## Calfrac Announces Third Quarter Results

**CALGARY, ALBERTA - October 27, 2016 - Calfrac Well Services Ltd. ("Calfrac" or "the Company") (TSX-CFW)** announces its financial and operating results for the three and nine months ended September 30, 2016.

# HIGHLIGHTS

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | Change | **2016** | 2015 | Change |
| *(C$000s, except per share and unit data)* | ***($)*** | *($)* | *(%)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | | | | |
| Financial | | | | | | |
| Revenue | **174,925** | 289,075 | (39) | **541,668** | 1,209,011 | (55) |
| Operating income (loss)[1] | **(12,392)** | 2,775 | NM | **(39,913)** | 23,597 | NM |
| Per share – basic | **(0.11)** | 0.03 | NM | **(0.35)** | 0.25 | NM |
| Per share – diluted | **(0.11)** | 0.03 | NM | **(0.35)** | 0.25 | NM |
| Adjusted EBITDA[1] | **(11,055)** | 7,211 | NM | **(31,033)** | 29,124 | NM |
| Per share – basic | **(0.10)** | 0.08 | NM | **(0.27)** | 0.31 | NM |
| Per share – diluted | **(0.10)** | 0.08 | NM | **(0.27)** | 0.30 | NM |
| Net income (loss) attributable to the shareholders of Calfrac before foreign exchange gains or losses[2] | **(41,572)** | (23,683) | 76 | **(123,009)** | (80,172) | 53 |
| Per share – basic | **(0.36)** | (0.25) | 44 | **(1.07)** | (0.84) | 27 |
| Per share – diluted | **(0.36)** | (0.25) | 44 | **(1.07)** | (0.84) | 27 |
| Net income (loss) attributable to the shareholders of Calfrac | **(40,862)** | (24,191) | 69 | **(136,604)** | (80,096) | 71 |
| Per share – basic | **(0.35)** | (0.25) | 40 | **(1.18)** | (0.84) | 40 |
| Per share – diluted | **(0.35)** | (0.25) | 40 | **(1.18)** | (0.84) | 40 |
| Working capital (end of period) | | | | **269,081** | 296,816 | (9) |
| Total equity (end of period) | | | | **501,926** | 742,972 | (32) |
| Weighted average common shares outstanding (000s) | | | | | | |
| Basic | **115,410** | 95,523 | 21 | **115,410** | 95,453 | 21 |
| Diluted | **116,555** | 95,692 | 22 | **115,610** | 95,622 | 21 |
| Operating (end of period) | | | | | | |
| Active pumping horsepower (000s) | | | | **644** | 754 | (15) |
| Idle pumping horsepower (000s)[3] | | | | **578** | 533 | 8 |
| Total pumping horsepower (000s)[3] | | | | **1,222** | 1,287 | (5) |
| Active coiled tubing units (#) | | | | **20** | 20 | — |
| Idle coiled tubing units (#) | | | | **12** | 17 | (29) |
| Total coiled tubing units (#) | | | | **32** | 37 | (14) |
| Active cementing units (#) | | | | **14** | 28 | (50) |
| Idle cementing units (#) | | | | **11** | 3 | NM |
| 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 September 30, 2016 (September 30, 2015 - 40,000).*

# THIRD QUARTER 2016 OVERVIEW

## CONSOLIDATED HIGHLIGHTS

| Three Months Ended September 30, | **2016** | 2015 | Change |
|---|---|---|---|
| *(C$000s, except operational information)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **174,925** | 289,075 | (39) |
| Expenses | | | |
| Operating | **173,579** | 269,799 | (36) |
| Selling, general and administrative (SG&A) | **13,738** | 16,501 | (17) |
| | **187,317** | 286,300 | (35) |
| Operating (loss) income[1] | **(12,392)** | 2,775 | NM |
| Operating (loss) income (%) | **(7.1)** | 1.0 | NM |
| Adjusted EBITDA[1] | **(11,055)** | 7,211 | NM |
| Adjusted EBITDA (%) | **(6.3)** | 2.5 | NM |
| Fracturing revenue per job ($) | **30,906** | 34,727 | (11) |
| Number of fracturing jobs | **4,508** | 7,070 | (36) |
| Active pumping horsepower, end of period (000s) | **644** | 754 | (15) |
| Idle pumping horsepower, end of period (000s)[2] | **578** | 533 | 8 |
| Total pumping horsepower, end of period (000s)[2] | **1,222** | 1,287 | (5) |
| Coiled tubing revenue per job ($) | **36,482** | 37,011 | (1) |
| Number of coiled tubing jobs | **592** | 590 | — |
| Active coiled tubing units, end of period (#) | **20** | 20 | — |
| Idle coiled tubing units, end of period (#) | **12** | 17 | (29) |
| Total coiled tubing units, end of period (#) | **32** | 37 | (14) |
| Cementing revenue per job ($) | **34,515** | 46,274 | (25) |
| Number of cementing jobs | **238** | 433 | (45) |
| Active cementing units, end of period (#) | **14** | 28 | (50) |
| Idle cementing units, end of period (#) | **11** | 3 | NM |
| 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 September 30, 2016 (September 30, 2015 - 40,000).*

Revenue in the third quarter of 2016 was $174.9 million, a decrease of 39 percent from the same period in 2015. The Company's fracturing job count decreased by 36 percent mainly due to lower activity in Canada and the United States. Consolidated revenue per fracturing job decreased by 11 percent primarily due to job mix and lower pricing in Canada and the United States offset partially by higher service intensity in North America. Cementing revenue per job decreased by 25 percent due to the closure of cementing operations in the United States, which included larger jobs in the comparative quarter in 2015, and the completion of smaller jobs combined with lower pricing in Argentina.

Pricing in Canada decreased on average by 30 percent and in the United States it declined on average by 15 percent in the third quarter of 2016 from the third quarter of 2015. In Mexico and Russia, pricing was consistent with the third quarter of 2015 while pricing in Argentina was lower than the comparable period in 2015 due to competitive pricing pressure experienced from certain multinational competitors.

Adjusted EBITDA for the third quarter of 2016 was negative $11.1 million compared to positive $7.2 million in the comparable period in 2015 due to significantly lower utilization and pricing in the United States and Canada, and lower utilization and pricing in Argentina. The reduction in Adjusted EBITDA was partially offset by continued cost reduction initiatives since the end of the third quarter of 2015.

Net loss attributable to shareholders of Calfrac was $40.9 million or $0.35 per share diluted, compared to a net loss of $24.2 million or $0.25 per share diluted in the same period last year.

| Three Months Ended | **September 30, 2016** | June 30, 2016 | Change |
|---|---|---|---|
| *(C$000s, except operational information)* *(unaudited)* | ***($)*** | *($)* | *(%)* |
| Revenue | **174,925** | 150,605 | 16 |
| Expenses | | | |
| Operating | **173,579** | 144,716 | 20 |
| SG&A | **13,738** | 21,787 | (37) |
| | **187,317** | 166,503 | 13 |
| Operating (loss) income[1] | **(12,392)** | (15,898) | (22) |
| Operating (loss) income (%) | **(7.1)** | (10.6) | (33) |
| Adjusted EBITDA[1] | **(11,055)** | (14,095) | (22) |
| Adjusted EBITDA (%) | **(6.3)** | (9.4) | (33) |
| Fracturing revenue per job ($) | **30,906** | 34,088 | (9) |
| Number of fracturing jobs | **4,508** | 3,610 | 25 |
| Active pumping horsepower, end of period (000s) | **644** | 582 | 11 |
| Idle pumping horsepower, end of period (000s)[2] | **578** | 640 | (10) |
| Total pumping horsepower, end of period (000s)[2] | **1,222** | 1,222 | — |
| Coiled tubing revenue per job ($) | **36,482** | 33,873 | 8 |
| Number of coiled tubing jobs | **592** | 454 | 30 |
| Active coiled tubing units, end of period (#) | **20** | 19 | 5 |
| Idle coiled tubing units, end of period (#) | **12** | 13 | (8) |
| Total coiled tubing units, end of period (#) | **32** | 32 | — |
| Cementing revenue per job ($) | **34,515** | 40,782 | (15) |
| Number of cementing jobs | **238** | 204 | 17 |
| 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 September 30, 2016 (June 30, 2016 - 80,000)*

Revenue in the third quarter of 2016 was $174.9 million, an increase of 16 percent from the second quarter of 2016 primarily due to higher activity in Canada and the completion of larger jobs in the United States. Revenue per fracturing job decreased by 9 percent due to a change in job mix in Canada offset partially by the completion of larger jobs in the Marcellus shale play in Pennsylvania. Adjusted EBITDA as a percentage of revenue improved by 310 basis points primarily due to a $4.6 million bad debt provision recorded in the second quarter.

