Calfrac Announces Fourth Quarter Results

CALGARY, ALBERTA – February 25, 2015 – Calfrac Well Services Ltd. ("Calfrac" or "the Company") (TSX–CFW) announces its financial and operating results for the three months and year ended December 31, 2014.

HIGHLIGHTS

	Three Months Ended December 31,			Years Ended December 31,		
	2014	2013	Change	**2014**	2013	Change
(C$000s, except per share and unit data) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Financial						
Revenue	**748,896**	463,054	62	**2,496,931**	1,563,814	60
Operating income[1]	**122,202**	57,416	113	**357,210**	188,076	90
Per share – basic	**1.29**	0.62	108	**3.80**	2.06	84
Per share – diluted	**1.28**	0.62	106	**3.77**	2.04	85
Net income attributable to the shareholders of Calfrac before foreign exchange losses (gains)[2]	**39,593**	10,194	288	**89,550**	27,578	225
Per share – basic	**0.42**	0.11	282	**0.95**	0.30	217
Per share – diluted	**0.42**	0.11	282	**0.94**	0.30	213
Net income attributable to the shareholders of Calfrac	**26,470**	11,764	125	**66,976**	27,914	140
Per share – basic	**0.28**	0.13	115	**0.71**	0.31	129
Per share – diluted	**0.28**	0.13	115	**0.71**	0.31	129
Working capital (end of period)	**441,234**	319,934	38	**441,234**	319,934	38
Total equity (end of period)	**832,403**	795,207	5	**832,403**	795,207	5
Weighted average common shares outstanding (000s)						
Basic	**94,981**	92,348	3	**94,113**	91,456	3
Diluted	**95,188**	92,994	2	**94,781**	92,090	3
Operating (end of period)						
Pumping horsepower (000s)				**1,254**	1,194	5
Coiled tubing units (#)				**36**	38	(5)
Cementing units (#)				**31**	31	–

(1) Operating income is defined as net income before depreciation, interest, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, provision for settlement of litigation, impairment of property, plant and equipment, impairment of goodwill, expenses and gain related to business combinations 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 how they are taxed. Operating income is a measure that does not have any standardized meaning under International Financial Reporting Standards (IFRS) and, accordingly, may not be comparable to similar measures used by other companies.

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

Consolidated Quarterly Highlights

Three Months Ended December 31, 2014	**2014**	2013	Change
(C$000s, except operational information)	**($)**	($)	(%)
(unaudited)			
Revenue	**748,896**	463,054	62
Expenses			
Operating	**591,137**	379,994	56
SG&A	**35,557**	25,644	39
	626,694	405,638	54
Operating income[1]	**122,202**	57,416	113
Operating income (%)	**16.3%**	12.4%	31
Fracturing revenue per job ($)	**101,085**	87,308	16
Number of fracturing jobs	**6,833**	4,837	41
Pumping horsepower, end of period (000s)	**1,254**	1,194	5
Coiled tubing revenue per job ($)	**35,688**	37,711	(5)
Number of coiled tubing jobs	**850**	596	43
Coiled tubing units, end of period (#)	**36**	38	(5)
Cementing revenue per job ($)	**44,230**	30,493	45
Number of Cementing jobs	**528**	505	5
Cementing units, end of period (#)	**31**	31	–

Revenue in the fourth quarter of 2014 for Calfrac was a record $748.9 million, which increased by 62 percent from the same period in 2013 and increased 7 percent from the third quarter of 2014. On a year-over-year basis, consolidated fracturing jobs increased by 41 percent and consolidated revenue per fracturing job increased by 16 percent primarily due to an increase in service intensity per well. Sequentially, revenue per fracturing job increased by 12 percent due to larger job sizes in Canada and higher United States revenue per job resulting from positive impacts from a weaker Canadian dollar. The increase in revenue per fracturing job was partially offset by the devaluation of the Russian rouble.

Pricing in Canada was stable in the fourth quarter of 2014 when compared to third quarter of 2014. In the United States, pricing was also stable in comparison to the third quarter of 2014. In Russia, pricing is determined by contract awards which resulted in the Company experiencing minimal pricing changes during the quarter. Similarly, a significant portion of Calfrac's work in Argentina is under contract, resulting in immaterial pricing changes compared to the prior quarter.

Operating income for the fourth quarter of 2014 was $122.2 million, an increase of 113 percent from the comparable period in 2013 and a decrease of 3 percent compared to the third quarter of 2014. Operating income excluding one-time costs was $130.9 million. Operating income as a percentage of revenue in the fourth quarter of 2014 was higher by 390 basis points compared to the same period last year due to significantly higher fracturing activity in Canada and Latin America, positive contract adjustments in Latin America and improved operational efficiencies in Russia. Sequentially, operating income as a percentage of revenue declined 180 basis points which was partly due to restructuring costs.

In Canada, revenue increased by 5 percent sequentially to $297.0 million due to larger fracturing job sizes and higher coiled tubing activity. The Company was particularly active in the Montney, Deep Basin and Viking plays during the fourth quarter of 2014. Operating income as a percentage of revenue was consistent at 23 percent.

In the United States, revenue in the fourth quarter of 2014 increased by 7 percent compared to the third quarter of 2014 to $355.7 million, mainly as a result of a weaker Canadian dollar compared to the United States dollar. Activity was relatively consistent sequentially. Total sand pumped was up 4 percent from the previous quarter while the number of fracturing jobs declined 3 percent. Operating income as a percentage of revenue decreased to 15 percent in the fourth quarter of 2014 from 20 percent in the previous quarter. United States operating income margin decreased due to higher subcontractor costs and restructuring charges related to workforce planning.

In Russia, revenue decreased to $37.7 million in the fourth quarter of 2014 from $43.9 million in the third quarter of 2014. The decrease resulted from the rouble falling 20 percent sequentially. Fracturing jobs increased 8 percent

[1] Refer to "Non-GAAP Measures" on page 20 for further information.

sequentially as activity in all of the Company's operating areas improved. Operating income as a percentage of revenue was consistent at 13 percent.

In Latin America, revenue increased 48 percent sequentially to $58.5 million. The increase was primarily due to revenue recorded in Mexico totalling US$6.4 million related to foreign exchange and inflation adjustments of recently concluded contracts, higher activity in Argentina and modestly higher activity in Mexico. Operating income as a percentage of revenue increased to 20 percent from 14 percent due to the payment in Mexico.

Net income attributable to shareholders of Calfrac was $26.5 million or $0.28 per share diluted, compared to $11.8 million or $0.13 per share diluted in the same period last year and $44.5 million or $0.46 per share diluted in the previous quarter. Net income per share on a fully diluted basis was impacted sequentially by one-time costs and was $0.46 per share fully diluted excluding one-time items.

In the fourth quarter of 2014, Calfrac declared a quarterly dividend of $0.125 per share.

OUTLOOK AND BUSINESS PROSPECTS

Crude oil prices have decreased significantly since August 2014 and this development is negatively impacting Calfrac's equipment utilization and pricing in the first quarter of 2015. As a result of the decline in crude oil prices, the Company's customers in Canada and the United States have lowered their 2015 capital budgets in the order of 20 percent to 40 percent from 2014. Customers are taking a cautious approach until there is more certainty as to when oil prices will recover.

Natural gas prices have also declined materially in recent months due to stronger-than-expected supply growth and a warmer-than-normal winter to date. Natural gas liquids pricing, which had been a key factor in natural gas development in Canada and the United States, has also declined significantly. The anticipated impact of these developments is a reduction in activity in key natural gas plays in North America in 2015.

In light of the significant decrease in commodity prices and expected oilfield activity in 2015, Calfrac has begun executing a plan to prudently manage its cost structure and retain its best people so that it will remain financially and operationally strong over the long term. This plan includes (1) annual SG&A cost reductions in excess of $25 million from 2014, which includes a reduction in the Board of Directors' compensation by 20 percent and executive salaries by 10 percent effective April 1, 2015, stock-based compensation and annual bonuses; (2) restructuring the organization at all levels for expected activity in 2015; (3) working with suppliers to reduce the costs of key inputs; (4) parking equipment if operating margins do not meet the Company's return requirements; and (5) evaluating the long-term strategic fit of underperforming regions and services lines, such as the Company's Colombian operations, as well as certain coiled tubing operations in the U.S. and Canada.

