	(98)
Active cementing units, end of period (#)	**—**	10	(100)
Idle cementing units, end of period (#)	**11**	8	38
Total cementing units, end of period (#)[2]	**11**	18	(39)
US$/C$ average exchange rate[3]	**1.3248**	1.2787	4

[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.
[2] Reduction recorded in the first quarter of 2016 was the result of equipment that was identified as permanently impaired based on the impairment provision at December 31, 2015.
[3] Source: Bank of Canada.

REVENUE

Revenue from Calfrac's United States operations decreased to $234.6 million during 2016 from $652.0 million in 2015 due to significantly lower fracturing activity and weaker pricing. The number of fracturing jobs completed during the year decreased by 45 percent from 2015 primarily due to lower activity in Colorado combined with the impact of the temporary closure of operations in North Dakota and south Texas and the closure of operations in Arkansas. During the third quarter of 2016, the Company recommenced fracturing operations in North Dakota which partially offset the decline in revenue. Revenue per job decreased by 32 percent year-over-year as a stronger U.S. dollar was more than offset by the completion of significantly smaller jobs in Pennsylvania due to customer mix during the first half of 2016 and the impact of lower pricing in all operating regions.

OPERATING LOSS

The Company's United States division operated at a loss of $26.3 million during 2016 after operating at a break-even level in 2015. The loss included restructuring costs totaling $3.1 million (2015 - $5.8 million) that related to organizational changes that were carried out across the United States division during 2016 and $0.5 million in bad debt charges (2015 - $1.0 million). Excluding these one-time costs, the operating loss would have been $22.7 million primarily due to decreased utilization in all of the resource plays where the Company operates combined with lower pricing. The suspension of cementing operations in Pennsylvania combined with the temporary closure of operations in North Dakota and south Texas, and the closure of operations in Arkansas, had a negative impact on operating income year-over-year due to a significantly lower revenue base during the period while these operating districts continued to incur certain levels of fixed costs.

RUSSIA

Year Ended December 31,	**2016**	2015	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**95,860**	137,876	(30)
Expenses			
Operating	**84,317**	119,705	(30)
SG&A	**2,530**	3,428	(26)
	86,847	123,133	(29)
Operating income[1]	**9,013**	14,743	(39)
Operating income (%)	**9.4**	10.7	(12)
Fracturing revenue per job ($)	**68,949**	88,913	(22)
Number of fracturing jobs	**1,098**	1,297	(15)
Pumping horsepower, end of period (000s)	**70**	70	—
Coiled tubing revenue per job ($)	**41,813**	42,238	(1)
Number of coiled tubing jobs	**482**	534	(10)
Active coiled tubing units, end of period (#)	**6**	7	(14)
Idle coiled tubing units, end of period (#)	**1**	—	NM
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate[2]	**0.0198**	0.0210	(6)

[1] *Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.*
[2] *Source: Bank of Canada.*

REVENUE

Revenue from Calfrac's Russian operations in 2016 decreased by 30 percent to $95.9 million from $137.9 million in 2015. The decrease in revenue, which is generated in roubles, was partially related to lower fracturing and coiled tubing activity combined with the 6 percent devaluation of the rouble in 2016 versus 2015. The decline in revenue was also the result of the loss of a fracturing contract with a significant customer to which the Company also supplied proppant. Revenue per fracturing job declined by 22 percent due to the currency devaluation combined with the impact of no longer providing proppant to a significant customer.

OPERATING INCOME

Operating income in Russia declined to $9.0 million during 2016 from $14.7 million in 2015 primarily due to the 6 percent devaluation of the rouble combined with lower fracturing and coiled tubing utilization. Operating income as a percentage of revenue was 130 basis points lower than 2015 due to lower utilization offset partially by higher margin callout work, which comprised a greater proportion of overall activity. SG&A expenses declined by 26 percent during 2016 compared to 2015 due to the devaluation of the rouble combined with the impact of cost reduction initiatives.

LATIN AMERICA

Year Ended December 31,	**2016**	2015	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**154,008**	172,220	(11)
Expenses			
Operating	**140,250**	143,089	(2)
SG&A	**16,285**	15,836	3
	156,535	158,925	(2)
Operating (loss) income[1]	**(2,527)**	13,295	NM
Operating (loss) income (%)	**(1.6)**	7.7	NM
Pumping horsepower, end of period (000s)	**131**	131	—
Cementing units, end of period (#)	**14**	13	8
Coiled tubing units, end of period (#)	**7**	7	—
Mexican peso/C$ average exchange rate[2]	**0.0711**	0.0806	(12)
Argentinean peso/C$ average exchange rate[2]	**0.0899**	0.1388	(35)

[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.
[2] Source: Bank of Canada.

REVENUE

Calfrac's Latin American operations generated total revenue of $154.0 million during 2016 versus $172.2 million in 2015. In Argentina, revenue was lower than in 2015 due to lower fracturing and cementing activity resulting from the rig count decline combined with union strikes and adverse weather conditions in the Neuquén region, which negatively impacted utilization during the second and fourth quarters. The lower activity also resulted in the Company experiencing pricing pressure from certain competitors and contributed to the reduction in revenue during the year.

OPERATING (LOSS) INCOME

Latin America experienced an operating loss of $2.5 million in 2016 compared to operating income of $13.3 million in 2015. The decrease in operating income in 2016 was partially due to the Company recording a bad debt provision of $4.6 million relating to work performed for a customer in Mexico and severance costs of $3.8 million and $0.6 million in Argentina and Mexico, respectively. Excluding these one-time costs, the Company's Latin America operations generated operating income of $6.5 million in 2016. Lower equipment utilization and pricing in Argentina were the primary drivers of the reduction in normalized operating income year-over-year.

CORPORATE

Year Ended December 31,	**2016**	2015	Change
(C$000s)	***($)***	*($)*	*(%)*
(unaudited)			
Expenses			
Operating	**4,709**	6,974	(32)
SG&A	**28,693**	26,546	8
	33,402	33,520	—
Operating loss[1]	**(33,402)**	(33,520)	—
% of Revenue	**4.5**	2.2	NM

[1] *Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.*

OPERATING LOSS

The Company's corporate expenses in 2016 were consistent with 2015. The Company continued to reduce costs to align its cost structure with anticipated activity levels. These initiatives contributed approximately $8.2 million of savings primarily by reducing corporate personnel costs. An increase in stock-based compensation expense of $8.1 million resulting from an increase in the Company's stock price offset the cost reductions achieved during the period.

DEPRECIATION

Depreciation expense for the year ended December 31, 2016 decreased by 2 percent to $152.8 million from $156.6 million in the same period in 2015. The decrease was mainly a result of a $114.5 million impairment of property, plant and equipment in the United States, Canada and Mexico that was recorded in the fourth quarter of 2015 offset almost entirely by a combination of a weaker Canadian dollar relative to the U.S. dollar on a comparative period basis and a one-time depreciation charge of $21.5 million in the fourth quarter of 2016 to adjust the useful life and salvage value of certain components of the Company's equipment fleet.

FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange loss of $19.3 million in 2016 versus a loss of $37.0 million in 2015. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada, Russia and Latin America. The Company's foreign exchange loss during the period was largely attributable to the translation of U.S. dollar-denominated liabilities held in Argentina as the value of the Argentinean peso depreciated 22 percent against the U.S. dollar during 2016.

IMPAIRMENT

The Company tested each of its cash generating units (CGU) for potential impairment at the end of 2016 and 2015, as the impact of low oil and gas natural gas prices over the past two years on the Company's current and future financial results were indicators of impairment. Based on the results of the impairment test, no impairment was identified for the year ended December 31, 2016 (2015 - $114.5 million). The impairment losses by CGU are as follows:

For the year ended December 31,	**2016**	2015
(C$000s)	***($)***	*($)*
Canada	—	10,091
United States	—	102,528
Mexico	—	1,860
	—	114,479

The Company evaluated the net realizable value of its inventories at December 31, 2016 and recorded a $3.2 million write-down (2015 - $14.3 million).