Pricing in Canada, the United States and Russia was consistent with the second quarter of 2016. 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 Canada, revenue increased by 31 percent to $59.6 million in the third 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. The operating loss as a percentage of revenue was 3 percent, which was up from negative 10 percent in the second quarter due to higher utilization post spring break-up.

In the United States, revenue in the third quarter of 2016 increased by 10 percent from the second quarter of 2016 to $52.6 million, mainly as a result of completing significantly larger jobs in Pennsylvania during the quarter, offset partially by lower activity. The operating loss as a percentage of revenue increased from 2 percent in the second quarter of 2016 to 11 percent in the third quarter. The deterioration in sequential results was driven by start-up costs associated with the deployment of

additional fleets in North Dakota and Pennsylvania, the impact of less than full utilization of the reactivated fleets, increased repair and maintenance costs, as well as a change in customer mix in Colorado.

In Russia, revenue of $26.3 million in the third quarter of 2016 was 17 percent higher than the second quarter of 2016 as activity that was delayed during the second quarter was completed during the third quarter. Operating income as a percentage of revenue improved by 280 basis points to 16 percent primarily due to higher utilization and a greater proportion of higher priced callout work being performed during the quarter.

In Latin America, revenue increased by 5 percent to $36.4 million primarily due to higher coiled tubing and fracturing activity in Argentina offset partially by lower pricing in that country. Operating income as a percentage of revenue decreased from a near break even level, excluding a $4.6 million bad debt provision in the second quarter, to negative 6 percent in the third quarter of 2016. The decline in operating income was primarily due to lower pricing combined with severance costs of $0.5 million being recorded in the quarter.

## OUTLOOK

With crude oil prices hovering around US$50.00 per barrel and natural gas futures prices trending around US$3.00 per Mcf through next year, the Company expects North American completion activity to improve over the course of the fourth quarter and into 2017. Preliminary drilling and completion capital budgets for 2017 indicate that year-over-year spending in both Canada and the United States will be higher than 2016. As a result, Calfrac anticipates pressure pumping demand to increase in North America which, in turn, is expected to lead to higher pricing for the Company's services in 2017.

### CANADA

The Company experienced increased demand for its pressure pumping services during the latter half of the third quarter with the majority of activity focused in the Montney and Saskatchewan light oil plays. Calfrac expects completion activity to improve from third quarter levels and anticipates full utilization of its active fleets throughout the fourth quarter. However, the Company has experienced weather-related delays in Saskatchewan during October. While Calfrac has yet to realize any material increases in pricing, the Company expects the pricing environment to begin to improve in the fourth quarter given the current high levels of demand for its services and believes that this momentum will continue into the first quarter of 2017.

Visibility for 2017 remains somewhat limited given that capital spending plans have yet to be confirmed, but initial customer indications coupled with the recent improvement in commodity prices and strong activity expected through the end of 2016, leads Calfrac to believe that first quarter 2017 activity will be strong. Calfrac continues to believe that labor will be the most prominent constraint as activity continues to increase.

### UNITED STATES

Calfrac reactivated equipment in North Dakota and Pennsylvania in the third quarter in anticipation of a market recovery and in order to align the Company with customers that are expected to meaningfully increase activity levels in 2017. While Calfrac expects its financial performance in the United States to improve in the fourth quarter, some of the operational challenges experienced in the third quarter are anticipated to persist. Utilization is expected to be somewhat inconsistent over the coming months, however, Calfrac believes that completions activity in the United States will increase in early 2017. The Company's active horsepower count at the end of the third quarter is at the appropriate level at this time to position it for a market recovery and Calfrac does not expect to reactivate additional equipment until there is a meaningful improvement in pricing.

### RUSSIA

Activity in Russia continues to be consistent with 2015 and we expect this trend to continue into the fourth quarter, with the exception of the impact of normal winter weather operating conditions. We are currently in the early stages of the 2017 contract tender process with our customers and at this stage we expect utilization and pricing to be comparable to 2016 levels.

### LATIN AMERICA

The current rig count in Argentina is approximately 30 percent below the end of last year which has resulted in a decrease in demand for Calfrac's services. In addition, pricing pressure has continued to increase across the Company's operations with certain multinational competitors attempting to gain market share. While Calfrac does not anticipate further pricing adjustments to its existing contracts, the Company does expect lower pricing for new contract tenders. Overall, increased activity from certain gas-focused customers combined with the impact of cost reduction measures that were implemented during the third quarter is anticipated to drive improved financial results in the fourth quarter and continuing into 2017. However, Calfrac has experienced delays due to weather in the Neuquén area in late October with heavy rainfall and flooding.

In Mexico, activity across all regions remains low due to continued delays in Pemex's budget process. While activity is expected to modestly increase in 2017, the Company is expecting very minimal activity in the fourth quarter. Calfrac's focus is to continue to proactively manage its cost structure to generate breakeven margins in Mexico.

## SUMMARY

Overall, it appears that the global oil supply/demand balance is tightening, which is expected to have a positive impact on North American pressure pumping fundamentals. While the timing and magnitude of any recovery remains unclear, it is generally anticipated that pricing dynamics are poised to become more positive by year end. Calfrac continues to evaluate alternatives available for it to decrease its debt levels and improve its capital structure, and the Company's cash position, fully funded equity cure and undrawn facility provide Calfrac with the flexibility to assess such measures with the benefits associated with any market recovery going forward.

# FINANCIAL OVERVIEW – THREE MONTHS ENDED SEPTEMBER 30, 2016 VERSUS 2015

## CANADA

| Three Months Ended September 30, | **2016** | 2015 | Change |
|---|---|---|---|
| *(C$000s, except operational information)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **59,577** | 121,469 | (51) |
| Expenses | | | |
| Operating | **59,666** | 108,285 | (45) |
| Selling, general and administrative (SG&A) | **1,939** | 2,554 | (24) |
| | **61,605** | 110,839 | (44) |
| Operating (loss) income[1] | **(2,028)** | 10,630 | NM |
| Operating (loss) income (%) | **(3.4)** | 8.8 | NM |
| Fracturing revenue per job ($) | **20,738** | 26,339 | (21) |
| Number of fracturing jobs | **2,492** | 4,320 | (42) |
| Active pumping horsepower, end of period (000s) | **194** | 230 | (16) |
| Idle pumping horsepower, end of period (000s) | **216** | 195 | 11 |
| Total pumping horsepower, end of period (000s)[2] | **410** | 425 | (4) |
| Coiled tubing revenue per job ($) | **25,981** | 23,007 | 13 |
| Number of coiled tubing jobs | **304** | 334 | (9) |
| Active coiled tubing units, end of period (#) | **7** | 6 | 17 |
| Idle coiled tubing units, end of period (#)[2] | **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 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 third quarter of 2016 was $59.6 million versus $121.5 million in the same period of 2015. The 51 percent decrease in revenue was primarily due to lower fracturing activity combined with lower pricing for the Company's fracturing services. In addition, wet weather across western Canada throughout most of the quarter contributed to the decrease in fracturing activity during the quarter. The number of fracturing jobs decreased by 42 percent while revenue per fracturing job decreased by 21 percent from the same period in the prior year as a result of lower pricing, offset partially by a change in the mix of completion treatments and greater service intensity. The number of coiled tubing jobs decreased by 9 percent from the third quarter in 2015 due to lower activity in the shallow oil plays of Saskatchewan, partially offset by increased activity in the Montney shale gas play in northern Alberta.

## OPERATING (LOSS) INCOME

The operating loss in Canada during the third quarter of 2016 was $2.0 million compared to operating income of $10.6 million in the same period of 2015. Operating costs were 45 percent lower than the comparable quarter of 2015 primarily due to the decline in activity combined with the impact of cost savings realized during the quarter, including cost savings associated with the closure of its Medicine Hat operating district at the beginning of March 2016. SG&A expenses decreased by 24 percent year-over-year primarily due to workforce reductions implemented earlier in the year.