In addition, the Company believes that it has created a competitive advantage and attained cost efficiencies through the implementation of several logistics initiatives over the past few years. The Company recently partnered to open new transload terminals in key basins across North America which will help reduce operating costs and further enhance its top-tier service quality. Furthermore, Calfrac's leased railcar fleet will become a larger proportion of the Company's overall railcar usage, which is expected to result in lower unit transportation costs in 2015. Calfrac continues to analyze additional measures that it can employ to further lower its cost structure and optimize its supply chain and logistical network throughout North America.

Calfrac's outlook by operating division is as follows:

Canada

Horizontal well completion activity is expected to be lower in the first quarter of 2015 than in the first quarter of 2014. Visibility for activity after spring break-up is limited given the sharp decline in commodity prices. The Company anticipates, however, that LNG-related development, the weaker Canadian dollar and improved well economics due to improvements in completion design will partially offset the decline in commodity prices. Calfrac continues to target an increase in the amount of its fleet on 24-hour operations due to the operational efficiencies gained by the Company and its customers.

Calfrac is maintaining a leadership position in western Canada's most important natural gas and natural gas liquids plays and expects to be a key participant in their long-term development. The Company estimates that roughly 70 percent of its work is levered to natural gas activity. However, the weakening of natural gas and natural gas liquids prices is expected to lead to lower activity levels in the second half of 2015 compared to the second half of 2014.

The Company expects oil-focused activity to be lower in the first quarter of 2015 than in the first quarter of 2014 and to continue to weaken throughout the remainder of 2015. A recovery in oil prices would, however, result in a relatively quick response in activity in the Viking and Cardium plays. The Company believes these areas will be an important component of its growth in the medium to long-term.

United States
In the United States, the Company expects that activity and pricing in all of its operating areas will be materially lower in 2015 compared to 2014 due to the sharp decline in commodity prices and reduced customer spending. However, Calfrac believes this impact will be partially offset by its long-range strategic plan of generating economies of scale in each of the plays where it operates, aligning itself with large, stable customers and providing industry-leading service quality as measured by non-productive time and safety standards. Based on its equipment allocation, Calfrac's exposure to oil and natural gas is roughly 50 percent each.

Calfrac believes the pace of development in its dry natural gas-focused areas such as the Marcellus and Fayetteville will be down less than its oil focused activity in 2015 when compared to 2014. The Company believes the Marcellus will remain a key natural gas play in 2015 due to its low cost structure, proximity to natural gas consuming markets and improving natural gas transportation and gathering systems. In the Utica, well results continue to be encouraging, which could present another area of opportunity for Calfrac.

Latin America
Calfrac continues to believe in the long-term potential of Argentina's conventional and unconventional oil and gas development. The increasing customer demand for the Company's services is providing the opportunity to deploy additional equipment into the country, such as the 32,000 horsepower deployed in Argentina that became active in the fourth quarter of 2014. Calfrac believes that its service quality and technical expertise are developing its reputation as a service provider of choice in Argentina, thereby providing the foundation for long-term growth.

In Mexico, Calfrac remains optimistic regarding activity in the longer term as the national reform of the energy industry is developing. Calfrac believes this will set the stage for increased capital spending by PEMEX and create an avenue for new entrants to Mexico. For the near term, the Company has rationalized its cost structure and transferred 50 percent of its horsepower to the United States to be idled until a new opportunity arises.

Calfrac has discontinued operations in Colombia and will reallocate the three cementing units to other jurisdictions once it has completed its contractual commitments in the country. The Company's decision to shut down operations was based upon a lack of visibility for higher activity levels and the slow level of adoption for unconventional development. The Company anticipates that this decision will result in cost savings for its Latin American division while freeing the operating assets to potentially generate higher utilization elsewhere.

Russia
Calfrac expects its activity in Russia in 2015 to be similar to 2014, outside of normal weather-related variability. Calfrac's participation in unconventional development will be delayed until sanctions applied by Canada, the United States and certain other jurisdictions are removed. The significant devaluation of the Russian rouble in recent months will decrease reported 2015 financial results versus 2014. The long-term prospects in Russia, however, remain encouraging as unconventional development remains a pillar of the country's oil and natural gas growth plans.

Capital Program
Calfrac's 2015 capital program is anticipated to be approximately $215.0 million, which includes approximately $175.0 million of carryover capital from the 2014 capital program. Prior to adjusting for foreign exchange impacts, Calfrac was able to defer or cancel approximately $30.0 million of the $360.0 million capital program previously announced for 2014.

The decline in the value of the Canadian dollar versus the U.S. dollar has resulted in carry-over capital being roughly $22.0 million higher than anticipated. The Company's 2015 capital program of $40.0 million will be used for sustaining, infrastructure and maintenance initiatives.

The Company now intends to deliver 140,000 horsepower in mid to late 2015. The reduction in horsepower from the Company's July 2014 announcement is the result of the Canadian division augmenting its equipment needs for more ancillary equipment to support 24-hour operations. In light of the commodity price environment, the Company will continue to evaluate opportunities on where to deliver this equipment, and will delay putting it into the field if margins and returns do not meet the Company's internal thresholds. Calfrac believes that the new equipment will be an important component of its growth strategy over the medium to long term.

Summary
Oil and natural gas price headwinds are likely to make 2015 a challenging year for Calfrac, but the Company has a well-defined strategy to manage the near-term challenges and remains optimistic about its future opportunities. The Company and its experienced management team have been through a number of industry downturns over the course of its history, leaving Calfrac well-positioned to navigate the current downturn. As well, the Company has taken advantage of market opportunities in previous industry downturns to strengthen its operations or competitive position, which has had a positive effect on operations when industry activity has recovered. Calfrac will continue with this strategy during the current downturn. The Company is pleased to announce its credit facility was recently expanded to $400.0 million from $300.0 million, providing it with additional financial flexibility. Over the long term, Calfrac

believes that the pressure pumping services industry will remain an integral component of unconventional resource development and the Company's top-tier safety, logistics management, service quality and technology will serve to generate value and cost efficiencies for its customers.

On behalf of the Board of Directors,

Fernando Aguilar
President and Chief Executive Officer

February 25, 2015

FINANCIAL OVERVIEW – THREE MONTHS ENDED DECEMBER 31, 2014 VERSUS 2013

Canada

Three Months Ended December 31,	**2014**	2013	Change
(C$000s, except operational information)	**($)**	($)	(%)
(unaudited)			
Revenue	**296,983**	197,112	51
Expenses			
Operating	**222,154**	157,775	41
SG&A	**7,265**	4,334	68
	229,419	162,109	42
Operating income[1]	**67,564**	35,003	93
Operating income (%)	**22.8%**	17.8%	28
Fracturing revenue per job ($)	**279,103**	188,660	48
Number of fracturing jobs	**1,001**	995	1
Pumping horsepower, end of period (000s)	**394**	389	1
Coiled tubing revenue per job ($)	**30,400**	26,617	14
Number of coiled tubing jobs	**579**	353	64
Coiled tubing units, end of period (#)	**17**	21	(19)

Revenue

Revenue from Calfrac's Canadian operations during the fourth quarter of 2014 was $297.0 million versus $197.1 million in the same period of 2013. The increase was due to revenue per job increasing by 48 percent over the same period of 2013. The material increase in revenue per job resulted from an increase in tonnage per job and pricing for fracturing services. Total sand usage increased by 46 percent and the amount of sand pumped on a per job basis increased by 45 percent in the fourth quarter of 2014 over the fourth quarter of 2013. Coiled tubing jobs increased by 64 percent from the prior year due to higher activity related to milling and cleanouts.