INTEREST

The Company's net interest expense was $80.1 million in 2016 versus $69.0 million in 2015 due to higher average credit facility borrowings during the first half of 2016, higher interest on the $200.0 million secured second lien term loan that was initiated during the second quarter of 2016 and higher reported interest related to the Company's U.S. dollar-denominated unsecured notes due to a weaker Canadian dollar relative to the U.S. dollar.

INCOME TAXES

The Company recorded an income tax recovery of $109.6 million in 2016 compared to $114.1 million in 2015. The recovery was the result of pre-tax losses incurred in Canada, the United States and Argentina. The effective tax recovery rate of 35 percent was consistent with the normalized effective tax rate in 2015.

LIQUIDITY AND CAPITAL RESOURCES

	Years Ended Dec. 31,	
	2016	2015
(C$000s) *(unaudited)*	***($)***	*($)*
Cash provided by (used in):		
Operating activities	**(79,591)**	121,062
Financing activities	**125,075**	45,877
Investing activities	**(52,134)**	(155,050)
Effect of exchange rate changes on cash and cash equivalents	**(7,438)**	12,987
(Decrease) increase in cash and cash equivalents	**(14,088)**	24,876

OPERATING ACTIVITIES

The Company's cash used by operating activities for the year ended December 31, 2016 was $79.6 million versus cash provided by operating activities of $121.1 million in 2015. The decrease was primarily due to lower operating margins driven by lower utilization and pricing in Canada and the United States. In addition, working capital contributed $49.9 million of cash in 2016 compared to $154.7 million in 2015. At December 31, 2016, Calfrac's working capital was approximately $271.6 million compared to $306.0 million at December 31, 2015.

FINANCING ACTIVITIES

Net cash provided by financing activities for the year ended December 31, 2016 was $125.1 million compared to $45.9 million in 2015. During the year, the Company received net proceeds of $56.6 million through the private placement issuance of 21.1 million common shares in December 2016, received net proceeds from its second lien senior secured term loan financing of $194.7 million, reduced its bank loan in Argentina by $12.7 million, paid down borrowings under its term loan by $111.0 million, paid cash dividends of $1.8 million and made mortgage and lease payments of $0.7million.

On December 6, 2016, Calfrac closed a bought deal private placement of 21,055,000 common shares for net proceeds of $56.6 million. Of the net proceeds from the offering, $25.0 million is held in a segregated account, which combined with the previous private placement completed in 2015, totaled $50.0 million. The Company has two $25.0 million fully funded equity cures and may at its discretion elect to use such cures in respect of any non-consecutive quarters ending prior to December 31, 2017 by providing notice of such election to the lending syndicate at any time prior to the filing of its quarterly financial statements on SEDAR.

On June 10, 2016, the Company closed a $200.0 million second lien senior secured term loan financing with Alberta Investment Management Corporation (AIMCo). The term loan matures on September 30, 2020 and bears interest at the rate of 9 percent annually and is payable quarterly. In addition, amortization payments equal to 1 percent of the original principal amount are payable annually in equal quarterly installments, with the balance due on the maturity date. In conjunction with the funding of the term loan, a total of 6,934,776 warrants to purchase common shares of the Company were issued to AIMCo, entitling it to acquire 6,934,776 common shares at a price of $4.14 per common share at any time prior to June 10, 2019. No amendments were made to the available commitment, term, covenants or interest rates payable under Calfrac's existing credit facilities as part of the required approvals for the term loan.

The Company's credit facilities mature on September 27, 2018 and can be extended by one or more years at the Company's request and lenders' acceptance. The Company also may prepay principal without penalty.

On December 11, 2015, Calfrac amended its credit facilities to provide increased financial flexibility. The amendment included a voluntary reduction in the total facility from $400.0 million to $300.0 million. The facilities consist of an operating facility of $30.0 million and a syndicated facility of $270.0 million. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 0.50 percent to prime plus 3.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 4.50 percent above the respective base rates. The facility was amended to increase the $100.0 million accordion feature to $200.0 million. The accordion feature is not available to the Company during the covenant relief period described below and ending on December 31, 2017 and during this period the Company will incur interest at the high end of the ranges outlined above. Additionally, for the quarters ended December 31, 2016 through December 31, 2017, advances under the credit facilities will be limited by a borrowing base. The borrowing base is calculated based on the following:

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

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

iii. 25 percent of the net book value of property, plant and equipment (PP&E) of the parent company and its U.S. operating subsidiary. The value of PP&E excludes assets under construction and is limited to $150.0 million.

As at December 31, 2016, the Company had used $1.9 million of its credit facilities for letters of credit and had no borrowings under its credit facilities, leaving $298.1 million in available liquidity under its credit facilities. As described above, the Company's credit facilities are subject to a monthly borrowing base calculation which could result in a lower liquidity amount.

The Company's credit facilities contain certain financial covenants. Weakened market conditions attributable to the significant reduction in the price of oil and natural gas have required many oil and gas service companies to seek covenant relief from their lenders. Calfrac negotiated amendments including waivers and increases to certain of its financial covenant thresholds prior to the end of the fourth quarter in 2015, as shown below.

Years ended December 31, except as indicated in notes below	**2016**	2017
Working capital ratio not to fall below	**1.15x**	1.15x
Funded Debt to Adjusted EBITDA not to exceed[(1)(2)(3)]	**5.00x**	4.50x/4.00x
Funded Debt to Capitalization not to exceed[(2)(4)]	**0.30x**	0.30x

[(1)] Funded Debt to Adjusted EBITDA covenant is 5.00x for December 31, 2016. The covenant declines to 4.50x for the quarters ended March 31, 2017 and June 30, 2017 and declines to 4.00x for the quarters ended September 30, 2017 and December 31, 2017 and is set at 3.00x for each quarter after December 31, 2017.
[(2)] Funded Debt is defined as Total Debt excluding all outstanding senior unsecured notes and the second lien senior secured term loan facility. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit less cash on hand with lenders (excluding any cash held in a segregated account for the purposes of a potential equity cure).
[(3)] Adjusted EBITDA is defined as net income or loss for the period less interest, taxes, depreciation and amortization, non-cash stock-based compensation, non-controlling interest relating to Colombia, and gains and losses that are extraordinary or non-recurring.
[(4)] Capitalization is Total Debt plus Equity attributable to the shareholders of Calfrac.

Proceeds from equity offerings may be applied, as an equity cure, in the calculation of Adjusted EBITDA towards the Funded Debt to Adjusted EBITDA covenant for any of the quarters ending prior to and including December 31, 2017 subject to certain conditions including:

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

On December 6, 2016, Calfrac closed a bought deal private placement of 21,055,000 common shares for net proceeds of approximately $56.6 million. On December 22, 2015, Calfrac closed a bought deal private placement of 20,370,370 common shares for net proceeds of approximately $25.2 million. $50.0 million of the net proceeds from these offerings were held in a segregated account in accordance with the amended credit facilities pending an election to use them as an equity cure. Throughout the period ending on December 31, 2017, amounts used as an equity cure will increase Adjusted EBITDA over the relevant twelve-month rolling period and will also serve to reduce Funded Debt. When the funds are removed from the segregated account, as an equity cure or otherwise, they are expected to be used to fund capital expenditures, to reduce outstanding indebtedness, and/or to be used for general working capital and corporate purposes.

As shown in the table below, at December 31, 2016, the Company was in compliance with the financial covenants associated with its credit facilities.

	Covenant	**Actual**
As at December 31,	2016	**2016**
Working capital ratio not to fall below	1.15x	**3.40x**
Funded Debt to Adjusted EBITDA not to exceed	5.00x	**N/A[1]**
Funded Debt to Capitalization not to exceed	0.30x	**-0.05x[1]**

[1] Funded Debt is negative at December 31, 2016.