## UNITED STATES

| Three Months Ended September 30, | **2016** | 2015 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* *(unaudited)* | ***($)*** | *($)* | *(%)* |
| Revenue | **52,640** | 93,142 | (43) |
| Expenses | | | |
| Operating | **55,595** | 94,290 | (41) |
| SG&A | **3,043** | 5,704 | (47) |
| | **58,638** | 99,994 | (41) |
| Operating loss[1] | **(5,998)** | (6,852) | (12) |
| Operating loss (%) | **(11.4)** | (7.4) | 54 |
| Fracturing revenue per job ($) | **34,815** | 38,165 | (9) |
| Number of fracturing jobs | **1,512** | 2,222 | (32) |
| Active pumping horsepower, end of period (000s) | **249** | 336 | (26) |
| Idle pumping horsepower, end of period (000s) | **362** | 338 | 7 |
| Total pumping horsepower, end of period (000s)[2] | **611** | 674 | (9) |
| Coiled tubing revenue per job ($) | **—** | — | — |
| Number of coiled tubing jobs | **—** | — | — |
| Active coiled tubing units, end of period (#) | **—** | — | — |
| Idle coiled tubing units, end of period (#) | **5** | 5 | — |
| Total coiled tubing units, end of period (#) | **5** | 5 | — |
| Cementing revenue per job ($) | **—** | 54,869 | (100) |
| Number of cementing jobs | **—** | 152 | (100) |
| Active cementing units, end of period (#) | **—** | 15 | (100) |
| Idle cementing units, end of period (#) | **11** | 3 | NM |
| Total cementing units, end of period (#)[2] | **11** | 18 | (39) |
| US$/C$ average exchange rate[3] | **1.3046** | 1.3087 | — |

*[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.*
*[2] Reduction 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 $52.6 million during the third quarter of 2016 from $93.1 million in the comparable quarter of 2015 due to significantly lower fracturing activity across most of the Company's operating regions, with the exception of Pennsylvania, as 32 percent fewer fracturing jobs were completed period-over-period. In the third quarter of 2016, the Company reactivated one fleet in North Dakota after temporarily shutting down operations during the second quarter of 2016 and added a second fracturing fleet in Pennsylvania in anticipation of improved future pricing and utilization. The Company also 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 9 percent lower year-over-year due to weaker pricing in all remaining operating regions offset partially by the completion of larger jobs in the Marcellus shale gas play in Pennsylvania.

## OPERATING LOSS

The Company's United States operations had an operating loss of $6.0 million during the third quarter of 2016 compared to a loss of $6.9 million in the same period in 2015. The third quarter loss, although consistent with the comparative quarter in 2015, was higher than expected primarily due to start-up costs associated with the deployment of additional fleets in North Dakota and Pennsylvania and the impact of less than full utilization of the reactivated fleets. However, Calfrac believes that the reactivation of the fleets has left the Company in a better position for future market growth. Calfrac also recorded a sales tax recovery of $2.0 million in Pennsylvania during the third quarter of 2016 that offset a portion of the third-quarter operating loss. SG&A expenses decreased by 47 percent in the third quarter of 2016 from the prior year primarily due to workforce reductions since the end of the third quarter of 2015.

## RUSSIA

| Three Months Ended September 30, | **2016** | 2015 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* *(unaudited)* | ***($)*** | *($)* | *(%)* |
| Revenue | **26,303** | 35,874 | (27) |
| Expenses | | | |
| Operating | **21,586** | 30,944 | (30) |
| SG&A | **466** | 597 | (22) |
| | **22,052** | 31,541 | (30) |
| Operating income[1] | **4,251** | 4,333 | (2) |
| Operating income (%) | **16.2** | 12.1 | 34 |
| Fracturing revenue per job ($) | **66,955** | 97,935 | (32) |
| Number of fracturing jobs | **307** | 313 | (2) |
| Pumping horsepower, end of period (000s) | **70** | 70 | — |
| Coiled tubing revenue per job ($) | **44,211** | 38,956 | 13 |
| Number of coiled tubing jobs | **130** | 134 | (3) |
| Active coiled tubing units, end of period (#) | **6** | 7 | (14) |
| Idle coiled tubing units, end of period (#) | **1** | — | NM |
| Total coiled tubing units, end of period (#) | **7** | 7 | — |
| Rouble/C$ average exchange rate[2] | **0.0202** | 0.0208 | (3) |

*[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 27 percent during the third quarter of 2016 to $26.3 million from $35.9 million in the corresponding three-month period of 2015. The decline in revenue was largely attributable to the loss of an annual fracturing contract with a significant customer to which the Company also supplied proppant and the 3 percent devaluation of the Russian rouble in the third quarter of 2016 as compared to the same quarter of 2015. The decline in revenue was partially offset by callout activity and contracted activity with new customers. Revenue per fracturing job declined by 32 percent primarily due to the impact of no longer providing proppant to one of Calfrac's customers.

## OPERATING INCOME

Operating income in Russia was $4.3 million during the third quarter of 2016 consistent with the corresponding period of 2015. Operating income as a percentage of revenue was 16 percent compared to 12 percent in 2015 primarily due to the impact of not providing proppant to a major customer and a greater proportion of callout activity, which generated higher operating margins. SG&A expenses decreased by 22 percent in the third quarter of 2016 from the prior year's quarter primarily due to personnel reductions.

## LATIN AMERICA

| Three Months Ended September 30, | **2016** | 2015 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* *(unaudited)* | ***($)*** | *($)* | *(%)* |
| Revenue | **36,405** | 38,590 | (6) |
| Expenses | | | |
| Operating | **35,636** | 34,047 | 5 |
| SG&A | **2,883** | 3,777 | (24) |
| | **38,519** | 37,824 | 2 |
| Operating (loss) income[1] | **(2,114)** | 766 | NM |
| Operating (loss) income (%) | **(5.8)** | 2.0 | NM |
| Pumping horsepower, end of period (000s) | **131** | 118 | 11 |
| Cementing units, end of period (#) | **14** | 13 | 8 |
| Coiled tubing units, end of period (#) | **7** | 7 | — |
| Mexican peso/C$ average exchange rate[2] | **0.0696** | 0.0796 | (13) |
| Argentinean peso/C$ average exchange rate[2] | **0.0873** | 0.1415 | (38) |

*[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 $36.4 million during the third quarter of 2016 versus $38.6 million in the comparable three-month period in 2015. Revenue in Argentina was $3.0 million lower than the comparable quarter primarily due to lower fracturing and cementing activity resulting from a declining rig count and union strikes that negatively impacted customer activity combined with lower pricing. In Mexico, revenue increased slightly primarily due to higher coiled tubing activity.

### OPERATING (LOSS) INCOME

The Company's operations in Latin America incurred an operating loss of $2.1 million during the third quarter of 2016 compared to operating income of $0.8 million in the third quarter of 2015. This decrease was primarily due to lower equipment utilization and pricing in Argentina combined with severance costs of $0.5 million recorded during the third quarter of 2016 due to workforce reductions.

## CORPORATE

| Three Months Ended September 30, | **2016** | 2015 | Change |
|---|---|---|---|
| *(C$000s)* *(unaudited)* | ***($)*** | *($)* | *(%)* |
| Expenses | | | |
| Operating | **1,096** | 2,234 | (51) |
| SG&A | **5,407** | 3,868 | 40 |
| | **6,503** | 6,102 | 7 |
| Operating loss[1] | **(6,503)** | (6,102) | 7 |
| % of Revenue | **3.7** | 2.1 | 76 |

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

### OPERATING LOSS

Corporate expenses for the third quarter of 2016 increased by 7 percent compared to the third quarter of 2015. Operating expenses were 51 percent lower as a result of lower district personnel costs and consulting fees. SG&A expenditures were $1.5 million higher, which resulted from a $2.0 million increase in stock-based compensation expense due to a higher share price at the end of the quarter. Excluding stock-based compensation, the Company reduced SG&A expenses by $0.5 million primarily through personnel reductions.

## DEPRECIATION

For the three months ended September 30, 2016, depreciation expense decreased by 17 percent to $33.0 million from $39.5 million in the corresponding quarter of 2015. The decrease was mainly a result of a $114.5 million impairment of property, plant and equipment in the United States and Canada that was recorded in the fourth quarter of 2015.

## FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange gain of $0.1 million during the third quarter of 2016 versus a loss of $1.8 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.

## INTEREST

The Company's net interest expense of $20.8 million for the third quarter of 2016 was $2.9 million higher than in the comparable period of 2015. Interest on the $200.0 million secured second lien term loan was the primary driver of the higher interest expense recorded during the period as it contributed to an increased debt level during the quarter and the interest rate on the 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 $24.4 million during the third quarter of 2016 compared to a recovery of $9.4 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 37 percent during the third quarter of 2016 compared to a normalized effective tax recovery rate of 42 percent in the comparable quarter in 2015. The effective tax recovery rate in 2016 was lower primarily due to a greater proportion of the consolidated losses that were incurred in Canada compared to 2015.