Operating Income

Operating income in Canada during the fourth quarter of 2014 was $67.6 million compared to $35.0 million in the same period of 2013. The increase in operating income was the result of a greater proportion of 24-hour operations, moderately improved pricing and tightened cost controls in logistics. Restructuring charges of approximately $2.8 million were recorded in the fourth quarter of 2014, primarily in operating expenses, related to workforce planning for 2015. Also offsetting these improvements were subcontractor transportation costs, which were higher as a percentage of revenue on a year-over-year basis as the trend of increased sand requirements required higher usage of third-party subcontractors to transport sand from the terminal to the wellsite. SG&A expenses increased by 68 percent year-over-year, but remained similar to the prior year's fourth quarter as a percentage of revenue. The increase in SG&A expenses primarily relates to higher personnel and recruiting costs associated with organizational growth.

[1] Refer to "Non-GAAP Measures" on page 20 for further information.

United States

Three Months Ended December 31,	**2014**	2013	Change
(C$000s, except operational and exchange rate information)	**($)**	($)	(%)
(unaudited)			
Revenue	**355,688**	189,239	88
Expenses			
Operating	**292,990**	154,001	90
SG&A	**9,878**	5,642	75
	302,868	159,643	90
Operating income[1]	**52,820**	29,596	78
Operating income (%)	**14.9%**	15.6%	(5)
Fracturing revenue per job ($)	**65,397**	53,815	22
Number of fracturing jobs	**5,237**	3,348	56
Pumping horsepower, end of period (000s)	**699**	662	6
Coiled tubing revenue per job ($)	**45,043**	–	–
Number of coiled tubing jobs	**61**	–	–
Coiled tubing units, end of period (#)	**5**	7	(29)
Cementing revenue per job ($)	**36,177**	37,285	(3)
Number of cementing jobs	**289**	213	36
Cementing units, end of period (#)	**18**	18	–
US$/C$ average exchange rate[2]	**1.1358**	1.0498	8

Revenue

Revenue from Calfrac's United States operations increased to $355.7 million during the fourth quarter of 2014, an increase from $189.2 million in the comparable quarter of 2013. The growth in the number of fracturing jobs was primarily due to significantly higher activity in the Rockies, Marcellus, Eagle Ford and Bakken as well as a greater proportion of 24-hour operations. Revenue per job was higher year-over-year as the continued adoption of greater service intensity per job offset weaker pricing. In addition, the stronger U.S. dollar increased reported revenue and revenue per job. Sand usage during the fourth quarter of 2014 increased on a total and per job basis by 108 percent and 33 percent, respectively, over the fourth quarter of 2013.

Operating Income

Operating income in the United States was $52.8 million for the fourth quarter of 2014, an increase of 78 percent from the comparative period in 2013. The increase was primarily due to higher activity in the quarter. Restructuring charges of approximately $3.1 million were recorded in the fourth quarter of 2014 in response to anticipated lower staffing requirements in 2015. Operating income as a percentage of revenue decreased marginally from the fourth quarter of 2013, to 14.9 percent. The decline in the operating income percentage was due to higher equipment repair expenses and higher subcontractor costs associated with sand hauling and storage. The Company also incurred higher district overhead costs to accommodate its larger scale of operations. SG&A expenses increased by 75 percent in the fourth quarter of 2014 over the same period in the prior year due to higher personnel costs to support the Company's expanded operations, but SG&A expenses as a percentage of revenue declined from the prior period.

(1) Refer to "Non-GAAP Measures" on page 20 for further information.

(2) Source: Bank of Canada.

Russia

Three Months Ended December 31,	**2014**	2013	Change
(C$000s, except operational and exchange rate information)	**($)**	($)	(%)
(unaudited)			
Revenue	**37,685**	41,404	(9)
Expenses			
Operating	**30,687**	36,946	(17)
SG&A	**2,175**	1,794	21
	32,862	38,740	(15)
Operating income[1]	**4,823**	2,664	81
Operating income (%)	**12.8%**	6.4%	100
Fracturing revenue per job ($)	**93,156**	118,015	(21)
Number of fracturing jobs	**350**	284	23
Pumping horsepower, end of period (000s)	**70**	62	13
Coiled tubing revenue per job ($)	**46,610**	60,671	(23)
Number of coiled tubing jobs	**109**	130	(16)
Coiled tubing units, end of period (#)	**7**	7	–
Rouble/C$ average exchange rate[2]	**0.0241**	0.0322	(25)

Revenue

During the fourth quarter of 2014, revenue from Calfrac's Russian operations decreased by 9 percent to $37.7 million from $41.4 million in the corresponding three-month period of 2013. The decrease in revenue, which is generated in roubles, was primarily related to the 25 percent devaluation of the rouble in the fourth quarter of 2014 when compared to the fourth quarter of 2013. The devaluation of the rouble also resulted in revenue per fracturing job and coiled tubing job to decrease by 21 percent and 23 percent, respectively. The number of fracturing jobs increased by 23 percent year-over-year due to more favourable weather conditions and higher levels of activity in the Company's Usinsk operating area. During the fourth quarter of 2014, approximately 35 percent of Calfrac's total fracturing jobs were multi-stage completions in horizontal wellbores versus 36 percent in the comparable quarter of 2013.

Operating Income

Operating income in Russia was $4.8 million during the fourth quarter of 2014 compared to $2.7 million in the corresponding period of 2013. The increase was due to a reduction in proppant and chemical costs resulting from smaller job sizes. SG&A expenses increased by 21 percent in the fourth quarter of 2014 due to higher bonuses associated with improved financial performance.

(1) Refer to "Non-GAAP Measures" on page 20 for further information.
(2) Source: Bank of Canada.

Latin America

Three Months Ended December 31,	**2014**	2013	Change
(C$000s, except operational and exchange rate information)	**($)**	($)	(%)
(unaudited)			
Revenue	**58,540**	35,299	66
Expenses			
Operating	**41,125**	28,943	42
SG&A	**5,579**	2,520	121
	46,704	31,463	48
Operating income[1]	**11,836**	3,836	209
Operating income (%)	**20.2%**	10.9%	85
Pumping horsepower, end of period (000s)	**91**	81	12
Cementing units, end of period (#)	**13**	13	–
Coiled tubing units, end of period (#)	**7**	3	133
Mexican peso/C$ average exchange rate[2]	**0.0819**	0.0806	2
Argentinean peso/C$ average exchange rate[10]	**0.1334**	0.1732	(23)

Revenue

Calfrac's Latin American operations generated total revenue of $58.5 million during the fourth quarter of 2014 versus $35.3 million in the comparable three-month period in 2013. The increase resulted from the significant growth in fracturing and coiled tubing activity in Argentina, which included the start-up of a second unconventional crew in December 2014. Calfrac also recorded revenue in Mexico totalling US$6.4 million resulting from foreign exchange and inflation adjustments related to recently concluded contracts.

Operating Income

Operating income in Latin America for the three months ended December 31, 2014 was $11.8 million compared to $3.8 million in the comparative quarter in 2013. This increase was primarily due to higher activity in Argentina and contract adjustments in Mexico. In addition, the Company reallocated some fracturing equipment to the United States from Mexico. The Company also recorded restructuring costs of $0.8 million, mainly related to the closure of its Poza Rica district operations.

(1) Refer to "Non-GAAP Measures" on page 20 for further information.

(2) Source: Bank of Canada.

Corporate

Three Months Ended December 31,	**2014**	2013	Change
(C$000s)	**($)**	($)	(%)
(unaudited)			
Expenses			
Operating	**4,180**	2,328	80
SG&A	**10,661**	11,355	(6)
	14,841	13,683	8
Operating loss[1]	**(14,841)**	(13,683)	8
% of Revenue	**2.0%**	3.0%	(33)

Operating Loss
The 6 percent decline in SG&A expenses from the fourth quarter of 2013 includes a reduction in stock-based compensation expense of $7.4 million resulting from a significant decline in the Company's stock price during the quarter. Higher corporate personnel costs combined with larger annual bonuses partially offset this decline. The 80 percent increase in corporate operating expenses was the result of higher bonuses. Restructuring charges of approximately $0.9 million, primarily in operating expenses, were recorded in the fourth quarter of 2014 related to workforce planning to be executed in the first half of 2015.