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

i. the Company is in default under the indenture or the making of such payment would result in a default;
ii. the Company is not meeting the Fixed Charge Coverage Ratio[1] under the indenture of at least 2.0:1 for the most recent four fiscal quarters, with the restricted payments regime commencing once internal financial statements are available which show that the ratio is not met on a pro forma basis for the most recently ended four fiscal quarter period; or
iii. there is insufficient room for such payment within a builder basket included in the indenture.

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20.0 million. As at December 31, 2016 this basket was not utilized. The indenture also restricts the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of $175.0 million or 30 percent of the Company's consolidated tangible assets. At December 31, 2016, the Company was able to incur additional indebtedness in excess of $380 million pursuant to the aforementioned exception.

As at December 31, 2016, the Company's Fixed Charge Coverage Ratio of (0.49):1 was less than the required 2.0:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the indenture, and the baskets highlighted in the preceding paragraph provide sufficient flexibility for the Company to incur additional indebtedness and make anticipated restricted payments which may be required to conduct its operations during this period of weakened market conditions.

INVESTING ACTIVITIES

Calfrac's net cash used for investing activities was $52.1 million for the year ended December 31, 2016 versus $155.1 million in 2015. Cash outflows relating to capital expenditures were $38.7 million during 2016 compared to $157.9 million in 2015. Capital expenditures were primarily to support the Company's North American fracturing operations.

Calfrac's 2017 capital budget is approximately $25.0 million.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the year ended December 31, 2016 was a gain of $7.4 million versus a loss of $13.0 million million during 2015. These gains and losses relate to cash and cash equivalents held by the Company in a foreign currency.

With its working capital position, available credit facilities and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2017 and beyond.

At December 31, 2016, the Company had cash and cash equivalents of $109.9 million of which $50.0 million is held in a segregated account at the Company's discretion, so that it may be utilized if required in the calculation of Adjusted EBITDA for purposes of the Company's bank covenants.

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 February 17, 2017, there were 136,738,115 common shares issued and outstanding, 10,945,142 options to purchase common shares and 6,934,776 warrants to purchase common shares.

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 press release, including statements that contain words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "forecast" or similar words suggesting future outcomes, are forward-looking statements.

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

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include: excess oilfield equipment levels; regional

competition; the availability of capital on satisfactory terms; restrictions resulting from compliance with debt covenants and risk of acceleration of indebtedness; direct and indirect exposure to volatile credit markets, including credit rating risk; currency exchange rate risk; risks associated with foreign operations; operating restrictions and compliance costs associated with legislative and regulatory initiatives relating to hydraulic fracturing and the protection of workers and the environment; changes in legislation and the regulatory environment; dependence on, and concentration of, major customers; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; liabilities and risks associated with prior operations; failure to maintain the Company's safety standards and record; failure to realize anticipated benefits of acquisitions and dispositions; the ability to integrate technological advances and match advances from competitors; intellectual property risks; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; and the effect of accounting pronouncements issued periodically. Further information about these and other risks and uncertainties may be found under “Business Risks” below.

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

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth in the Company’s most recently filed Annual Information Form, which are specifically incorporated by reference herein. The Annual Information Form is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com. Copies of the Annual Information Form may also be obtained on request without charge from Calfrac at 411 - 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E3, or at www.calfrac.com, or by facsimile at 403-266-7381.

NON-GAAP MEASURES

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

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

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2016	2015	**2016**	2015
(C$000s)	***($)***	*($)*	***($)***	*($)*
(unaudited)				
Net loss	**(63,356)**	(145,636)	**(203,557)**	(227,426)
Add back (deduct):				
Depreciation	**53,272**	40,254	**152,822**	156,638
Foreign exchange (gains) losses	**(256)**	33,540	**19,319**	37,025
Gain on disposal of property, plant and equipment	**(1,011)**	(643)	**(491)**	(2,257)
Impairment of property, plant and equipment	**—**	114,479	**—**	114,479
Impairment of inventory	**3,225**	14,333	**3,225**	14,333
Impairment of goodwill	**—**	—	**—**	9,544
Business combination	**—**	—	**—**	(30,987)
Provision for settlement of litigation	**—**	3,165	**—**	3,165
Interest	**22,084**	18,289	**80,110**	68,967
Income taxes	**(32,249)**	(71,994)	**(109,632)**	(114,097)
Operating (loss) income	**(18,291)**	5,787	**(58,204)**	29,384

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

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2016	2015	**2016**	2015
(C$000s)			***($)***	*($)*
(unaudited)				
Net loss	**(63,356)**	(145,636)	**(203,557)**	(227,426)
Add back (deduct):				
Depreciation	**53,272**	40,254	**152,822**	156,638
Unrealized foreign exchange losses	**163**	37,777	**22,490**	42,592
Gain on disposal of property, plant and equipment	**(1,011)**	(643)	**(491)**	(2,257)
Impairment of property, plant and equipment	**—**	114,479	**—**	114,479
Impairment of inventory	**3,225**	14,333	**3,225**	14,333
Impairment of goodwill	**—**	—	**—**	9,544
Business combination	**—**	—	**—**	(30,987)
Provision for settlement of litigation	**—**	3,165	**—**	3,165
Restructuring charges	**3,475**	11,868	**7,892**	13,533
Stock-based compensation	**664**	785	**2,361**	3,082
Losses attributable to non-controlling interest[(1)]	**16**	256	**30**	491
Interest	**22,084**	18,289	**80,110**	68,967
Income taxes	**(32,249)**	(71,994)	**(109,632)**	(114,097)
Adjusted EBITDA	**(13,717)**	22,933	**(44,750)**	52,057

[(1)] The definition of Adjusted EBITDA was amended in June 2015 to include non-controlling interest related to Argentina and has been applied prospectively.

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.

FOURTH QUARTER CONFERENCE CALL

Calfrac will be conducting a conference call for interested analysts, brokers, investors and news media representatives to review its 2016 fourth quarter results at 10:00 a.m. (Mountain Time) on Thursday, February 23, 2017. The conference call dial-in number is 1-888-231-8191 or 647-427-7450. The seven-day replay numbers are 1-855-859-2056 or 416-849-0833 (once connected, enter 64533061). A webcast of the conference call may be accessed via the Company's website at www.calfrac.com.

CONSOLIDATED BALANCE SHEETS

As at December 31,	**2016**	2015
(C$000s)	***($)***	*($)*
ASSETS		
Current assets		
Cash and cash equivalents (note 1)	**109,917**	124,005
Accounts receivable	**158,709**	221,995
Income taxes recoverable	**3,715**	3,540
Inventories (note 2)	**99,601**	127,622
Prepaid expenses and deposits	**16,992**	18,017
	388,934	495,179
Non-current assets		
Property, plant and equipment (note 3)	**1,153,882**	1,301,272
Deferred income tax assets	**70,188**	19,372
Total assets	**1,613,004**	1,815,823
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**114,529**	172,633
Bank loans	**—**	15,633
Current portion of long-term debt (note 4)	**2,520**	523
Current portion of finance lease obligations	**304**	438
	117,353	189,227
Non-current liabilities		
Long-term debt (note 4)	**984,062**	927,270
Finance lease obligations	**—**	382
Deferred income tax liabilities	**14,131**	75,225
Total liabilities	**1,115,546**	1,192,104
Equity attributable to the shareholders of Calfrac		
Capital stock (note 5)	**466,445**	409,809
Contributed surplus	**36,040**	27,849
Loan receivable for purchase of common shares	**(2,500)**	(2,500)
Retained earnings	**15,329**	213,426
Accumulated other comprehensive loss	**(8,736)**	(21,054)
	506,578	627,530
Non-controlling interest	**(9,120)**	(3,811)
Total equity	**497,458**	623,719
Total liabilities and equity	**1,613,004**	1,815,823