## SUMMARY OF QUARTERLY RESULTS

| Three Months Ended | Dec. 31, 2014 | Mar. 31, 2015 | Jun. 30, 2015 | Sep. 30, 2015 | Dec. 31, 2015 | Mar. 31, 2016 | Jun. 30, 2016 | **Sep. 30, 2016** |
|---|---|---|---|---|---|---|---|---|
| *(C$000s, except per share and operating data) (unaudited)* | *($)* | *($)* | *($)* | *($)* | *($)* | *($)* | *($)* | ***($)*** |
| **Financial** | | | | | | | | |
| Revenue | 748,896 | 600,383 | 319,553 | 289,075 | 286,194 | 216,138 | 150,605 | **174,925** |
| Operating income (loss)[1] | 122,202 | 27,844 | (7,022) | 2,775 | 5,787 | (11,623) | (15,898) | **(12,392)** |
| Per share – basic | 1.29 | 0.29 | (0.07) | 0.03 | 0.06 | (0.10) | (0.14) | **(0.11)** |
| Per share – diluted | 1.28 | 0.29 | (0.07) | 0.03 | 0.06 | (0.10) | (0.14) | **(0.11)** |
| Adjusted EBITDA[1] | 121,731 | 25,609 | (3,696) | 7,211 | 22,933 | (5,883) | (14,095) | **(11,055)** |
| Per share – basic | 1.28 | 0.27 | (0.04) | 0.08 | 0.24 | (0.05) | (0.12) | **(0.10)** |
| Per share – diluted | 1.28 | 0.27 | (0.04) | 0.08 | 0.24 | (0.05) | (0.12) | **(0.10)** |
| Net income (loss) attributable to the shareholders of Calfrac | 26,470 | (12,628) | (43,277) | (24,191) | (141,498) | (54,071) | (41,671) | **(40,862)** |
| Per share – basic | 0.28 | (0.13) | (0.45) | (0.25) | (1.45) | (0.47) | (0.36) | **(0.35)** |
| Per share – diluted | 0.28 | (0.13) | (0.45) | (0.25) | (1.45) | (0.47) | (0.36) | **(0.35)** |
| Capital expenditures | 52,033 | 52,669 | 50,356 | 24,945 | 29,964 | 7,723 | 8,370 | **6,907** |
| Working capital (end of period) | 441,234 | 413,950 | 340,639 | 296,816 | 305,952 | 261,072 | 306,346 | **269,081** |
| Total equity (end of period) | 832,403 | 818,825 | 775,646 | 742,972 | 623,719 | 576,465 | 543,530 | **501,926** |
| | | | | | | | | |
| **Operating (end of period)** | | | | | | | | |
| Active pumping horsepower (000s) | 1,254 | 1,259 | 804 | 754 | 776 | 640 | 582 | **644** |
| Idle pumping horsepower (000s)[2] | — | — | 455 | 533 | 524 | 586 | 640 | **578** |
| Total pumping horsepower (000s)[2] | 1,254 | 1,259 | 1,259 | 1,287 | 1,300 | 1,226 | 1,222 | **1,222** |
| Active coiled tubing units (#) | 36 | 37 | 20 | 20 | 20 | 18 | 19 | **20** |
| Idle coiled tubing units (#) | — | — | 17 | 17 | 17 | 14 | 13 | **12** |
| Total coiled tubing units (#) | 36 | 37 | 37 | 37 | 37 | 32 | 32 | **32** |
| Active cementing units (#) | 31 | 31 | 26 | 28 | 23 | 14 | 14 | **14** |
| Idle cementing units (#) | — | — | 5 | 3 | 8 | 11 | 11 | **11** |
| Total cementing units (#) | 31 | 31 | 31 | 31 | 31 | 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 September 30, 2016.*

## SEASONALITY OF OPERATIONS

The Company's North American business is seasonal. The lowest activity is typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up weather conditions and access to well sites in Canada and North Dakota is reduced (refer to "Business Risks – Seasonality" in the 2015 Annual Report).

## FOREIGN EXCHANGE FLUCTUATIONS

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in the exchange rates for United States, Russian, Mexican and Argentinean currency (refer to "Business Risks – Fluctuations in Foreign Exchange Rates" in the 2015 Annual Report).

# FINANCIAL OVERVIEW – NINE MONTHS ENDED SEPTEMBER 30, 2016 VERSUS 2015

## CANADA

| Nine Months Ended September 30, | **2016** | 2015 | Change |
|---|---|---|---|
| *(C$000s, except operational information)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **177,686** | 409,761 | (57) |
| Expenses | | | |
| Operating | **178,300** | 377,983 | (53) |
| SG&A | **5,844** | 7,015 | (17) |
| | **184,144** | 384,998 | (52) |
| Operating (loss) income[1] | **(6,458)** | 24,763 | NM |
| Operating (loss) income (%) | **(3.6)** | 6.0 | NM |
| Fracturing revenue per job ($) | **23,340** | 33,961 | (31) |
| Number of fracturing jobs | **6,799** | 11,387 | (40) |
| Active pumping horsepower, end of period (000s) | **194** | 230 | (16) |
| Idle pumping horsepower, end of period (000s) | **216** | 195 | 11 |
| Total pumping horsepower, end of period (000s)[2] | **410** | 425 | (4) |
| Coiled tubing revenue per job ($) | **24,142** | 23,545 | 3 |
| Number of coiled tubing jobs | **787** | 979 | (20) |
| Active coiled tubing units, end of period (#) | **7** | 6 | 17 |
| Idle coiled tubing units, end of period (#)[2] | **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 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 first nine months of 2016 was $177.7 million versus $409.8 million in the same period of 2015. The decrease was primarily due to significantly lower demand for the Company's fracturing and coiled tubing services combined with lower pricing and job mix. Revenue per fracturing job decreased by 31 percent from the prior year primarily due to lower pricing and job mix offset partially by greater service intensity. Coiled tubing activity decreased by 20 percent from the prior year and also contributed to the decrease in revenue.

### OPERATING (LOSS) INCOME

The Company's Canadian division incurred an operating loss of $6.5 million during the first nine months of 2016 compared to operating income of $24.8 million in the comparable period in 2015. The reversal to a loss position was the result of significantly lower pricing and utilization partially offset by cost reductions for proppant, third-party subcontractors and chemicals. SG&A expenses during the first nine months of 2015 included a recovery of $1.1 million related to 2014 annual bonus expenses. Excluding this amount, SG&A expenses declined by 28 percent year-over-year, primarily due to workforce reductions and a lower compensation structure.

## UNITED STATES

| Nine Months Ended September 30, | **2016** | 2015 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* *(unaudited)* | ***($)*** | *($)* | *(%)* |
| Revenue | **176,677** | 570,744 | (69) |
| Expenses | | | |
| Operating | **183,831** | 549,649 | (67) |
| SG&A | **11,905** | 17,269 | (31) |
| | **195,736** | 566,918 | (65) |
| Operating (loss) income[1] | **(19,059)** | 3,826 | NM |
| Operating (loss) income (%) | **(10.8)** | 0.7 | NM |
| Fracturing revenue per job ($) | **32,162** | 52,117 | (38) |
| Number of fracturing jobs | **5,442** | 10,448 | (48) |
| Active pumping horsepower, end of period (000s) | **249** | 336 | (26) |
| Idle pumping horsepower, end of period (000s) | **362** | 338 | 7 |
| Total pumping horsepower, end of period (000s)[2] | **611** | 674 | (9) |
| 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** | 48,113 | NM |
| Number of cementing jobs | **11** | 486 | (98) |
| Active cementing units, end of period (#) | **—** | 15 | (100) |
| Idle cementing units, end of period (#) | **11** | 3 | NM |
| Total cementing units, end of period (#)[2] | **11** | 18 | (39) |
| US$/C$ average exchange rate[3] | **1.3228** | 1.2600 | 5 |

*[1] Refer to "Non-GAAP Measures" on pages 21 and 22 for further information.*
*[2] Reduction 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 $176.7 million during the first nine months of 2016 from $570.7 million in the same period of 2015 due to significantly lower fracturing activity combined with customer mix and weaker pricing. The number of fracturing jobs completed during the period decreased by 48 percent from the comparable period in 2015, primarily due to lower activity in Pennsylvania, and the Rockies, 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 38 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) INCOME