Depreciation
For the three months ended December 31, 2014, depreciation expense increased by 15 percent to $36.0 million from $31.4 million in the corresponding quarter of 2013. The increase was mainly a result of a larger fleet of equipment operating in the United States and, to a lesser extent, Canada combined with a weaker Canadian dollar relative to the United States dollar.

Foreign Exchange Losses or Gains
The Company recorded a foreign exchange loss of $16.6 million during the fourth quarter of 2014 versus a gain of $1.5 million in the comparative three-month period of 2013. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in United States dollars in Canada, Russia and Latin America. The Company's fourth-quarter 2014 foreign exchange loss was largely attributable to the translation of United States dollar-denominated liabilities held in Russia as the value of the Russian rouble depreciated by 25 percent against the United States dollar during the fourth quarter. The foreign exchange loss was partially offset by United States dollar-denominated assets held in Canada.

Interest
The Company's net interest expense of $15.5 million for the fourth quarter of 2014 was $2.1 million higher than in the comparable period of 2013. Loans on the Company's revolving credit facility being higher during the fourth quarter than in the same period in 2013, combined with a weaker Canadian dollar relative to the United States dollar, were the main reasons for the increase in interest expense.

Income Tax Expenses
The Company recorded income tax expense of $17.5 million during the fourth quarter of 2014 compared to $1.1 million in the comparable period of 2013. The increase in total income tax expense was primarily due to significantly higher taxable income in the United States and Canada. In addition, $4.3 million of the Company's deferred tax asset was de-recognized in the fourth quarter of 2014 related to historical tax losses in Russia and Colombia. The normalized effective tax rate excluding these one-time items was 29 percent during the fourth quarter of 2014 compared to 8 percent in the comparable quarter in 2013. This was primarily due to a higher percentage of taxable income in the United States, which has a higher average statutory tax rate.

Provision for Settlement of Litigation
The Company recorded a $4.6 million provision during the fourth quarter of 2014 relating to the U.S. litigation described in note 21 to the annual consolidated financial statements.

Impairment of Goodwill
The Company recorded a goodwill impairment charge of $1.0 million during the fourth quarter of 2014 compared to nil during the comparable period in 2013. The charge was the result of the Company completing its annual assessment for goodwill impairment and determining that the recoverable amount for its Russian operating segment was less than its carrying amount.

[1] Refer to "Non-GAAP Measures" on page 20 for further information.

Impairment of Property, Plant & Equipment
During the fourth quarter of 2014, the Company identified individual assets that were permanently idle or obsolete and, therefore, no longer able to generate cash inflows. Those items were written down to their recoverable amount, which resulted in an impairment charge of $4.6 million for the quarter ended December 31, 2014.

SUMMARY OF QUARTERLY RESULTS

Quarters Ended	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Total
(C$000s, except per share and operating data)	($)	($)	($)	($)	($)
(unaudited)					
2014					
Financial					
Revenue	**547,638**	**502,957**	**697,440**	**748,896**	**2,496,931**
Operating income[1]	**64,117**	**44,833**	**126,058**	**122,202**	**357,210**
Net income (loss) attributable to the shareholders of Calfrac	**8,946**	**(12,905)**	**44,465**	**26,470**	**66,976**
Per share – basic[2]	**0.10**	**(0.14)**	**0.47**	**0.28**	**0.71**
Per share – diluted[13]	**0.10**	**(0.14)**	**0.46**	**0.28**	**0.71**
Capital expenditures	**27,331**	**35,312**	**62,909**	**52,033**	**177,585**
Working capital (end of period)	**338,916**	**334,320**	**393,653**	**441,234**	**441,234**
Total equity (end of period)	**803,904**	**794,615**	**828,537**	**832,403**	**832,403**
Operating (end of period)					
Pumping horsepower (000s)	**1,215**	**1,217**	**1,235**	**1,254**	
Coiled tubing units *(#)*	**34**	**36**	**36**	**36**	
Cementing units *(#)*	**31**	**31**	**31**	**31**	

Quarters Ended	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Total
(C$000s, except per share and operating data)	($)	($)	($)	($)	($)
(unaudited)					
2013					
Financial					
Revenue	423,397	288,701	388,662	463,054	1,563,814
Operating income[12]	62,670	16,307	51,683	57,416	188,076
Net income (loss) attributable to the shareholders of Calfrac	24,645	(14,584)	6,089	11,764	27,914
Per share – basic[13]	0.28	(0.16)	0.07	0.13	0.31
Per share – diluted[13]	0.27	(0.16)	0.07	0.13	0.31
Capital expenditures	43,989	46,618	34,683	45,227	170,517
Working capital (end of period)	332,241	319,982	292,854	319,934	319,934
Total equity (end of period)	802,581	784,247	786,933	795,207	795,207
Operating (end of period)					
Pumping horsepower (000s)	1,013	1,025	1,025	1,194	
Coiled tubing units (#)	29	29	31	38	
Cementing units (#)	28	30	30	31	

(1) Refer to "Non-GAAP Measures" on page 20 for further information.
(2) Comparative amounts were adjusted to reflect the Company's two-for-one common share split that occurred on June 2, 2014.

FINANCIAL OVERVIEW – YEAR ENDED DECEMBER 31, 2014 VERSUS 2013

Canada

Years Ended December 31,	**2014**	2013	Change
(C$000s, except operational information)	**($)**	($)	(%)
(unaudited)			
Revenue	**942,947**	677,114	39
Expenses			
Operating	**744,135**	538,730	38
SG&A	**23,041**	16,685	38
	767,176	555,415	38
Operating income[1]	**175,771**	121,699	44
Operating income (%)	**18.6%**	18.0%	3
Fracturing revenue per job ($)	**241,366**	198,667	21
Number of fracturing jobs	**3,688**	3,239	14
Pumping horsepower, end of period (000s)	**394**	389	1
Coiled tubing revenue per job ($)	**29,942**	25,674	17
Number of coiled tubing jobs	**1,763**	1,310	35
Coiled tubing units, end of period (#)	**17**	21	(19)

Revenue

Revenue from Calfrac's Canadian operations was $942.9 million in 2014 versus $677.1 million in 2013. The increase in revenue was due to a combination of an increase in service intensity per job and a higher number of fracturing jobs across all of the Company's operating areas. Revenue per job increased by 21 percent year-over-year, due partially to tonnage per job growing by 29 percent, but was offset by lower pricing. Coiled tubing jobs increased by 35 percent in 2015 due to higher activity related to milling and cleanouts.

Operating Income

Operating income in Canada increased by 44 percent to $175.8 million in 2014 from $121.7 million in 2013. The increase was primarily due to higher equipment utilization through the use of 24-hour operations and also to a larger revenue base. Operating income as a percentage of revenue improved due to the higher revenue base and logistical initiatives implemented during 2014. SG&A expenses increased by 38 percent during 2014 over 2013, primarily due to higher personnel costs to support a significant increase in operational size, a larger provision for annual bonuses resulting from improved financial performance and restructuring costs recorded in the fourth quarter of 2014 related to workforce planning initiatives.

(1) Refer to "Non-GAAP Measures" on page 20 for further information.

United States

Years Ended December 31,	**2014**	2013	Change
(C$000s, except operational and exchange rate information)	**($)**	($)	(%)
(unaudited)			
Revenue	**1,214,560**	616,174	97
Expenses			
Operating	**981,685**	492,699	99
SG&A	**32,391**	19,350	67
	1,014,076	512,049	98
Operating income[1]	**200,484**	104,125	93
Operating income (%)	**16.5%**	16.9%	(2)
Fracturing revenue per job ($)	**60,045**	57,019	5
Number of fracturing jobs	**19,360**	10,256	89
Pumping horsepower, end of period (000s)	**699**	662	6
Coiled tubing revenue per job ($)	**58,010**	–	–
Number of coiled tubing jobs	**203**	–	–
Coiled tubing units, end of period (#)	**5**	7	(29)
Cementing revenue per job ($)	**37,155**	35,432	5
Number of cementing jobs	**1,085**	854	27
Cementing units, end of period (#)	**18**	18	–
US$/C$ average exchange rate[2]	**1.1045**	1.0299	7

Revenue

Revenue from Calfrac's United States operations increased by 97 percent to $1.2 billion in 2014 from $616.2 million in 2013, primarily due to an 89 percent increase in the number of fracturing jobs. Revenue per job in 2014 was $60,045, an increase of 5 percent over 2013 due mainly to a weakening Canadian dollar. Fracturing jobs per well increased by 65 percent and tons per fracturing job increased by 13 percent when comparing 2014 to 2013. A further increase in revenue per job was not achieved due to a greater percentage of revenue being generated from customers operating in the Rockies, which typically have smaller job sizes, and in Texas where Calfrac does not supply sand to a key customer. Revenue growth was also supported by a 27 percent increase in cementing activity year-over-year and the introduction of coiled tubing services during 2014.