Commitments (note 7); Contingencies (note 9)
See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2016	2015	**2016**	2015
(C$000s, except per share data)	***($)***	*($)*	***($)***	*($)*
Revenue	**192,846**	286,194	**734,514**	1,495,205
Cost of sales	**246,537**	299,887	**875,477**	1,543,882
Gross loss	**(53,691)**	(13,693)	**(140,963)**	(48,677)
Expenses				
Selling, general and administrative	**17,872**	20,774	**70,063**	78,577
Foreign exchange (gains) losses	**(256)**	33,540	**19,319**	37,025
Gain on disposal of property, plant and equipment	**(1,011)**	(643)	**(491)**	(2,257)
Impairment of property, plant and equipment (note 3)	**—**	114,479	**—**	114,479
Impairment of inventory (note 2)	**3,225**	14,333	**3,225**	14,333
Impairment of goodwill	**—**	—	**—**	9,544
Business combination	**—**	—	**—**	(30,987)
Provision for settlement of litigation	**—**	3,165	**—**	3,165
Interest	**22,084**	18,289	**80,110**	68,967
	41,914	203,937	**172,226**	292,846
Loss before income tax	**(95,605)**	(217,630)	**(313,189)**	(341,523)
Income tax expense (recovery)				
Current	**621**	(21)	**2,567**	1,872
Deferred	**(32,870)**	(71,973)	**(112,199)**	(115,969)
	(32,249)	(71,994)	**(109,632)**	(114,097)
Net loss	**(63,356)**	(145,636)	**(203,557)**	(227,426)
Net loss attributable to:				
Shareholders of Calfrac	**(61,493)**	(141,498)	**(198,097)**	(221,594)
Non-controlling interest	**(1,863)**	(4,138)	**(5,460)**	(5,832)
	(63,356)	(145,636)	**(203,557)**	(227,426)
Loss per share (note 5)				
Basic	**(0.51)**	(1.45)	**(1.69)**	(2.31)
Diluted	**(0.51)**	(1.45)	**(1.69)**	(2.31)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2016	2015	**2016**	2015
(C$000s)	***($)***	*($)*	***($)***	*($)*
Net loss	**(63,356)**	(145,636)	**(203,557)**	(227,426)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustment	**1,588**	1,690	**12,469**	6,690
Comprehensive loss	**(61,768)**	(143,946)	**(191,088)**	(220,736)
Comprehensive loss attributable to:				
Shareholders of Calfrac	**(59,894)**	(140,877)	**(185,779)**	(215,891)
Non-controlling interest	**(1,874)**	(3,069)	**(5,309)**	(4,845)
	(61,768)	(143,946)	**(191,088)**	(220,736)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to the Shareholders of Calfrac							
	Share Capital	Contributed Surplus	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Non-Controlling Interest	**Total Equity**
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
Balance – Jan. 1, 2016	**409,809**	**27,849**	**(2,500)**	**(21,054)**	**213,426**	**627,530**	**(3,811)**	**623,719**
Net loss	—	—	—	—	(198,097)	(198,097)	(5,460)	**(203,557)**
Other comprehensive income:								
Cumulative translation adjustment	—	—	—	12,318	—	12,318	151	**12,469**
Comprehensive income (loss)	—	—	—	12,318	(198,097)	(185,779)	(5,309)	**(191,088)**
Warrants:								
Fair value of warrants issued (note 6)	—	5,830	—	—	—	5,830	—	**5,830**
Stock options:								
Stock-based compensation recognized (note 6)	—	2,361	—	—	—	2,361	—	**2,361**
Net proceeds from issuance of shares (note 5)	56,636	—	—	—	—	56,636	—	**56,636**
Balance – Dec. 31, 2016	**466,445**	**36,040**	**(2,500)**	**(8,736)**	**15,329**	**506,578**	**(9,120)**	**497,458**
Balance – Jan. 1, 2015	377,975	24,767	(2,500)	(26,757)	459,891	833,376	(973)	832,403
Net loss	—	—	—	—	(221,594)	(221,594)	(5,832)	(227,426)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	5,703	—	5,703	987	6,690
Comprehensive income (loss)	—	—	—	5,703	(221,594)	(215,891)	(4,845)	(220,736)
Stock options:								
Stock-based compensation recognized (note 6)	—	3,082	—	—	—	3,082	—	3,082
Net proceeds from issuance of shares (note 5)	25,194	—	—	—	—	25,194	—	25,194
Dividend Reinvestment Plan shares issued	12,733	—	—	—	—	12,733	—	12,733
Dividends	—	—	—	—	(21,550)	(21,550)	—	(21,550)
Shares purchased under NCIB	(6,093)	—	—	—	(3,321)	(9,414)	—	(9,414)
Non-controlling interest contribution	—	—	—	—	—	—	2,007	2,007
Balance – Dec. 31, 2015	409,809	27,849	(2,500)	(21,054)	213,426	627,530	(3,811)	623,719

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2016	2015	**2016**	2015
(C$000s)	***($)***	*($)*	***($)***	*($)*
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss	**(63,356)**	(145,636)	**(203,557)**	(227,426)
Adjusted for the following:				
Depreciation	**53,272**	40,254	**152,822**	156,638
Stock-based compensation	**664**	785	**2,361**	3,082
Unrealized foreign exchange losses	**163**	37,777	**22,490**	42,592
Gain on disposal of property, plant and equipment	**(1,011)**	(643)	**(491)**	(2,257)
Impairment of property, plant and equipment (note 3)	**—**	114,479	**—**	114,479
Impairment of inventory (note 2)	**3,225**	14,333	**3,225**	14,333
Impairment of goodwill	**—**	—	**—**	9,544
Gain on business combination	**—**	—	**—**	(31,965)
Interest	**22,084**	18,289	**80,110**	68,967
Deferred income taxes	**(32,870)**	(71,973)	**(112,199)**	(115,969)
Interest paid	**(34,873)**	(31,999)	**(74,258)**	(65,647)
Changes in items of working capital	**12,603**	53,522	**49,906**	154,691
Cash flows (used in) provided by operating activities	**(40,099)**	29,188	**(79,591)**	121,062
FINANCING ACTIVITIES				
Bank loan proceeds	**—**	3,773	**4,977**	20,614
Issuance of long-term debt, net of debt issuance costs	**—**	107,440	**214,897**	106,867
Bank loan repayments	**—**	(7,044)	**(17,712)**	(17,208)
Long-term debt repayments	**(627)**	(60,405)	**(131,546)**	(60,792)
Finance lease obligation repayments	**(90)**	(119)	**(371)**	(466)
Shares purchased under NCIB	**—**	—	**—**	(9,414)
Net proceeds on issuance of common shares (note 5)	**56,636**	25,194	**56,636**	25,194
Dividends paid, net of DRIP	**—**	(1,488)	**(1,806)**	(18,918)
Cash flows provided by financing activities	**55,919**	67,351	**125,075**	45,877
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(16,451)**	(21,370)	**(56,074)**	(160,773)
Proceeds on disposal of property, plant and equipment	**726**	1,692	**3,940**	13,214
Business combination	**—**	—	**—**	(9,498)
Other	**—**	2,007	**—**	2,007
Cash flows used in investing activities	**(15,725)**	(17,671)	**(52,134)**	(155,050)
Effect of exchange rate changes on cash and cash equivalents	**3,241**	(9,714)	**(7,438)**	12,987
Increase (decrease) in cash and cash equivalents	**3,336**	69,154	**(14,088)**	24,876
Cash and cash equivalents, beginning of period	**106,581**	54,851	**124,005**	99,129
Cash and cash equivalents, end of period (note 1)	**109,917**	124,005	**109,917**	124,005

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2016 and 2015

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

1. CASH AND CASH EQUIVALENTS

On December 6, 2016, the Company received net proceeds of $56,636 from a private placement offering of common shares. Another $25,194 of net proceeds was received from a private placement offering of common shares on December 22, 2015. Both of these transactions are described in further detail in note 5.