The Company's United States division operated at a loss of $19.1 million during the first nine months of 2016 after generating operating income of $3.8 million in the same period in 2015. The loss included restructuring costs totaling $3.1 million (2015 - Nil) that related to organizational changes that were carried out across the United States division during 2016 and $0.5 million in bad debt charges. Excluding these one-time costs, the operating loss would have been $15.5 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

| Nine Months Ended September 30, | **2016** | 2015 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* *(unaudited)* | ***($)*** | *($)* | *(%)* |
| Revenue | **71,459** | 105,234 | (32) |
| Expenses | | | |
| Operating | **61,612** | 92,041 | (33) |
| SG&A | **1,778** | 2,682 | (34) |
| | **63,390** | 94,723 | (33) |
| Operating income[1] | **8,069** | 10,511 | (23) |
| Operating income (%) | **11.3** | 10.0 | 13 |
| Fracturing revenue per job ($) | **68,048** | 88,574 | (23) |
| Number of fracturing jobs | **831** | 996 | (17) |
| Pumping horsepower, end of period (000s) | **70** | 70 | — |
| Coiled tubing revenue per job ($) | **40,411** | 43,184 | (6) |
| Number of coiled tubing jobs | **369** | 394 | (6) |
| Active coiled tubing units, end of period (#) | **6** | 7 | (14) |
| Idle coiled tubing units, end of period (#) | **1** | — | NM |
| Total coiled tubing units, end of period (#) | **7** | 7 | — |
| Rouble/C$ average exchange rate[2] | **0.0194** | 0.0213 | (9) |

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

## REVENUE

During the first nine months of 2016, revenue from Calfrac's Russian operations decreased by 32 percent to $71.5 million from $105.2 million in the corresponding nine-month period of 2015. The decrease in revenue, which is generated in roubles, was partially related to lower fracturing and coiled tubing activity combined with the 9 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 23 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 $8.1 million during the first nine months of 2016 from $10.5 million in the same period in 2015 primarily due to the 9 percent devaluation of the rouble combined with lower fracturing and coiled tubing utilization. Operating income as a percent of revenue increased slightly from 10 percent to 11 percent due to higher margin callout work comprising a greater proportion of overall activity and reflects margins resulting from not providing sand to one of its customers. SG&A expenses declined by 34 percent during the first nine months of 2016 from the comparable period in 2015 due to the devaluation of the rouble combined with the impact of cost reduction initiatives.

## LATIN AMERICA

| Nine Months Ended September 30, | **2016** | 2015 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* *(unaudited)* | ***($)*** | *($)* | *(%)* |
| Revenue | **115,846** | 123,272 | (6) |
| Expenses | | | |
| Operating | **102,015** | 102,836 | (1) |
| SG&A | **13,485** | 11,171 | 21 |
| | **115,500** | 114,007 | 1 |
| Operating income[1] | **346** | 9,265 | (96) |
| Operating income (%) | **0.3** | 7.5 | (96) |
| Pumping horsepower, end of period (000s) | **131** | 118 | 11 |
| Cementing units, end of period (#) | **14** | 13 | 8 |
| Coiled tubing units, end of period (#) | **7** | 7 | — |
| Mexican peso/C$ average exchange rate[2] | **0.0723** | 0.0810 | (11) |
| Argentinean peso/C$ average exchange rate[2] | **0.0912** | 0.1406 | (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 $115.8 million during the first nine months in 2016 versus $123.3 million in the comparable period in 2015. In the first nine months of 2016, revenue in Argentina was lower than the comparable period primarily due to lower fracturing and cementing activity resulting from the rig count decline combined with adverse weather conditions in the Neuquén region during the second quarter. The Company also experienced pricing pressure from certain multinational competitors, which contributed to the reduction in revenue during the period. In Mexico, revenue increased slightly due to higher activity in the early part of the year.

## OPERATING INCOME

Operating income in Latin America during the first nine months of 2016 was $0.3 million compared to $9.3 million during same period in 2015. Operating income was lower primarily 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 $1.0 million in Argentina during the first nine months of 2016. Lower equipment utilization and pricing in Argentina also contributed to the reduction in operating income year-over-year.

## CORPORATE

| Nine Months Ended September 30, | **2016** | 2015 | Change |
|---|---|---|---|
| *(C$000s)* *(unaudited)* | ***($)*** | *($)* | *(%)* |
| Expenses | | | |
| Operating | **3,633** | 5,103 | (29) |
| SG&A | **19,178** | 19,665 | (2) |
| | **22,811** | 24,768 | (8) |
| Operating loss[1] | **(22,811)** | (24,768) | (8) |
| % of Revenue | **4.2** | 2.0 | NM |

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

## OPERATING LOSS

The Company achieved an 8 percent decline in corporate expenses for the first nine months of 2016 compared to the same period in 2015. The Company continued to reduce costs to align its cost structure with anticipated activity levels. These initiatives contributed approximately $5.6 million to the overall decrease in corporate expenses primarily by reducing corporate personnel costs. An increase in stock-based compensation expense of $3.7 million, resulting from an increase in the Company's stock price, partially offset the cost reductions achieved during the period.

## DEPRECIATION

For the nine months ended September 30, 2016, depreciation expense decreased by 14 percent to $99.6 million from $116.4 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 and Canada that was recorded in the fourth quarter of 2015, offset partially by a weaker Canadian dollar relative to the U.S. dollar on a comparative period basis.

## FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange loss of $19.6 million during the first nine months of 2016 versus a loss of $3.5 million in the comparative nine-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. 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 17 percent against the U.S. dollar during the first nine months of 2016. The foreign exchange loss was also the result of U.S. dollar-denominated assets held in Canada as the U.S. dollar depreciated against the Canadian dollar during the period.

## INTEREST

The Company's net interest expense of $58.0 million for the first nine months of 2016 was $7.3 million higher than in the comparable period of 2015 primarily due to higher average credit facility borrowings during the first half of 2016. Interest on the $200.0 million secured second lien term loan that was put in place in the second quarter of 2016 also contributed to the higher interest expense recorded during the period as it resulted in a higher debt level and the interest rate on the loan was higher than the interest rate on the credit facility borrowings that were repaid using the proceeds from the term loan financing. In addition, interest on U.S. dollar-denominated debt was higher due to a weaker Canadian dollar relative to the U.S. dollar.

## INCOME TAXES

The Company recorded an income tax recovery of $77.4 million for the first nine months of 2016 compared to $42.1 million in the comparable period in 2015. The recovery was the result of pre-tax losses incurred during the period in Canada, the United States and Argentina. The effective tax recovery rate was 36 percent during the first nine months in 2016 compared to 38 percent in the comparable period in 2015.

# LIQUIDITY AND CAPITAL RESOURCES

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| *(C$000s)*<br>*(unaudited)* | ***($)*** | *($)* | ***($)*** | *($)* |
| Cash provided by (used in): | | | | |
| Operating activities | **(25,874)** | 34,559 | **(39,492)** | 91,874 |
| Financing activities | **(6,780)** | (9,901) | **69,156** | (21,474) |
| Investing activities | **(8,429)** | (40,857) | **(36,409)** | (137,379) |
| Effect of exchange rate changes on cash and cash equivalents | **1,416** | 5,194 | **(10,679)** | 22,701 |
| Decrease in cash and cash equivalents | **(39,667)** | (11,005) | **(17,424)** | (44,278) |

## OPERATING ACTIVITIES

The Company's cash used by operating activities for the three months ended September 30, 2016 was $25.9 million versus cash provided by operating activities of $34.6 million in the comparable period 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 shifted from a net source of cash in 2015 to a net use of cash in the third quarter of 2016. At September 30, 2016, Calfrac's working capital was approximately $269.1 million compared to $306.0 million at December 31, 2015.

## FINANCING ACTIVITIES

Net cash used by financing activities for the three months ended September 30, 2016 was $6.8 million compared to $9.9 million in the comparable period in 2015. During the three months ended September 30, 2016, the Company reduced its bank loan in Argentina by $6.1 million, paid down borrowings under its term loan by $0.5 million and made mortgage and lease payments of $0.2 million.

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. 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 June 30, 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 September 30, 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 test, 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 September 30, 2016 and 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 trust 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 22, 2015, Calfrac closed a bought deal private placement of 20,370,370 common shares for net proceeds of approximately $25.2 million. The net proceeds of this offering are being held in a segregated account in accordance with the amended credit facilities pending an election to use them as an equity cure. Such an election may be made by Calfrac at any time prior to the completion of quarterly financial statements and the delivery of the covenant calculations for the relevant quarter to the lending syndicate. 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 September 30, 2016, the Company was in compliance with the financial covenants associated with its credit facilities.

| | Covenant | **Actual** |
|---|---|---|
| As at September 30, | 2016 | **2016** |
| Working capital ratio not to fall below | 1.15x | **3.30x** |
| 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] Funded Debt is negative at September 30, 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 September 30, 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 September 30, 2016, the Company was able to incur additional indebtedness in excess of $380 million pursuant to the aforementioned exception.