Operating Income

Operating income in the United States was $200.5 million in 2014, an increase of 93 percent from 2013 and down slightly as a percentage of revenue. Higher equipment utilization in the Marcellus, Bakken and Colorado, were offset by lower pricing, higher equipment repair expenses and increased subcontractor costs. Restructuring charges recorded in the fourth quarter of 2014 also contributed to lower operating income as a percentage of revenue.

(1) Refer to "Non-GAAP Measures" on page 20 for further information.

(2) Source: Bank of Canada.

Russia

Years Ended December 31,	**2014**	2013	Change
(C$000s, except operational and exchange rate information)	**($)**	($)	(%)
(unaudited)			
Revenue	**171,703**	158,782	8
Expenses			
Operating	**145,999**	138,910	5
SG&A	**6,970**	6,514	7
	152,969	145,424	5
Operating income[1]	**18,734**	13,358	40
Operating income (%)	**10.9%**	8.4%	30
Fracturing revenue per job ($)	**109,680**	108,599	1
Number of fracturing jobs	**1,289**	1,184	9
Pumping horsepower, end of period (000s)	**70**	62	13
Coiled tubing revenue per job ($)	**54,543**	58,304	(6)
Number of coiled tubing jobs	**556**	518	7
Coiled tubing units, end of period (#)	**7**	7	–
Rouble/C$ average exchange rate[2]	**0.0292**	0.0323	(10)

Revenue

The Company's revenue from Russian operations increased by 8 percent to $171.7 million in 2014 from $158.8 million in 2013. The increase in revenue was mainly due to a full year of contribution from the Company's Usinsk operating area, which opened in the fourth quarter of 2013. Activity was relatively flat across the Company's other operating districts. The rouble declined by 10 percent relative to the Canadian dollar, which reduced year-over-year revenue growth.

Operating Income

Operating income in Russia was $18.7 million in 2014 compared to $13.4 million in 2013. The increase in operating income was primarily due to operational efficiencies associated with higher activity levels and lower product costs resulting from a decline in the price of guar beginning during the second half of 2013.

(1) Refer to "Non-GAAP Measures" on page 20 for further information.

(2) Source: Bank of Canada.

Latin America

Years Ended December 31,	**2014**	2013	Change
(C$000s, except operational and exchange rate information)	**($)**	($)	(%)
(unaudited)			
Revenue	**167,721**	111,744	50
Expenses			
Operating	**124,710**	100,507	24
SG&A	**16,153**	7,714	109
	140,863	108,221	30
Operating income[1]	**26,858**	3,523	662
Operating income (%)	**16.0%**	3.2%	400
Pumping horsepower, end of period (000s)	**91**	81	12
Cementing units, end of period (#)	**13**	13	–
Coiled tubing units, end of period (#)	**7**	3	133
Mexican peso/C$ average exchange rate[2]	**0.0830**	0.0807	3
Argentinean peso/C$ average exchange rate[20]	**0.1364**	0.1889	(28)

Revenue

Calfrac's Latin American operations generated total revenue of $167.7 million during 2014 compared to $111.7 million in 2013. Revenue in Argentina increased significantly due to higher fracturing activity in both conventional and unconventional plays. Higher cementing and coiled tubing activity in Argentina also contributed to higher overall revenue. The revenue improvement achieved in Argentina was partially offset by significantly lower fracturing and coiled tubing activity in Mexico resulting from customer budget reductions and the negative impact of a weaker Argentinean peso.

Operating Income

During 2014, Calfrac's Latin America division generated operating income of $26.9 million versus $3.5 million in 2013. The increase in operating income was primarily due to higher equipment utilization in Argentina combined with US$6.4 million of foreign exchange and inflation adjustments as a result of the settlement of fracturing contracts in Mexico.

(1) Refer to "Non-GAAP Measures" on page 20 for further information.

(2) Source: Bank of Canada.

Corporate

Years Ended December 31,	**2014**	2013	Change
(C$000s)	**($)**	($)	(%)
(unaudited)			
Expenses			
Operating	**11,848**	8,706	36
SG&A	**52,789**	45,923	15
	64,637	54,629	18
Operating loss[1]	**(64,637)**	(54,629)	(18)
% of Revenue	**2.6%**	3.5%	(26)

Operating Loss
The 18 percent increase in corporate expenses in 2014 over 2013 was mainly due to higher corporate personnel and occupancy costs to support the Company's larger scale of operations. Higher annual bonus expenses were offset by lower stock-based compensation expenses resulting from a lower stock price in 2014.

Depreciation
Depreciation expense increased by 27 percent to $139.4 million for 2014 from $110.0 million in 2013. The increase was mainly a result of a full year of depreciation on the assets acquired from Mission Well Services LLC ("Mission") at the beginning of the fourth quarter of 2013, combined with a larger amount of equipment deployed in North America and Argentina throughout 2014, pursuant to Calfrac's 2014 capital plan. A weaker Canadian dollar relative to the United States dollar also contributed to higher depreciation in 2014.

Foreign Exchange Losses
The Company recorded a foreign exchange loss of $30.2 million during 2014 versus $1.2 million in 2013. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in United States dollars in Canada, Russia and Latin America. The Company's foreign exchange loss recorded in 2014 was largely attributable to U.S. dollar-denominated liabilities held in Russia and Argentina as the U.S. dollar appreciated significantly against the Russian rouble and Argentinean peso during the year. The loss was partially offset by the impact of the net U.S. dollar-denominated asset position in Canada as the U.S. dollar appreciated against the Canadian dollar during this period.

Interest
The Company's interest expense increased by $17.6 million to $59.6 million in 2014. The increase was related to the issuance of an additional US$150 million of Calfrac's 7.50 percent senior notes at the beginning of the fourth quarter of 2013 to finance the acquisition of assets from Mission, combined with a weaker Canadian dollar relative to the United States dollar. Loans on the Company's revolving credit facility were higher during 2014 than in 2013. Additional short-term borrowing in Latin America, which was used to fund Calfrac's Argentinean expansion, combined with higher interest rates also contributed to the increase in interest expense.

Income Tax Expenses
The Company recorded income tax expense of $48.7 million during 2014 compared to $7.2 million in 2013. The increase in total income tax expense was primarily due to significantly higher profitability in Canada and the United States. As well, $3.2 million in tax adjustments relating to prior years were recorded in 2014, which pertained to Canada and Mexico. In addition, $4.3 million of the Company's deferred tax asset related to historical tax losses in Russia and Colombia was de-recognized in the fourth quarter of 2014. The normalized effective tax rate was 34 percent versus 21 percent in 2013 resulting primarily from a higher percentage of taxable income in the United States, which has a higher average statutory tax rate.

Provision for Settlement of Litigation
Subsequent to December 31, 2014, Calfrac reached a tentative settlement agreement relating to the U.S. litigation described in note 21 to the annual consolidated financial statements. The Company recorded a $4.6 million provision during the fourth quarter of 2014.

Impairment of Goodwill
The Company completed its annual assessment for goodwill impairment and determined that the recoverable amount for its Russian operating segment was less than its carrying amount. Accordingly, a goodwill impairment charge of $1.0 million was recorded for the year ended December 31, 2014.

[1] Refer to "Non-GAAP Measures" on page 20 for further information.