$50,000 of the net proceeds from the private placements are currently held in a segregated account. These funds are available for use at the Company's discretion and this amount can be transferred to its operating bank account at any time. The Company can also elect to use the proceeds as an equity cure. When the proceeds are utilized as an equity cure, the funds are transferred to the Company's operating bank account and are available for use at the Company's discretion. In addition, the proceeds are applied as a reduction of Funded Debt and are included in the calculation of EBITDA for purposes of the Company's Funded Debt to EBITDA bank covenant.

2. INVENTORIES

As at December 31,	**2016**	2015
(C$000s)	***($)***	*($)*
Spare equipment parts	**60,852**	76,261
Chemicals	**17,504**	20,683
Sand and proppant	**7,258**	14,001
Coiled tubing	**9,164**	14,821
Other	**4,823**	1,856
	99,601	127,622

For the year ended December 31, 2016, the cost of inventories recognized as an expense and included in cost of sales was approximately $274,000 (year ended December 31, 2015 - $626,000).

The Company reviews the carrying value of its inventory on an ongoing basis for obsolescence and to verify that the carrying value exceeds the net realizable amount. As a result of lower levels of activity, the Company recorded an impairment charge of $3,225 for the year ended December 31, 2016 to write-off obsolete inventory and write-down inventory to its net realizable amount (year ended December 31, 2015 - $14,333).

Years Ended December 31,	**2016**	2015
(C$000s)	***($)***	*($)*
Canada	**2,169**	4,032
United States	**1,056**	10,301
	3,225	14,333

3. PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 2016	Opening Net Book Value	Additions	Disposals	Depreciation	Exchange Differences	Closing Net Book Value
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Assets under construction[1]	**195,449**	**(41,080)**	**—**	**—**	**2,836**	**157,205**
Field equipment	**980,002**	**66,678**	**(2,827)**	**(141,899)**	**(20,831)**	**881,123**
Field equipment under finance lease	**1,598**	**—**	**—**	**(119)**	**(320)**	**1,159**
Buildings	**66,488**	**10,160**	**(167)**	**(4,882)**	**(4,990)**	**66,609**
Land	**42,529**	**489**	**(400)**	**—**	**(4,843)**	**37,775**
Shop, office and other equipment	**7,935**	**634**	**(18)**	**(2,420)**	**(127)**	**6,004**
Computers and computer software	**4,102**	**1,156**	**—**	**(3,075)**	**(1,090)**	**1,093**
Leasehold improvements	**3,169**	**670**	**(37)**	**(427)**	**(461)**	**2,914**
	1,301,272	**38,707**	**(3,449)**	**(152,822)**	**(29,826)**	**1,153,882**

As at December 31, 2016	Cost	Accumulated Depreciation	Net Book Value
(C$000s)	*($)*	*($)*	*($)*
Assets under construction	**157,205**	**—**	**157,205**
Field equipment	**1,805,182**	**(924,059)**	**881,123**
Field equipment under finance lease	**2,781**	**(1,622)**	**1,159**
Buildings	**89,437**	**(22,828)**	**66,609**
Land	**37,775**	**—**	**37,775**
Shop, office and other equipment	**24,684**	**(18,680)**	**6,004**
Computers and computer software	**24,854**	**(23,761)**	**1,093**
Leasehold improvements	**9,533**	**(6,619)**	**2,914**
	2,151,451	**(997,569)**	**1,153,882**

Year Ended December 31, 2015	Opening Net Book Value	Additions	Disposals	Impairment	Depreciation	Exchange Differences	Closing Net Book Value
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Assets under construction[1]	123,950	69,284	(117)	(1,670)	—	4,002	195,449
Field equipment	1,058,178	89,605	(10,478)	(112,646)	(144,133)	99,476	980,002
Field equipment under finance lease	2,274	—	—	—	(273)	(403)	1,598
Buildings	63,950	(104)	—	(22)	(4,625)	7,289	66,488
Land	38,439	120	—	—	—	3,970	42,529
Shop, office and other equipment	8,132	2,320	(278)	(107)	(2,909)	777	7,935
Computers and computer software	4,756	3,194	(42)	(34)	(3,896)	124	4,102
Leasehold improvements	3,260	978	(42)	—	(802)	(225)	3,169
	1,302,939	165,397	(10,957)	(114,479)	(156,638)	115,010	1,301,272

As at December 31, 2015	Cost	Accumulated Depreciation	Net Book Value
(C$000s)	*($)*	*($)*	*($)*
Assets under construction	195,449	—	195,449
Field equipment	1,741,331	(761,329)	980,002
Field equipment under finance lease	2,781	(1,183)	1,598
Buildings	79,444	(12,956)	66,488
Land	42,529	—	42,529
Shop, office and other equipment	24,068	(16,133)	7,935
Computers and computer software	23,698	(19,596)	4,102
Leasehold improvements	8,900	(5,731)	3,169
	2,118,200	(816,928)	1,301,272

(1) Additions for assets under construction are net of transfers into the other categories of property, plant and equipment, when they become available for use.

Property, plant and equipment are tested for impairment in accordance with the Company's accounting policy. The Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. The impact of low oil and natural gas prices over the past two years on the Company's current and future financial results and the oversupply of pressure pumping equipment in North America were indicators of impairment and the Company estimated the recoverable amount of its property, plant and equipment.

The recoverable amount of property, plant and equipment was determined using the value in use method, based on multi-year discounted cash flows to be generated from the continuing operations of each cash-generating unit (CGU). The Company's CGUs are determined to be at the country level, consisting of Canada, the United States, Russia and Argentina. Cash flow assumptions were based on a combination of historical and expected future results, using the following main key assumptions:

- Commodity price forecasts
- Expected revenue growth
- Expected operating income growth
- Discount rate

The main commodity price assumptions over the forecast periods were:

- WTI Crude Oil (US$/bbl) increased from $54 in 2017 to $70 in 2021
- Henry Hub Gas (US$/mmBtu) increased from $3.08 in 2017 to $3.70 in 2021
- AECO Gas (C$/mcf) increased from $2.95 in 2017 to $3.84 in 2021

Revenue and operating income growth rates for each CGU were based on a combination of commodity price assumptions, historical results and forecasted activity levels, which incorporated pricing, utilization and cost improvements over the period. The revenue and operating income cumulative annual growth rates (CAGR) over the five-year forecast period, by CGU, are outlined below:

	Canada	United States	Russia	Argentina
Revenue CAGR	22%	33%	6%	20%
Operating income CAGR	68%	77%	9%	33%

The cash flows were prepared on a five-year basis, using a discount rate ranging from 12.8 percent to 25.0 percent depending on the CGU. Discount rates are derived from the Company's weighted average cost of capital, adjusted for risk factors specific to each CGU. Cash flows beyond that five-year period have been extrapolated using a steady 2.0 percent growth rate.

	Canada	United States	Russia	Argentina
Discount rate	14.5%	12.8%	13.0%	25.0%

A comparison of the recoverable amounts of each cash-generating unit with their respective carrying amounts resulted in no impairment against property, plant and equipment for the year ended December 31, 2016 (year ended December 31, 2015 - $103,322).

A sensitivity analysis on the discount rate and expected future cash flows would have the following impact:

	Impairment			
	Canada	United States	Russia	Argentina
(C$000s)	*($)*	*($)*	*($)*	*($)*
10% increase in expected future cash flows	None	None	None	None
10% decrease in expected future cash flows	None	None	None	None
1% decrease in discount rate	None	None	None	None
1% increase in discount rate	None	None	None	None

Assumptions that are valid at the time of preparing the impairment test at December 31, 2016 may change significantly when new information becomes available. The Company will continue to monitor and update its assumptions and estimates with respect to property, plant and equipment impairment on an ongoing basis.