As at September 30, 2016, the Company's Fixed Charge Coverage Ratio of (0.01):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 $8.4 million for the quarter ended September 30, 2016 versus $40.9 million in 2015. Cash outflows relating to capital expenditures were $9.0 million during the third quarter of 2016 compared to $32.8 million in 2015. Capital expenditures were primarily to support the Company's Canadian fracturing operations.

Calfrac's 2016 capital budget is approximately $10.0 million. In addition, carryover capital expenditures are expected to be approximately $30.0 million, resulting in total spending of approximately $40.0 million throughout 2016.

## 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 quarter ended September 30, 2016 was a gain of $1.4 million versus a gain of $5.2 million during 2015. These gains 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 2016 and beyond.

At September 30, 2016, the Company had cash and cash equivalents of $106.6 million of which $25.0 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 October 21, 2016, there were 115,579,598 common shares issued and outstanding, and 7,691,075 options 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" above.

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 goodwill, 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 (loss) for the period was calculated as follows:

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| *(C$000s)*<br>*(unaudited)* | ***($)*** | *($)* | ***($)*** | *($)* |
| Net loss | **(42,169)** | (25,045) | **(140,201)** | (81,790) |
| Add back (deduct): | | | | |
| Depreciation | **32,952** | 39,476 | **99,550** | 116,384 |
| Foreign exchange losses | **(127)** | 1,808 | **19,575** | 3,485 |
| Loss (gain) on disposal of property, plant and equipment | **583** | (471) | **520** | (1,614) |
| Business combination | **—** | (30,987) | **—** | (30,987) |
| Impairment of goodwill | **—** | 9,544 | **—** | 9,544 |
| Interest | **20,802** | 17,872 | **58,026** | 50,678 |
| Income taxes | **(24,433)** | (9,422) | **(77,383)** | (42,103) |
| Operating (loss) income | **(12,392)** | 2,775 | **(39,913)** | 23,597 |

Adjusted EBITDA is defined in the Company's credit facilities for covenant purposes 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. 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 Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| *(C$000s)*<br>*(unaudited)* | | | ***($)*** | *($)* |
| Net loss | **(42,169)** | (25,045) | **(140,201)** | (81,790) |
| Add back (deduct): | | | | |
| Depreciation | **32,952** | 39,476 | **99,550** | 116,384 |
| Unrealized foreign exchange losses | **20** | 3,670 | **22,327** | 4,815 |
| Loss (gain) on disposal of property, plant and equipment | **583** | (471) | **520** | (1,614) |
| Business combination | **—** | (30,987) | **—** | (30,987) |
| Impairment of goodwill | **—** | 9,544 | **—** | 9,544 |
| Restructuring charges | **514** | 1,665 | **4,417** | 1,665 |
| Stock-based compensation | **674** | 856 | **1,697** | 2,297 |
| Losses attributable to non-controlling interest[(1)] | **2** | 53 | **14** | 235 |
| Interest | **20,802** | 17,872 | **58,026** | 50,678 |
| Income taxes | **(24,433)** | (9,422) | **(77,383)** | (42,103) |
| Adjusted EBITDA | **(11,055)** | 7,211 | **(31,033)** | 29,124 |

*[(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.

## THIRD QUARTER CONFERENCE CALL

Calfrac will be conducting a conference call for interested analysts, brokers, investors and news media representatives to review its 2016 third quarter results at 10:00 a.m. (Mountain Time) on Thursday, October 27, 2016. 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 95872386). A webcast of the conference call may be accessed via the Company's website at www.calfrac.com.

# CONSOLIDATED BALANCE SHEETS

| As at | **September 30, 2016** | December 31, 2015 |
|---|---|---|
| *(C$000s) (unaudited)* | ***($)*** | *($)* |
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | **106,581** | 124,005 |
| Accounts receivable | **150,309** | 221,995 |
| Income taxes recoverable | **4,285** | 3,540 |
| Inventories | **112,383** | 127,622 |
| Prepaid expenses and deposits | **16,756** | 18,017 |
| | **390,314** | 495,179 |
| Non-current assets | | |
| Property, plant and equipment | **1,173,862** | 1,301,272 |
| Deferred income tax assets | **54,787** | 19,372 |
| Total assets | **1,618,963** | 1,815,823 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **118,331** | 172,633 |
| Bank loans | **—** | 15,633 |
| Current portion of long-term debt (note 1) | **2,505** | 523 |
| Current portion of finance lease obligations | **397** | 438 |
| | **121,233** | 189,227 |
| Non-current liabilities | | |
| Long-term debt (note 1) | **964,897** | 927,270 |
| Finance lease obligations | **—** | 382 |
| Deferred income tax liabilities | **30,907** | 75,225 |
| Total liabilities | **1,117,037** | 1,192,104 |
| Equity attributable to the shareholders of Calfrac | | |
| Capital stock (note 2) | **409,809** | 409,809 |
| Contributed surplus | **35,376** | 27,849 |
| Loan receivable for purchase of common shares | **(2,500)** | (2,500) |
| Retained earnings | **76,822** | 213,426 |
| Accumulated other comprehensive loss | **(10,335)** | (21,054) |
| | **509,172** | 627,530 |
| Non-controlling interest | **(7,246)** | (3,811) |
| Total equity | **501,926** | 623,719 |
| Total liabilities and equity | **1,618,963** | 1,815,823 |

*See accompanying notes to the consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| *(C$000s, except per share data) (unaudited)* | ***($)*** | *($)* | ***($)*** | *($)* |
| Revenue | **174,925** | 289,075 | **541,668** | 1,209,011 |
| Cost of sales | **206,530** | 309,275 | **628,940** | 1,243,995 |
| Gross loss | **(31,605)** | (20,200) | **(87,272)** | (34,984) |
| Expenses | | | | |
| Selling, general and administrative | **13,739** | 16,501 | **52,191** | 57,803 |
| Foreign exchange (gains) losses | **(127)** | 1,808 | **19,575** | 3,485 |
| Loss (gain) on disposal of property, plant and equipment | **583** | (471) | **520** | (1,614) |
| Business combination | **—** | (30,987) | **—** | (30,987) |
| Impairment of goodwill | **—** | 9,544 | **—** | 9,544 |
| Interest | **20,802** | 17,872 | **58,026** | 50,678 |
| | **34,997** | 14,267 | **130,312** | 88,909 |
| Loss before income tax | **(66,602)** | (34,467) | **(217,584)** | (123,893) |
| Income tax expense (recovery) | | | | |
| Current | **494** | 7 | **1,946** | 1,893 |
| Deferred | **(24,927)** | (9,429) | **(79,329)** | (43,996) |
| | **(24,433)** | (9,422) | **(77,383)** | (42,103) |
| Net loss | **(42,169)** | (25,045) | **(140,201)** | (81,790) |
| | | | | |
| Net loss attributable to: | | | | |
| Shareholders of Calfrac | **(40,862)** | (24,191) | **(136,604)** | (80,096) |
| Non-controlling interest | **(1,307)** | (854) | **(3,597)** | (1,694) |
| | **(42,169)** | (25,045) | **(140,201)** | (81,790) |
| | | | | |
| Loss per share (note 2) | | | | |
| Basic | **(0.35)** | (0.25) | **(1.18)** | (0.84) |
| Diluted | **(0.35)** | (0.25) | **(1.18)** | (0.84) |

*See accompanying notes to the consolidated financial statements.*

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| *(C$000s) (unaudited)* | ***($)*** | *($)* | ***($)*** | *($)* |
| **Net loss** | **(42,169)** | (25,045) | **(140,201)** | (81,790) |
| **Other comprehensive income (loss)** | | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | | |
| Change in foreign currency translation adjustment | **(109)** | (6,091) | **10,881** | 5,000 |
| Comprehensive loss | **(42,278)** | (31,136) | **(129,320)** | (76,790) |
| **Comprehensive loss attributable to:** | | | | |
| Shareholders of Calfrac | **(40,833)** | (30,227) | **(125,885)** | (75,014) |
| Non-controlling interest | **(1,445)** | (909) | **(3,435)** | (1,776) |
| | **(42,278)** | (31,136) | **(129,320)** | (76,790) |