Impairment of Property, Plant & Equipment
During the fourth quarter of 2014, the Company carried out a comprehensive review of its property, plant and equipment and identified items that were permanently idle or obsolete and, therefore, no longer able to generate cash inflows. These were written down to their recoverable amount, incurring an impairment charge of $4.6 million for the year ended December 31, 2014.

Business Combination
On October 1, 2013, the Company acquired all of the operating assets of Mission. The purchase was recognized as a business combination and accounted for as such using the acquisition method of accounting under IFRS 3 *Business Combinations*. The gain of $4.5 million, before taxes, was recognized in the statement of operations on the acquisition date and represents the excess of the fair value of identifiable assets over the consideration paid. The Company reassessed the fair value of the identifiable assets purchased and the fair value of the consideration transferred in determining the gain, as required under IFRS.

Liquidity and Capital Resources

Years Ended December 31,	**2014**	2013
(C$000s)	**($)**	($)
(unaudited)		
Cash provided by (used in):		
Operating activities	**202,469**	132,011
Financing activities	**13,483**	191,515
Investing activities	**(160,053)**	(331,720)
Effect of exchange rate changes on cash and cash equivalents	**1,035**	7,908
Increase (decrease) in cash and cash equivalents	**56,934**	(286)

Operating Activities
The Company's cash provided by operating activities for the year ended December 31, 2014 was $202.5 million versus $132.0 million in 2013. The increase was primarily due to improved operating margins in Canada and the United States. At December 31, 2014, Calfrac's working capital was approximately $441.2 million, a 38 percent increase over December 31, 2013.

Financing Activities
Net cash provided by financing activities was $13.5 million in 2014 compared to $191.5 million in 2013. During 2014, the Company received bank loan proceeds of $18.8 million in Argentina, received a net $1.5 million through draws and repayments on its credit facility, issued $20.6 million of common shares, paid cash dividends of $28.9 million and received $1.5 million in capital lease financing.

On October 1, 2014, the Company extended the term of its credit facilities by one year to September 27, 2018. The maturity may be extended by one or more years at the Company's request and lenders' acceptance. The Company also may prepay principal without penalty. Subsequent to December 31, 2014, Calfrac exercised the accordion feature of its syndicated credit facility, which increased the total facility from $300.0 million to $400.0 million. The terms and conditions of the facility remain unchanged. The facilities consist of an operating facility of $30.0 million and a syndicated facility of $370.0 million. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 0.50 percent to prime plus 1.25 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 1.50 percent to 2.25 percent above the respective base rates. As at December 31, 2014, the Company had used $34.3 million of its credit facilities for letters of credit and had $52.8 million outstanding under its credit facility, leaving $212.9 million in available credit.

The Company's credit facilities contain certain financial covenants, including a working capital ratio, a ratio of funded debt (including cash and excluding long-term notes) to EBITDA, and total debt to capitalization. As shown in the table below, Calfrac was in compliance with its financial covenants at December 31, 2014.

Years Ended December 31,	**2014**	2013
Working capital ratio not to fall below 1.15x	**2.18**	2.19
Funded debt to EBITDA not to exceed 2.25x	**(0.01)**	0.11
Total debt to capitalization not to exceed 0.65x	**0.45**	0.45

On October 8, 2013, the Company closed a private offering of US$150.0 million aggregate principal of its 7.50 percent senior notes, yielding net proceeds of $150.2 million (US$145.4 million) after applicable discount and debt issuance costs. Fixed interest on the notes is payable semi-annually on June 1 and December 1 of each year. The

notes mature on December 1, 2020. The net proceeds from this offering were used to finance the Mission asset acquisition.

On June 2, 2014, the Company's common shares were split on a two-for-one basis to shareholders of record as of May 23, 2014. Calfrac pays a quarterly dividend of $0.125 per share to shareholders at the discretion of the Board of Directors. For Canadian income tax purposes, all dividends paid by Calfrac on its common shares are designated as "eligible dividends" unless otherwise indicated.

Investing Activities

Calfrac's net cash used for investing activities was $160.1 million for the year ended December 31, 2014 versus $331.7 million for 2013. Cash outflows relating to capital expenditures were $177.6 million during 2014 compared to $170.5 million in 2013. Capital expenditures were primarily to support the Company's Canadian, United States and Argentinean fracturing operations.

On October 1, 2013, the Company completed the acquisition of the operating assets of Mission, a privately-held hydraulic fracturing and coiled tubing services provider based in San Antonio, Texas and operating in the Eagle Ford shale play of Texas. The total purchase price was approximately $150.5 million, excluding transaction costs, which included certain working capital associated with the business's ongoing operations.

Calfrac's 2015 capital program of $215.0 million includes carryover from 2014 of approximately $175.0 million. Calfrac was able to defer or cancel approximately $30.0 million of the $360.0 million capital program previously announced for 2014. The Company's 2015 capital budget of $40.0 million will be used for sustaining, infrastructure and maintenance initiatives.,

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 2014 was a gain of $1.0 million versus a gain of $7.9 million during 2013. These gains relate to cash and cash equivalents held by the Company in a foreign currency.

With its strong working capital position, available credit facilities and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2015 and beyond.

At December 31, 2014, the Company had cash and cash equivalents of $99.1 million.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares under the Company's shareholder-approved stock option plan. The number of shares reserved for issuance under the stock option plan is equal to 10 percent of the Company's issued and outstanding common shares. As at February 20, 2015, there were 95,525,702 common shares issued and outstanding, and 5,660,274 options to purchase common shares.

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

Normal Course Issuer Bid

The Company filed a Notice of Intention (the "Notice") to make a Normal Course Issuer Bid (NCIB) with the TSX on December 12, 2014. Under the NCIB, the Company may acquire up to 7,177,721 common shares, which was 10 percent of the public float outstanding as at December 10, 2014, during the period commencing on December 17, 2014 and terminating on December 16, 2015. The maximum number of common shares that can be acquired by the Company during a trading day is 117,011, with the exception that the Company is allowed to make one block purchase of common shares per calendar week that exceeds such limit. All purchases of common shares will be made through the TSX, alternative trading systems or such other exchanges or marketplaces through which the common shares trade from time to time at the market price of the shares at the time of acquisition. Any shares acquired under the NCIB will be cancelled. There were no shares purchased under the NCIB for the year ended December 31, 2014. Subsequent to year end, the Company purchased 398,500 shares at an average price of $8.82 per share up to and including February 20, 2015. A copy of the Notice may be obtained by any shareholder, without charge, by contacting the Company's Corporate Secretary at 411 – 8th Avenue S.W., Calgary, Alberta, T2P 1E3, or by telephone at 403-266-6000.

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, 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 ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events, trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth prospects including, without limitation, its international growth strategy and prospects, and the impact of changes in accounting policies and standards on the Company and its financial statements. These statements are derived from certain assumptions and analyses made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the 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 the cost reduction measures instituted by the Company in response to the significant decrease in commodity prices and expected oilfield activity in 2015, the effect unconventional gas projects have had on supply and demand fundamentals for natural gas and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include: general economic conditions in Canada, the United States, Russia, Mexico, Argentina and Colombia; the demand for fracturing and other stimulation services during drilling and completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; regional competition; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; changes in legislation and the regulatory environment; sourcing, pricing and availability of raw materials, components, parts, equipment, suppliers, facilities and skilled personnel; the ability to integrate technological advances and match advances by competitors; the availability of capital on satisfactory terms; intellectual property risks; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; dependence on, and concentration of, major customers; the creditworthiness and performance by the Company's counterparties and customers; liabilities and risks associated with prior operations; the effect of accounting pronouncements issued periodically; failure to realize anticipated benefits of acquisitions and dispositions; and currency exchange rate risk. Further information about these and other risks and uncertainties may be found under "Business Risks" below.

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

Business Risks

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

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

Non-GAAP Measures
Certain supplementary measures in this press release do not have any standardized meaning as prescribed under IFRS and are therefore considered non-GAAP measures. These measures include operating income and EBITDA. These measures may not be comparable to similar measures presented by other entities. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company's financial results, liquidity and its ability to generate funds to finance its operations. Management's use of these measures has been disclosed further in this press release as these measures are discussed and presented.