For the 2015 year end impairment test, the following assumptions were used:

The main commodity price assumptions over the forecast periods were:

- WTI Crude Oil (US$/bbl) increased from a low of below $30 in 2016 to an average of $81 in 2020
- Henry Hub Gas (US$/mmBtu) increased from $2.25 in 2016 to $4.25 in 2020
- AECO Gas (C$/mcf) increased from $2.76 in 2016 to $3.96 in 2020

The revenue and operating income cumulative annual growth rates (CAGR) over the five-year forecast period, by CGU, were:

	Canada	United States	Russia	Argentina	Mexico
Revenue CAGR	33%	52%	6%	31%	61%
Operating income CAGR	268%	233%	13%	42%	72%

The discount rates used in the five-year cash flow forecast were:

	Canada	United States	Russia	Argentina	Mexico
Discount rate	14.0%	14.0%	18.0%	22.0%	15.0%

Cash flows beyond that five-year period were extrapolated using a steady 2.0 percent growth rate.

A comparison of the recoverable amounts of each cash-generating unit with their respective carrying amounts resulted in an impairment charge against property, plant and equipment of $103,322 at December 31, 2015.

The recoverable amount for each CGU that was impaired is as follows:

	Recoverable Amount	Impairment Recorded
(C$000s)	*($)*	*($)*
United States	623,826	101,462
Mexico	11,000	1,860

A sensitivity analysis on the discount rate and expected future cash flows would have the following impact:

	Impairment				
	Canada	United States	Russia	Argentina	Mexico
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*
10% increase in expected future cash flows	None	38,289	None	None	None
10% decrease in expected future cash flows	None	162,289	None	7,992	2,099
1% decrease in discount rate	None	31,300	None	None	None
1% increase in discount rate	None	159,289	None	4,000	2,099

Furthermore, the Company carried out a comprehensive review of its property, plant and equipment and identified assets that were permanently idle or obsolete, and therefore, no longer able to generate cash inflows. These assets were written down to their recoverable amount resulting in an impairment charge of $nil for the year ended December 31, 2016 (year ended December 31, 2015 - $11,157).

The impairment losses by CGU are as follows:

Years Ended December 31,	**2016**	2015
(C$000s)	***($)***	*($)*
Canada	**—**	10,091
United States	**—**	102,528
Mexico	**—**	1,860
	—	114,479

4. LONG-TERM DEBT

As at December 31,	**2016**	2015
(C$000s)	***($)***	*($)*
US$600,000 senior unsecured notes due December 1, 2020, bearing interest at 7.50% payable semi-annually	**805,620**	830,400
$200,000 second lien senior secured term loan facility due September 30, 2020, bearing interest at 9% payable quarterly, secured by the Canadian and U.S. assets of the Company on a second priority basis	**199,000**	—
$270,000 extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company	**—**	110,000
Less: unamortized debt issuance costs	**(18,736)**	(13,894)
	985,884	926,506
US$520 mortgage maturing May 2018 bearing interest at U.S. prime less 1%, repayable at US$33 per month principal and interest, secured by certain real property	**698**	1,287
	986,582	927,793
Less: current portion of long-term debt	**(2,520)**	(523)
	984,062	927,270

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at December 31, 2016, was $702,903 (December 31, 2015 – $336,312). The carrying values of the mortgage obligation, bank loans, revolving term loan facilities and the second lien term loan approximate their fair values as the interest rates are not significantly different from current interest rates for similar loans.

On June 10, 2016, the Company entered into a $200,000 second lien senior secured term loan facility. The term loan matures on September 30, 2020, and bears interest at 9% per annum, payable quarterly. Amortization payments equal to 1% of the original principal amount are payable annually, in equal quarterly installments, with the balance due on the final maturity date. The proceeds from the term loan were made available in a single draw, and amounts borrowed under the term loan that are repaid or prepaid are not available for re-borrowing. The term loan is secured by the Canadian and U.S. assets of the Company on a second priority basis, subordinate only to the revolving term loan facility.

The interest rate on the $270,000 revolving term loan facility is based on the parameters of certain bank covenants. For prime-based loans, the rate ranges from prime plus 0.50 percent to prime plus 3.50 percent. For LIBOR-based loans and bankers' acceptance-based loans the margin thereon ranges from 1.50 percent to 4.50 percent above the respective base rates for such loans. The facility is repayable on or before its maturity of September 27, 2018, assuming it is not extended. The maturity may be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. Debt issuance costs related to this facility are amortized over its term.

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the year ended December 31, 2016 was $78,069 (year ended December 31, 2015 – $63,944).

The aggregate scheduled principal repayments required in each of the next five years are as follows:

As at December 31, 2016	Amount
(C$000s)	*($)*
2017	2,475
2018	2,223
2019	2,000
2020	998,620
2021	—
Thereafter	—
	1,005,318

The Company also has an extendible operating loan facility, which includes overdraft protection in the amount of $30,000. The interest rate is based on the parameters of certain bank covenants in the same fashion as the revolving term facility. Drawdowns under this facility are repayable on September 27, 2018, assuming the facility is not extended. The term and commencement of principal repayments may be extended by one year on each anniversary at the Company's request and lenders' acceptance. The revolving term loan and operating facilities are secured by the Company's Canadian and U.S. assets.

At December 31, 2016, the Company had utilized $1,911 of its loan facility for letters of credit and had $nil outstanding under its revolving term loan facility, leaving $298,089 in available credit, subject to a monthly borrowing base calculation, which could result in a lower amount of available credit.

See note 8 for further details on the covenants in respect of the Company's long-term debt.

5. CAPITAL STOCK

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

Years Ended December 31,		**2016**		2015
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	***($000s)***	*(#)*	*($000s)*
Balance, beginning of year	**115,579,598**	**409,809**	95,252,559	377,975
Dividend Reinvestment Plan shares issued	**—**	**—**	1,474,379	12,733
Shares purchased under NCIB	**—**	**—**	(1,517,700)	(6,093)
Shares from private placements	**21,055,000**	**56,636**	20,370,370	25,194
Shares cancelled	**(8)**	**—**	(10)	—
Balance, end of year	**136,634,590**	**466,445**	115,579,598	409,809

The weighted average number of common shares outstanding for the three months ended December 31, 2016 was 121,360,722 basic and 122,781,800 diluted (three months ended December 31, 2015 – 97,254,201 basic and 97,423,401 diluted). The weighted average number of common shares outstanding for the year ended December 31, 2016 was 116,906,108 basic and 117,325,647 diluted (year ended December 31, 2015 – 95,907,014 basic and 96,076,214 diluted). The difference between basic

and diluted shares is attributable to the dilutive effect of stock options and warrants issued by the Company as disclosed in note 6.

On December 6, 2016, the Company closed a bought deal private placement of 21,055,000 common shares for total gross proceeds of $60,007. Share issuance costs for the transaction were $3,371, resulting in net proceeds of $56,636.

On December 22, 2015, the Company closed a bought deal private placement of 20,370,370 common shares for total gross proceeds of $27,500. Share issuance costs for the transaction were $2,306, resulting in net proceeds of $25,194.

During 2016, eight common shares were returned to the Company for cancellation. For accounting purposes, the cancellation of these shares was recorded as a reduction of capital stock in the amount of twenty-eight dollars, along with a corresponding increase to contributed surplus (2015 - ten common shares were returned to the Company for cancellation, which was recorded as a reduction of capital stock in the amount of forty dollars).