*See accompanying notes to the consolidated financial statements.*

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Equity Attributable to the Shareholders of Calfrac | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | Contributed Surplus | Loan Receivable for Purchase of Common Shares | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total | Non-Controlling Interest | **Total Equity** |
| *(C$000s) (unaudited)* | *($)* | *($)* | *($)* | *($)* | *($)* | *($)* | *($)* | ***($)*** |
| **Balance – Jan. 1, 2016** | **409,809** | **27,849** | **(2,500)** | **(21,054)** | **213,426** | **627,530** | **(3,811)** | **623,719** |
| Net loss | — | — | — | — | (136,604) | (136,604) | (3,597) | **(140,201)** |
| Other comprehensive income: | | | | | | | | |
| Cumulative translation adjustment | — | — | — | 10,719 | — | 10,719 | 162 | **10,881** |
| Comprehensive income (loss) | — | — | — | 10,719 | (136,604) | (125,885) | (3,435) | **(129,320)** |
| Warrants: | | | | | | | | |
| Fair value of warrants issued (note 1) | — | 5,830 | — | — | — | 5,830 | — | **5,830** |
| Stock options: | | | | | | | | |
| Stock-based compensation recognized | — | 1,697 | — | — | — | 1,697 | — | **1,697** |
| **Balance – Sept. 30, 2016** | **409,809** | **35,376** | **(2,500)** | **(10,335)** | **76,822** | **509,172** | **(7,246)** | **501,926** |
| Balance – Jan. 1, 2015 | 377,975 | 24,767 | (2,500) | (26,757) | 459,891 | 833,376 | (973) | 832,403 |
| Net loss | — | — | — | — | (80,096) | (80,096) | (1,694) | (81,790) |
| Other comprehensive income (loss): | | | | | | | | |
| Cumulative translation adjustment | — | — | — | 5,082 | — | 5,082 | (82) | 5,000 |
| Comprehensive income (loss) | — | — | — | 5,082 | (80,096) | (75,014) | (1,776) | (76,790) |
| Stock options: | | | | | | | | |
| Stock-based compensation recognized | — | 2,297 | — | — | — | 2,297 | — | 2,297 |
| Dividend Reinvestment Plan shares issued | 12,733 | — | — | — | — | 12,733 | — | 12,733 |
| Dividends | — | — | — | — | (18,257) | (18,257) | — | (18,257) |
| Shares purchased under NCIB | (6,093) | — | — | — | (3,321) | (9,414) | — | (9,414) |
| Balance – Sept. 30, 2015 | 384,615 | 27,064 | (2,500) | (21,675) | 358,217 | 745,721 | (2,749) | 742,972 |

*See accompanying notes to the consolidated financial statements.*

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| *(C$000s) (unaudited)* | ***($)*** | *($)* | ***($)*** | *($)* |
| **CASH FLOWS PROVIDED BY (USED IN)** | | | | |
| **OPERATING ACTIVITIES** | | | | |
| Net loss | **(42,169)** | (25,045) | **(140,201)** | (81,790) |
| Adjusted for the following: | | | | |
| Depreciation | **32,952** | 39,476 | **99,550** | 116,384 |
| Stock-based compensation | **674** | 856 | **1,697** | 2,297 |
| Unrealized foreign exchange losses | **20** | 3,670 | **22,327** | 4,815 |
| Loss (gain) on disposal of property, plant and equipment | **583** | (471) | **520** | (1,614) |
| Gain on business combination | **—** | (31,965) | **—** | (31,965) |
| Impairment of goodwill | **—** | 9,544 | **—** | 9,544 |
| Interest | **20,802** | 17,872 | **58,026** | 50,678 |
| Deferred income taxes | **(24,927)** | (9,429) | **(79,329)** | (43,996) |
| Interest paid | **(4,817)** | (2,040) | **(39,385)** | (33,648) |
| Changes in items of working capital | **(8,992)** | 32,091 | **37,303** | 101,169 |
| Cash flows (used in) provided by operating activities | **(25,874)** | 34,559 | **(39,492)** | 91,874 |
| **FINANCING ACTIVITIES** | | | | |
| Bank loan proceeds | **—** | 3,072 | **4,977** | 16,841 |
| Issuance of long-term debt, net of debt issuance costs | **(3)** | (40) | **214,897** | (573) |
| Bank loan repayments | **(6,054)** | (4,229) | **(17,712)** | (10,164) |
| Long-term debt repayments | **(624)** | (122) | **(130,919)** | (387) |
| Finance lease obligation repayments | **(99)** | (122) | **(281)** | (347) |
| Shares purchased under NCIB | **—** | (3,894) | **—** | (9,414) |
| Dividends paid, net of DRIP | **—** | (4,566) | **(1,806)** | (17,430) |
| Cash flows (used in) provided by financing activities | **(6,780)** | (9,901) | **69,156** | (21,474) |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of property, plant and equipment | **(9,014)** | (32,751) | **(39,623)** | (139,403) |
| Proceeds on disposal of property, plant and equipment | **585** | 1,392 | **3,214** | 11,522 |
| Business combination | **—** | (9,498) | **—** | (9,498) |
| Cash flows used in investing activities | **(8,429)** | (40,857) | **(36,409)** | (137,379) |
| Effect of exchange rate changes on cash and cash equivalents | **1,416** | 5,194 | **(10,679)** | 22,701 |
| Decrease in cash and cash equivalents | **(39,667)** | (11,005) | **(17,424)** | (44,278) |
| Cash and cash equivalents, beginning of period | **146,248** | 65,856 | **124,005** | 99,129 |
| Cash and cash equivalents, end of period | **106,581** | 54,851 | **106,581** | 54,851 |

*See accompanying notes to the consolidated financial statements.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2016 and 2015

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

## 1. LONG-TERM DEBT

| As at | **September 30, 2016** | December 31, 2015 |
|---|---|---|
| *(C$000s)* | ***($)*** | *($)* |
| US$600,000 senior unsecured notes due December 1, 2020, bearing interest at 7.50% payable semi-annually | **787,020** | 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 | **199,500** | — |
| $270,000 extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company | **—** | 110,000 |
| Less: unamortized debt issuance costs | **(19,925)** | (13,894) |
| | **966,595** | 926,506 |
| US$616 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 | **807** | 1,287 |
| | **967,402** | 927,793 |
| Less: current portion of long-term debt | **(2,505)** | (523) |
| | **964,897** | 927,270 |

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at September 30, 2016, was $519,433 (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.

In conjunction with the second lien senior secured term loan facility, 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.

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 nine months ended September 30, 2016 was $55,825 (nine months ended September 30, 2015 – $47,364).

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 September 30, 2016, the Company had utilized $1,867 of its loan facility for letters of credit and had $nil outstanding under its revolving term loan facility, leaving $298,133 in available credit, subject to a monthly borrowing base test, which could result in a lower amount of available credit.

See note 4 for further details on the covenants in respect of the Company's long-term debt.

## 2. CAPITAL STOCK

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

| | **Nine Months Ended September 30, 2016** | | Year Ended December 31, 2015 | |
|---|---|---|---|---|
| Continuity of Common Shares | **Shares** | **Amount** | Shares | Amount |
| | ***(#)*** | ***(C$000s)*** | *(#)* | *(C$000s)* |
| Balance, beginning of period | **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 placement | **—** | **—** | 20,370,370 | 25,194 |
| Shares cancelled | **—** | **—** | (10) | — |
| Balance, end of period | **115,579,598** | **409,809** | 115,579,598 | 409,809 |

The weighted average number of common shares outstanding for the three months ended September 30, 2016 was 115,410,398 basic and 116,554,975 diluted (three months ended September 30, 2015 – 95,523,078 basic and 95,692,278 diluted). The weighted average number of common shares outstanding for the nine months ended September 30, 2016 was 115,410,398 basic and 115,609,802 diluted (nine months ended September 30, 2015 – 95,453,017 basic and 95,622,217 diluted). The difference between basic and diluted shares is attributable to the dilutive effect of stock options issued by the Company as disclosed in note 3.

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 2015, ten 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 forty dollars, along with a corresponding increase to contributed surplus.

## 3. STOCK-BASED COMPENSATION

(a) Stock Options

| Nine Months Ended September 30, | **2016** | | 2015 | |
|---|---|---|---|---|
| Continuity of Stock Options | **Options** | **Average Exercise Price** | Options | Average Exercise Price |
| | ***(#)*** | ***(C$)*** | *(#)* | *(C$)* |
| Balance, January 1 | **8,229,947** | **7.81** | 4,269,050 | 14.76 |
| Granted during the period | **267,500** | **1.45** | 1,665,750 | 9.69 |
| Forfeited | **(773,649)** | **10.97** | (369,126) | 13.68 |
| Expired | **(62,000)** | **16.83** | (61,250) | 11.10 |
| Balance, September 30 | **7,661,798** | **7.19** | 5,504,424 | 13.34 |

Stock options vest equally over four years and expire five years from the date of grant. The exercise price of outstanding options range from $1.34 to $20.81 with a weighted average remaining life of 3.15 years. When stock options are exercised, the proceeds together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

(b) Share Units

| Nine Months Ended Sept. 30, | **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** | **2,349,750** | 72,500 | 178,995 | 979,507 |
| Exercised | **(72,500)** | **—** | **—** | (70,000) | (60,000) | (614,464) |
| Forfeited | **—** | **(99,665)** | **(409,888)** | — | — | (146,963) |
| Balance, September 30 | **145,000** | **639,330** | **2,752,690** | 72,500 | 238,995 | 1,564,722 |

| | **Three Months Ended Sept. 30,** | | **Nine Months Ended Sept. 30,** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | ***($)*** | *($)* | ***($)*** | *($)* |
| Expense (recovery) from: | | | | |
| Stock options | **674** | 856 | **1,697** | 2,297 |
| Deferred share units | **39** | (112) | **320** | 136 |
| Performance share units | **11** | (332) | **396** | 57 |
| Restricted share units | **(19)** | (1,705) | **1,610** | (2,213) |
| Total stock-based compensation expense | **705** | (1,293) | **4,023** | 277 |

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 September 30, 2016, the liability pertaining to deferred share units was $320 (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 September 30, 2016, the liability pertaining to performance share units was $769 (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 September 30, 2016, the liability pertaining to restricted share units was $2,549 (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.