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

Fourth Quarter Conference Call
Calfrac will be conducting a conference call for interested analysts, brokers, investors and news media representatives to review its 2014 fourth quarter results at 10:00 a.m. (Mountain Time) on Wednesday, February 25, 2015. 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 67729194). A webcast of the conference call may be accessed via the Company's website at www.calfrac.com.

CONSOLIDATED BALANCE SHEETS

As at December 31,	2014	2013
(C$000s)	($)	($)
ASSETS		
Current assets		
Cash and cash equivalents	**99,129**	42,195
Accounts receivable	**521,137**	395,845
Income taxes recoverable	**–**	1,146
Inventories	**182,161**	134,140
Prepaid expenses and deposits	**16,871**	17,189
	819,298	590,515
Non-current assets		
Property, plant and equipment (note 3)	**1,302,939**	1,245,009
Goodwill (note 4)	**9,544**	10,523
Deferred income tax assets	**25,586**	23,884
Total assets	**2,157,367**	1,869,931
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**356,933**	245,899
Income taxes payable	**3,856**	–
Bank loan (note 5)	**16,388**	24,298
Current portion of long-term debt (note 6)	**429**	384
Current portion of finance lease obligations (note 7)	**458**	–
	378,064	270,581
Non-current liabilities		
Long-term debt (note 6)	**738,386**	651,553
Finance lease obligations (note 7)	**1,048**	–
Other long-term liabilities	**4,060**	198
Deferred income tax liabilities	**203,406**	152,392
Total liabilities	**1,324,964**	1,074,724
Equity attributable to the shareholders of Calfrac		
Capital stock (note 8)	**377,975**	332,287
Contributed surplus (note 10)	**24,767**	27,658
Loan receivable for purchase of common shares (note 17)	**(2,500)**	(2,500)
Retained earnings	**459,891**	440,179
Accumulated other comprehensive loss	**(26,757)**	(839)
	833,376	796,785
Non-controlling interest	**(973)**	(1,578)
Total equity	**832,403**	795,207
Total liabilities and equity	**2,157,367**	1,869,931

Contingencies (note 21)

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors,

Ronald P. Mathison
Director

Gregory S. Fletcher
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2014	2013	**2014**	2013
(C$000s, except per share data)	**($)**	($)	**($)**	($)
Revenue	**748,896**	463,054	**2,496,931**	1,563,814
Cost of sales (note 18)	**627,134**	411,404	**2,147,772**	1,389,558
Gross profit	**121,762**	51,650	**349,159**	174,256
Expenses				
Selling, general and administrative	**35,557**	25,644	**131,344**	96,186
Foreign exchange losses (gains)	**16,582**	(1,517)	**30,167**	1,183
Loss (gain) on disposal of property, plant and equipment	**96**	(1,208)	**1,577**	(1,514)
Provision for settlement of litigation (note 21)	**4,640**	–	**4,640**	–
Impairment of property, plant and equipment (note 3)	**4,620**	–	**4,620**	–
Impairment of goodwill (note 4)	**979**	–	**979**	–
Interest	**15,509**	13,433	**59,584**	41,985
Business combination (note 14)	**–**	2,474	**–**	2,474
	77,983	38,826	**232,911**	140,314
Income before income tax	**43,779**	12,824	**116,248**	33,942
Income tax expense				
Current	**7,250**	814	**15,733**	3,853
Deferred	**10,249**	259	**33,013**	3,356
	17,499	1,073	**48,746**	7,209
Net income	**26,280**	11,751	**67,502**	26,733
Net income (loss) attributable to:				
Shareholders of Calfrac	**26,470**	11,764	**66,976**	27,914
Non-controlling interest	**(190)**	(13)	**526**	(1,181)
	26,280	11,751	**67,502**	26,733
Earnings per share (note 8)				
Basic	**0.28**	0.13	**0.71**	0.31
Diluted	**0.28**	0.13	**0.71**	0.31

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2014	2013	**2014**	2013
(C$000s)	**($)**	($)	**($)**	($)
Net income	**26,280**	11,751	**67,502**	26,733
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustment	**(17,468)**	2,337	**(25,839)**	1,602
Comprehensive income	**8,812**	14,088	**41,663**	28,335
Comprehensive income (loss) attributable to:				
Shareholders of Calfrac	**8,997**	14,056	**41,058**	29,478
Non-controlling interest	**(185)**	32	**605**	(1,143)
	8,812	14,088	**41,663**	28,335

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to the Shareholders of Calfrac							
	Share Capital	Contributed Surplus	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Non-Controlling Interest	**Total Equity**
(C$000s)	($)	($)	($)	($)	($)	($)	($)	**($)**
Balance – January 1, 2014	332,287	27,658	(2,500)	(839)	440,179	796,785	(1,578)	**795,207**
Net income	–	–	–	–	66,976	66,976	526	**67,502**
Other comprehensive income:								
Cumulative translation adjustment	–	–	–	(25,918)	–	(25,918)	79	**(25,839)**
Comprehensive income	–	–	–	(25,918)	66,976	41,058	605	**41,663**
Stock options:								
Stock-based compensation recognized	–	4,138	–	–	–	4,138	–	**4,138**
Proceeds from issuance of shares	27,722	(7,095)	–	–	–	20,627	–	**20,627**
Dividend Reinvestment Plan shares issued (note 24)	18,011	–	–	–	–	18,011	–	**18,011**
Dividends	–	–	–	–	(47,264)	(47,264)	–	**(47,264)**
Shares cancelled (note 9)	(45)	66	–	–	–	21	–	**21**
Balance – December 31, 2014	377,975	24,767	(2,500)	(26,757)	459,891	833,376	(973)	**832,403**
Balance – January 1, 2013	300,451	27,546	(2,500)	(2,403)	458,543	781,637	(878)	**780,759**
Net income (loss)	–	–	–	–	27,914	27,914	(1,181)	**26,733**
Other comprehensive income:								
Cumulative translation adjustment	–	–	–	1,564	–	1,564	38	**1,602**
Comprehensive income (loss)	–	–	–	1,564	27,914	29,478	(1,143)	**28,335**
Stock options:								
Stock-based compensation recognized	–	5,454	–	–	–	5,454	–	**5,454**
Proceeds from issuance of shares	21,132	(5,342)	–	–	–	15,790	–	**15,790**
Dividend Reinvestment Plan shares issued (note 24)	10,704	–	–	–	–	10,704	–	**10,704**
Dividends	–	–	–	–	(45,953)	(45,953)	–	**(45,953)**
Non-controlling interest contribution	–	–	–	–	–	–	118	**118**
Dilution of non-controlling interest	–	–	–	–	(325)	(325)	325	**–**
Balance – December 31, 2013	332,287	27,658	(2,500)	(839)	440,179	796,785	(1,578)	**795,207**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2014	2013	**2014**	2013
(C$000s)	**($)**	($)	**($)**	($)
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net income	**26,280**	11,751	**67,502**	26,733
Adjusted for the following:				
Depreciation	**35,997**	31,410	**139,395**	110,006
Stock-based compensation (note 11)	**1,144**	1,075	**4,138**	5,454
Unrealized foreign exchange losses (gains)	**6,727**	(320)	**17,660**	1,350
Loss (gain) on disposal of property, plant and equipment	**96**	(1,208)	**1,577**	(1,514)
Impairment of property, plant and equipment (note 3)	**4,620**	–	**4,620**	–
Impairment of goodwill (note 4)	**979**	–	**979**	–
Gain on business combination, net of tax (note 14)	**–**	(2,747)	**–**	(2,747)
Interest	**15,509**	13,433	**59,584**	41,985
Deferred income taxes	**10,249**	259	**33,013**	3,356
Interest paid	**(27,300)**	(20,386)	**(56,754)**	(39,770)
Changes in items of working capital (note 13)	**(18,186)**	(46,609)	**(69,245)**	(12,842)
Cash flows provided by (used in) operating activities	**56,115**	(13,342)	**202,469**	132,011
FINANCING ACTIVITIES				
Bank loan proceeds	**4,952**	11,173	**18,790**	27,596
Issuance of long-term debt, net of debt issuance costs	**56,745**	339,866	**113,243**	365,581
Issuance of finance lease obligation	**–**	–	**1,648**	–
Bank loan repayments	**(8,098)**	–	**(22,379)**	–
Long-term debt repayments	**(45,994)**	(166,714)	**(89,337)**	(193,037)
Finance lease obligation repayments	**(99)**	–	**(189)**	(740)
Net proceeds on issuance of common shares	**902**	403	**20,627**	15,790
Dividends paid, net of DRIP (note 24)	**(6,957)**	(7,249)	**(28,920)**	(23,675)
Cash flows provided by financing activities	**1,451**	177,479	**13,483**	191,515
INVESTING ACTIVITIES				
Purchase of property, plant and equipment (note 13)	**(45,289)**	(41,330)	**(162,549)**	(183,124)
Proceeds on disposal of property, plant and equipment	**1,532**	713	**2,475**	1,799
Business combination (note 14)	**–**	(150,513)	**–**	(150,513)
Other	**21**	–	**21**	118
Cash flows used in investing activities	**(43,736)**	(191,130)	**(160,053)**	(331,720)
Effect of exchange rate changes on cash and cash equivalents	**2,920**	5,440	**1,035**	7,908
Increase (decrease) in cash and cash equivalents	**16,750**	(21,553)	**56,934**	(286)
Cash and cash equivalents, beginning of year	**82,379**	63,748	**42,195**	42,481
Cash and cash equivalents, end of year	**99,129**	42,195	**99,129**	42,195