6. SHARE-BASED PAYMENTS

(a) Stock Options

	2016		2015	
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	***($)***	*(#)*	*($)*
Balance, January 1	**8,229,947**	**7.81**	4,269,050	14.76
Granted during the period	**436,500**	**2.03**	5,375,450	4.39
Forfeited	**(854,611)**	**10.61**	(441,803)	13.59
Expired	**(565,450)**	**14.32**	(972,750)	16.82
Balance, December 31	**7,246,386**	**6.62**	8,229,947	7.81

	Options Outstanding			Options Exercisable	
Exercise Price Per Option	Number of Options	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$1.34 – $1.79	260,500	4.19	$ 1.39	—	$ —
$1.80 – $2.03	3,447,400	3.91	$ 1.99	891,850	$ 1.99
$2.04 – $10.51	1,668,700	3.26	$ 8.73	376,550	$ 9.41
$10.52 – $13.80	951,050	1.05	$ 12.27	719,172	$ 12.24
$13.81 – $20.81	918,736	1.95	$ 15.78	483,210	$ 15.76
$1.34 – $20.81	7,246,386	3.15	$ 6.62	2,470,782	$ 8.80

Stock options vest equally over four years and expire five years from the date of grant. When stock options are exercised, the proceeds together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

The weighted average fair value of options granted during 2016, determined using the Black-Scholes valuation method, was $0.84 per option (year ended December 31, 2015 - $0.97). The Company applied the following assumptions in determining the fair value of options on the date of grant:

	2016	2015
Expected life (years)	**3.5**	3.5
Expected volatility	**59.17%**	42.22%
Risk-free interest rate	**0.63%**	0.68%
Expected dividends	**$0.00**	$0.02

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

(b) Share Units

	2016			2015		
Continuity of Stock Units	**Deferred Share Units**	**Performance Share Units**	**Restricted Share Units**	Deferred Share Units	Performance Share Units	Restricted Share Units
	(#)	*(#)*	*(#)*	*(#)*	*(#)*	*(#)*
Balance, January 1	**72,500**	**238,995**	**812,828**	70,000	120,000	1,346,642
Granted during the period	**145,000**	**500,000**	**2,431,650**	72,500	178,995	995,007
Exercised	**(72,500)**	**—**	**—**	(70,000)	(60,000)	(614,464)
Forfeited	**—**	**(99,665)**	**(486,628)**	—	—	(914,357)
Balance, December 31	**145,000**	**639,330**	**2,757,850**	72,500	238,995	812,828

	Three Months Ended Dec. 31,		**Years Ended Dec. 31,**	
	2016	2015	**2016**	2015
	($)	*($)*	*($)*	*($)*
Expense (recovery) from:				
Stock options	**664**	785	**2,361**	3,082
Deferred share units	**370**	(25)	**690**	111
Performance share units	**792**	(25)	**1,188**	32
Restricted share units	**2,445**	(836)	**4,055**	(3,049)
Total stock-based compensation expense	**4,271**	(101)	**8,294**	176

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

The Company grants deferred share units to its outside directors. These units vest in November of the year of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred share units is recognized equally over the vesting period, based on the current market price of the Company's shares. At December 31, 2016, the liability pertaining to deferred share units was $690 (December 31, 2015 – $143).

The Company grants performance share units to a senior officer. The amount of the grants earned is linked to corporate performance and the grants vest on the approval of the Board of Directors at the meeting held to approve the consolidated financial statements for the year in respect of which performance is being evaluated. As with the deferred share units, performance share units are settled either in cash or Company shares purchased on the open market. At December 31, 2016, the liability pertaining to performance share units was $1,560 (December 31, 2015 – $373).

The Company grants restricted share units to its employees. These units vest over three years and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the restricted share units is recognized over the vesting period, based on the current market price of the Company's shares. At December 31, 2016, the liability pertaining to restricted share units was $4,995 (December 31, 2015 – $939).

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

(c) Warrants

In conjunction with the second lien senior secured term loan facility as disclosed in note 4, 6,934,776 warrants to purchase common shares of the Company were issued, entitling the holder to acquire up to 6,934,776 common shares at a price of $4.14 per common share. The warrants expire on June 10, 2019 and can be exercised at any time prior to such date. The fair value

of the warrants issued was estimated using a Black-Scholes pricing model, in the amount of $5,830 and accounted for as a deferred finance cost. To date, no warrants have been exercised.

7. COMMITMENTS

The Company has a contractual obligation with one of its major product suppliers, which includes an annual minimum purchase commitment through the end of 2017. During 2016, the Company did not meet its annual purchase commitment but is currently in negotiations with the supplier to amend the contractual obligations and extend the fulfilment of the 2016 annual expenditure commitment to future years. Given the stage of the ongoing negotiations, no provision has been recorded in the Company's financial statements, as the outcome of the negotiations and the financial impact cannot be determined at this time. The maximum exposure related to the 2016 shortfall is $15,735.

8. CAPITAL STRUCTURE

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

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

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

For the Twelve Months Ended December 31,	**2016**	2015
(C$000s)	***($)***	*($)*
Net loss	**(203,557)**	(227,426)
Adjusted for the following:		
Depreciation	**152,822**	156,638
Foreign exchange losses	**19,319**	37,025
Gain on disposal of property, plant and equipment	**(491)**	(2,257)
Impairment of property, plant and equipment	**—**	114,479
Impairment of inventory	**3,225**	14,333
Impairment of goodwill	**—**	9,544
Business combination	**—**	(30,987)
Provision for settlement of litigation	**—**	3,165
Interest	**80,110**	68,967
Income taxes	**(109,632)**	(114,097)
Operating (loss) income	**(58,204)**	29,384

Net debt for this purpose is calculated as follows:

As at December 31,	**2016**	2015
(C$000s)	***($)***	*($)*
Long-term debt, net of debt issuance costs and debt discount (note 4)	**986,582**	927,793
Bank loans	**—**	15,633
Finance lease obligation	**304**	820
Less: cash and cash equivalents	**(109,917)**	(124,005)
Net debt	**876,969**	820,241

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

At December 31, 2016, the net debt to operating income ratio was (15.07):1 (December 31, 2015 – 27.91:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended December 31,	**2016**	2015
(C$000s, except ratio)	***($)***	*($)*
Net debt	**876,969**	820,241
Operating (loss) income	**(58,204)**	29,384
Net debt to operating income ratio	**(15.07):1**	27.91:1

The Company's net debt to operating income ratio of (15.07):1 reflects the fact that the Company incurred an operating loss for the twelve months ended December 31, 2016.

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. Prior to the end of the fourth quarter of 2015, the Company negotiated amendments including waivers and increases to certain of its financial covenant thresholds pertaining to its credit facilities, as shown below. At December 31, 2016 and December 31, 2015, the Company was in compliance with its covenants with respect to its credit facilities.

Years ended December 31, except as indicated in notes below	2015	**2016**	2017
Working capital ratio not to fall below	1.15x	**1.15x**	1.15x
Funded Debt to Adjusted EBITDA not to exceed[(1)(2)(3)]	4.50x	**5.00x**	4.50x/4.00x
Funded Debt to Capitalization not to exceed[(2)(4)]	0.30x	**0.30x**	0.30x

[(1)] Funded Debt to Adjusted EBITDA covenant is 5.00x for December 31, 2016. The covenant declines to 4.50x for the quarters ended March 31, 2017 and June 30, 2017 and declines to 4.00x for the quarters ended September 30, 2017 and December 31, 2017 and is set at 3.00x for each quarter after December 31, 2017.
[(2)] Funded Debt is defined as Total Debt excluding all outstanding senior unsecured notes and the second lien senior secured term loan facility. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit less cash on hand with lenders (excluding any cash held in a segregated account for the purposes of a potential equity cure).
[(3)] Adjusted EBITDA is defined as net income or loss for the period less interest, taxes, depreciation and amortization, non-cash stock-based compensation, non-controlling interest relating to Colombia, and gains and losses that are extraordinary or non-recurring.
[(4)] Capitalization is Total Debt plus Equity attributable to the shareholders of Calfrac.

For the quarter ended December 31, 2015 through the quarter ended December 31, 2017, advances under the credit facilities will be limited by a borrowing base. The borrowing base is calculated based on the following:

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

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

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

For the quarter ended December 31, 2015 through the quarter ended December 31, 2017, distributions are restricted other than those relating to the Company's share unit plans and dividend distributions, provided that the rate of dividends must not exceed $0.015625 per share quarterly.

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

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

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20,000. As at December 31, 2016, this basket was not utilized.

The indenture also restricts the incurrence of additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of $175,000 or 30% of the Company's consolidated tangible assets. At December 31, 2016, the Company was able to incur additional indebtedness in excess of $380,000 pursuant to the aforementioned exception.