# 4. 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 | **September 30, 2016** | December 31, 2015 |
|---|---|---|
| *(C$000s)* | ***($)*** | *($)* |
| Net loss | **(285,837)** | (227,426) |
| Adjusted for the following: | | |
| Depreciation | **139,804** | 156,638 |
| Foreign exchange losses | **53,115** | 37,025 |
| Gain on disposal of property, plant and equipment | **(123)** | (2,257) |
| Business combination | **—** | (30,987) |
| Impairment of property, plant and equipment | **114,479** | 114,479 |
| Impairment of inventory | **14,333** | 14,333 |
| Impairment of goodwill | **—** | 9,544 |
| Provision for settlement of litigation | **3,165** | 3,165 |
| Interest | **76,315** | 68,967 |
| Income taxes | **(149,377)** | (114,097) |
| Operating (loss) income | **(34,126)** | 29,384 |

Net debt for this purpose is calculated as follows:

| | **September 30, 2016** | December 31, 2015 |
|---|---|---|
| *(C$000s)* | ***($)*** | *($)* |
| Long-term debt, net of debt issuance costs and debt discount (note 1) | **967,402** | 927,793 |
| Bank loans | **—** | 15,633 |
| Finance lease obligation | **397** | 820 |
| Less: cash and cash equivalents | **(106,581)** | (124,005) |
| Net debt | **861,218** | 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 September 30, 2016, the net debt to operating income ratio was (25.24):1 (December 31, 2015 – 27.91:1) calculated on a 12-month trailing basis as follows:

| | **September 30, 2016** | December 31, 2015 |
|---|---|---|
| *(C$000s, except ratio)* | ***($)*** | *($)* |
| Net debt | **861,218** | 820,241 |
| Operating (loss) income | **(34,126)** | 29,384 |
| Net debt to operating income ratio | **(25.24):1** | 27.91:1 |

The Company's net debt to operating income ratio of (25.24):1 reflects the fact that the Company incurred an operating loss for the twelve months ended September 30, 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 September 30, 2016 and December 31, 2015, the Company was in compliance with its covenants with respect to its credit facilities.

| Quarters Ended | 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 September 30, 2016 and 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 September 30, 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 September 30, 2016, the Company was able to incur additional indebtedness in excess of $380,000 pursuant to the aforementioned exception.

As at September 30, 2016, the Company's Fixed Charge Coverage Ratio of (0.01):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.

# 5. CONTINGENCIES

## GREEK LITIGATION

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

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

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $10,088 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. As a result of Denison's participation in the consortium that was named in the lawsuit, the Company has been served with three separate payment orders, one on March 24, 2015 and two others on December 29, 2015. The Company was also served with an enforcement order on November 23, 2015. Oppositions have been filed on behalf of the Company in respect of each of these orders which oppose the orders on the basis that they were improperly issued and are barred from a statute of limitations perspective. The salaries in arrears sought to be recovered through these orders are part of the $10,088 (6,846 euros) cited above and the interest being sought in respect of these orders is part of the $24,986 (16,956 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 is pending. 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 hearing in respect of the order served on November 23, 2015 is scheduled for January 10, 2017.

NAPC is also the subject of a claim for approximately $4,217 (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 $851 (578 euros), amounted to $24,986 (16,956 euros) as at September 30, 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.

# 6. 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 September 30, 2016** | | | | | | |
| Revenue[2] | **59,577** | **52,640** | **26,303** | **36,405** | **—** | **174,925** |
| Operating income (loss)[1] | **(2,028)** | **(5,998)** | **4,251** | **(2,114)** | **(6,503)** | **(12,392)** |
| Segmented assets[4] | **641,355** | **710,108** | **102,014** | **165,486** | **—** | **1,618,963** |
| Capital expenditures | **4,440** | **435** | **352** | **1,680** | **—** | **6,907** |
| | | | | | | |
| Three Months Ended September 30, 2015 | | | | | | |
| Revenue[2] | 121,469 | 93,142 | 35,874 | 38,590 | — | 289,075 |
| Operating income (loss)[1] | 10,630 | (6,852) | 4,333 | 766 | (6,102) | 2,775 |
| Segmented assets[4] | 642,073 | 955,968 | 109,936 | 205,576 | — | 1,913,553 |
| Capital expenditures | 3,995 | 11,947 | 122 | 8,881 | — | 24,945 |

| | Canada | United States | Russia | Latin America | Corporate | Consolidated |
|---|---|---|---|---|---|---|
| *(C$000s)* | *($)* | *($)* | *($)* | *($)* | *($)* | *($)* |
| **Nine Months Ended September 30, 2016** | | | | | | |
| Revenue[3] | **177,686** | **176,677** | **71,459** | **115,846** | **—** | **541,668** |
| Operating income (loss)[1] | **(6,458)** | **(19,059)** | **8,069** | **346** | **(22,811)** | **(39,913)** |
| Segmented assets[4] | **641,355** | **710,108** | **102,014** | **165,486** | **—** | **1,618,963** |
| Capital expenditures | **(138)** | **14,747** | **1,594** | **6,796** | **—** | **22,999** |
| | | | | | | |
| Nine Months Ended September 30, 2015 | | | | | | |
| Revenue[3] | 409,761 | 570,744 | 105,234 | 123,272 | — | 1,209,011 |
| Operating income (loss)[1] | 24,763 | 3,826 | 10,511 | 9,265 | (24,768) | 23,597 |
| Segmented assets[4] | 642,073 | 955,968 | 109,936 | 205,576 | — | 1,913,553 |
| Capital expenditures | 26,905 | 60,290 | 1,440 | 39,335 | — | 127,970 |

*[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 goodwill, interest, and income taxes.*

*[2] Argentina's revenue for the three months ended September 30, 2016 and 2015 was $35,163 or 20% of consolidated revenue and $38,199 or 13% of consolidated revenue, respectively.*

*[3] Argentina's revenue for the nine months ended September 30, 2016 and 2015 was $108,737 or 20% of consolidated revenue and $117,543 or 10% of consolidated revenue, respectively.*

*[4] Argentina's assets as at September 30, 2016 and 2015 were $155,052 or 10% of consolidated assets and $184,306 or 10% of consolidated assets, respectively.*

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| *(C$000s)* | ***($)*** | *($)* | ***($)*** | *($)* |
| Net loss | **(42,169)** | (25,045) | **(140,201)** | (81,790) |
| Add back (deduct): | | | | |
| Depreciation | **32,952** | 39,476 | **99,550** | 116,384 |
| Foreign exchange (gains) losses | **(127)** | 1,808 | **19,575** | 3,485 |
| Loss (gain) on disposal of property, plant and equipment | **583** | (471) | **520** | (1,614) |
| Business combination | **—** | (30,987) | **—** | (30,987) |
| Impairment of goodwill | **—** | 9,544 | **—** | 9,544 |
| Interest | **20,802** | 17,872 | **58,026** | 50,678 |
| Income taxes | **(24,433)** | (9,422) | **(77,383)** | (42,103) |
| Operating (loss) income | **(12,392)** | 2,775 | **(39,913)** | 23,597 |

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 Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| *(C$000s)* | ***($)*** | *($)* | ***($)*** | *($)* |
| Fracturing | **139,326** | 245,519 | **444,389** | 1,081,703 |
| Coiled tubing | **21,597** | 21,836 | **55,845** | 64,987 |
| Cementing | **8,215** | 20,037 | **26,602** | 54,248 |
| Other | **5,787** | 1,683 | **14,832** | 8,073 |
| | **174,925** | 289,075 | **541,668** | 1,209,011 |

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