As at December 31, 2016, the Company's Fixed Charge Coverage Ratio of (0.49):1 was less than the required 2:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the indenture, and the baskets highlighted in the preceding paragraphs provide sufficient flexibility for the Company to make anticipated restricted payments, such as dividends, and incur additional indebtedness as required to conduct its operations and satisfy its obligations during this period of weakened market conditions.

The Company has measures in place to ensure that it has sufficient liquidity to navigate the cyclical nature of the oilfield services sector and safeguard the Company's ability to continue as a going concern. As discussed above, the Company negotiated amendments to its credit facilities to provide increased financial flexibility. These amendments include an "Equity Cure" feature pursuant to which proceeds from equity offerings may be applied as both an adjustment in the calculation of Adjusted EBITDA and as a reduction of Funded Debt towards the Funded Debt to Adjusted EBITDA ratio covenant for any of the quarters ending prior to and including December 31, 2017, subject to certain conditions including:

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

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

9. CONTINGENCIES

GREEK LITIGATION

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

In 1998, North Aegean Petroleum Company E.P.E. ("NAPC"), a Greek subsidiary of a consortium in which Denison participated (and which is now a majority-owned subsidiary of the Company), terminated employees in Greece as a result of the cessation

of its oil and natural gas operations in that country. Several groups of former employees filed claims against NAPC and the consortium alleging that their termination was invalid and that their severance pay was improperly determined.

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $9,700 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. As a result of Denison's participation in the consortium that was named in the lawsuit, the Company has been served with three separate payment orders, one on March 24, 2015 and two others on December 29, 2015. The Company was also served with an enforcement order on November 23, 2015. Oppositions have been filed on behalf of the Company in respect of each of these orders which oppose the orders on the basis that they were improperly issued and are barred from a statute of limitations perspective. The salaries in arrears sought to be recovered through these orders are part of the $9,700 (6,846 euros) cited above and the interest being sought in respect of these orders is part of the $24,216 (17,091 euros) cited below. Provisional orders granting a temporary suspension of any enforcement proceedings have been granted in respect of all of the orders that have been served. The order served on March 24, 2015 was heard on November 24, 2015 and a decision was issued on November 25, 2016 accepting the Company's opposition on the basis that no lawful service of Judgment No 4528/2008 had taken place until the filing of the opponents' petition and/or the issuance of the payment order. A hearing in respect of the orders served in December of 2015 that was scheduled for September 20, 2016 was adjourned until November 21, 2016 and a decision was issued on January 9, 2017 accepting the Company's opposition on a statute of limitations basis. A hearing in respect of the order served on November 23, 2015 was adjourned until October 31, 2018.

NAPC is also the subject of a claim for approximately $4,055 (2,862 euros) plus associated penalties and interest from the Greek social security agency for social security obligations associated with the salaries in arrears that are the subject of the above-mentioned decision.

The maximum aggregate interest and penalties payable under the claims noted above, as well as three other immaterial claims against NAPC totaling $819 (578 euros), amounted to $24,216 (17,091 euros) as at December 31, 2016.

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

10. SEGMENTED INFORMATION

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

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

	Canada	United States	Russia	Latin America	Corporate	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Three Months Ended December 31, 2016						
Revenue[2]	**72,327**	**57,956**	**24,400**	**38,163**	**—**	**192,846**
Operating income (loss)[1]	**1,468**	**(7,239)**	**943**	**(2,873)**	**(10,590)**	**(18,291)**
Segmented assets[4]	**634,560**	**710,222**	**105,142**	**163,080**	**—**	**1,613,004**
Capital expenditures	**8,492**	**4,264**	**780**	**2,172**	**—**	**15,708**
Three Months Ended December 31, 2015						
Revenue[2]	123,341	81,263	32,641	48,949	—	286,194
Operating income (loss)[1]	10,161	(3,883)	4,232	4,029	(8,752)	5,787
Segmented assets[4]	690,980	843,300	100,559	180,984	—	1,815,823
Capital expenditures	19,941	5,355	607	4,061	—	29,964

	Canada	United States	Russia	Latin America	Corporate	Consolidated
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Year Ended December 31, 2016						
Revenue[3]	**250,013**	**234,633**	**95,860**	**154,008**	**—**	**734,514**
Operating income (loss)[1]	**(4,990)**	**(26,298)**	**9,013**	**(2,527)**	**(33,402)**	**(58,204)**
Segmented assets[4]	**634,560**	**710,222**	**105,142**	**163,080**	**—**	**1,613,004**
Capital expenditures	**8,354**	**19,011**	**2,373**	**8,969**	**—**	**38,707**
Year Ended December 31, 2015						
Revenue[3]	533,102	652,007	137,876	172,220	—	1,495,205
Operating income (loss)[1]	34,923	(57)	14,743	13,295	(33,520)	29,384
Segmented assets[4]	690,980	843,300	100,559	180,984	—	1,815,823
Capital expenditures	46,845	65,645	2,048	43,396	—	157,934

[1] Operating income (loss) is defined as net income (loss) before depreciation, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, expenses and gain related to business combinations, impairment of property, plant and equipment, impairment of inventory, impairment of goodwill, provision for settlement of litigation, interest, and income taxes.

[2] Argentina's revenue for the three months ended December 31, 2016 and 2015 was $36,887 or 19% of consolidated revenue and $43,177 or 15% of consolidated revenue, respectively.

[3] Argentina's revenue for the years ended December 31, 2016 and 2015 was $145,623 or 20% of consolidated revenue and $160,720 or 11% of consolidated revenue, respectively.

[4] Argentina's assets as at December 31, 2016 and 2015 were $154,665 or 10% of consolidated assets and $158,953 or 9% of consolidated assets, respectively.

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2016	2015	**2016**	2015
(C$000s)	***($)***	*($)*	***($)***	*($)*
Net loss	**(63,356)**	(145,636)	**(203,557)**	(227,426)
Add back (deduct):				
Depreciation	**53,272**	40,254	**152,822**	156,638
Foreign exchange (gains) losses	**(256)**	33,540	**19,319**	37,025
Gain on disposal of property, plant and equipment	**(1,011)**	(643)	**(491)**	(2,257)
Impairment of property, plant and equipment	**—**	114,479	**—**	114,479
Impairment of inventory	**3,225**	14,333	**3,225**	14,333
Impairment of goodwill	**—**	—	**—**	9,544
Business combination	**—**	—	**—**	(30,987)
Provision for settlement of litigation	**—**	3,165	**—**	3,165
Interest	**22,084**	18,289	**80,110**	68,967
Income taxes	**(32,249)**	(71,994)	**(109,632)**	(114,097)
Operating (loss) income	**(18,291)**	5,787	**(58,204)**	29,384

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

The following table sets forth consolidated revenue by service line:

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2016	2015	**2016**	2015
(C$000s)	***($)***	*($)*	***($)***	*($)*
Fracturing	**156,498**	239,667	**600,887**	1,321,370
Coiled tubing	**19,603**	24,964	**75,448**	89,950
Cementing	**9,705**	18,624	**36,308**	72,872
Other	**7,040**	2,939	**21,871**	11,013
	192,846	286,194	**734,514**	1,495,205

The Company's customer base consists of approximately 113 oil and natural gas exploration and production companies, ranging from large multi-national publicly traded companies to small private companies. Notwithstanding the Company's broad customer base, Calfrac had five significant customers that collectively accounted for approximately 42 percent of the Company's revenue for the year ended December 31, 2016 (year ended December 31, 2015 – five significant customers for approximately 41 percent) and, of such customers, one customer accounted for approximately 12 percent of the Company's revenue for the year ended December 31, 2016 (year ended December 31, 2015 – 11 percent).

For further information, please contact:

Fernando Aguilar, President & Chief Executive Officer
Mike Olinek, VP Finance and Interim Chief Financial Officer
Ashley Connolly, Manager, Capital Markets

Telephone: 403-266-6000 Fax: 403-266-7381
www.calfrac.com