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2014 and 2013
(Amounts in text and tables are in thousands of Canadian dollars, except share data and certain other exceptions as indicated)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

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

These financial statements were approved by the Board of Directors for issuance on February 24, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The policies set out below were consistently applied to the periods presented as if these policies had been in effect since the Company's inception.

(a) Basis of Measurement

The consolidated financial statements were prepared under the historical cost convention, except for the revaluation of certain financial assets and liabilities to fair value.

(b) Principles of Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries in Canada, the United States, Russia, Cyprus and Mexico, its 80-percent-owned subsidiary in Argentina, and its 90-percent-owned subsidiary in Colombia. All inter-company transactions, balances and resulting unrealized gains and losses are eliminated upon consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern their financial and operating policies. The existence and effect of voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated upon the Company obtaining control and are deconsolidated upon control ceasing.

(c) Critical Accounting Estimates and Judgments

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

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

i) Allowance for Doubtful Accounts

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, the customer's financial condition and anticipated

industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based on specific situations and overall industry conditions.

ii) Depreciation

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

iii) Fair Value of Financial Instruments

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

The fair values of these financial instruments, except long-term debt, approximate their carrying amounts due to their short-term maturity. The fair value of the senior unsecured notes is based on the closing market price at the reporting period's end-date, as described in note 6. The fair values of the remaining long-term debt and finance lease obligations approximate their carrying values.

iv) Carrying Value of Goodwill

Goodwill represents an excess of the purchase price over the fair value of net assets acquired and is not amortized. The Company assesses goodwill at least annually. Goodwill is allocated to each operating segment, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each operating segment is compared to the carrying value of its net assets. The results of the annual assessment for goodwill impairment are disclosed in note 4.

v) Income Taxes

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

vi) Stock-Based Compensation

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

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

See note 11 for further information on stock-based compensation.

vii) Functional Currency

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

viii) Cash-Generating Units

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

ix) Impairment

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

(d) Foreign Currency Translation

i) Functional and Presentation Currency

Each of the Company's subsidiaries is measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

The financial statements of the subsidiaries that have a different functional currency are translated into Canadian dollars whereby assets and liabilities are translated at the rate of exchange at the balance sheet date, revenue and expenses are translated at average monthly exchange rates (as this is considered a reasonable approximation of actual rates), and gains and losses in translation are recognized in shareholders' equity as accumulated other comprehensive income.

In the event the Company disposed of its entire interest in a foreign operation, or lost control, joint control, or significant influence over a foreign operation, the related foreign currency gains or losses accumulated in other comprehensive income would be recognized in profit or loss. If the Company disposed of part of an interest in a foreign operation which remained a subsidiary, a proportionate amount of the related foreign currency gains or losses accumulated in other comprehensive income would be reallocated between controlling and non-controlling interests.

ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of operations.

(e) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on the purpose for which the instruments were acquired, and instruments are classified as "financial assets and liabilities at fair value through profit or loss", "available-for-sale investments", "loans and receivables", "financial liabilities at amortized cost", or "derivative financial instruments" as defined in International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement.*

Cash and cash equivalents and accounts receivable are designated as "loans and receivables" and are measured at amortized cost. Accounts payable and accrued liabilities are designated as "financial liabilities at amortized cost" and are carried at amortized cost. Bank loans, long-term debt and finance lease obligations are designated as "financial liabilities at amortized cost" and carried at amortized cost using the effective interest rate method. The financing costs associated with the Company's loan facility and US$600,000 private placement of senior unsecured notes are included in the amortized cost of the debt. These costs are amortized to interest expense over the term of the debt.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with original maturities of three months or less.

(g) Inventory

Inventory consists of chemicals, sand and proppant, coiled tubing, cement, nitrogen and carbon dioxide used to stimulate oil and natural gas wells, as well as spare equipment parts. Inventory is stated at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

(h) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of operations during the period in which they are incurred.

Property, plant and equipment are depreciated over their estimated useful economic lives using the straight-line method over the following periods:

Field equipment	5 – 30 years
Buildings	20 years
Shop, office and other equipment	5 years
Computers and computer software	3 years
Leasehold improvements	Term of the lease

Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. Assets under construction are not depreciated until they are available for use.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates each component separately. Residual values, method of amortization and useful lives are reviewed annually and adjusted, if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the assets and are included in the consolidated statements of operations.

(i) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Qualifying assets are defined as assets which take a substantial period to construct (generally greater than one year). All other borrowing costs are recognized as interest expense in the consolidated statements of operations in the period in which they are incurred. The Company does not currently have any qualifying assets.

(j) Non-Controlling Interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

(k) Impairment of Non-Financial Assets

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped in CGUs, the lowest level with separately identifiable cash inflows that are largely independent of the cash inflows of other assets. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (defined as the present value of the future cash flows to be derived from an asset). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Goodwill is reviewed for impairment annually or at any time if there is an indicator of impairment.

Goodwill acquired through a business combination is allocated to each operating segment that is expected to benefit from the related business combination. The operating segment level represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

(l) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except, in the case of subsidiaries, when the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are presented as non-current.

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

(m) Revenue Recognition

Revenue is recognized for services upon completion provided it is probable that the economic benefits will flow to the Company, the sales price is fixed or determinable, and collectability is reasonably assured. These criteria are generally met at the time the services are performed and have been accepted by the customer.

(n) Stock-Based Compensation Plans

The Company recognizes compensation cost for the fair value of stock options granted. Under this method, the Company records the fair value of stock option grants based on the number of options expected to vest over their vesting period as a charge to compensation expense and a credit to contributed surplus. The fair value of each tranche within an award is considered a separate award with its own vesting period and grant date. The fair value of each tranche within an award is measured at the date of grant using the Black-Scholes option pricing model.

The number of awards expected to vest is reviewed on an ongoing basis, with any impact being recognized immediately.

The Company recognizes compensation cost for the fair value of deferred share units granted to its outside directors and performance share units granted to its senior officers who do not participate in the stock option plan. The fair value of the deferred share units and performance share units is recognized based on the market value of the Company's shares underlying these compensation programs.

The Company recognizes compensation cost for the fair value of restricted share units granted to its employees. The fair value of the restricted share units is recognized based on the market value of the Company's shares underlying this compensation program.

(o) Business Combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition is the fair value of the assets transferred and the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of operations as a gain on acquisition.

(p) Changes in Accounting Policy and Disclosure

There were no new IFRS or IFRIC interpretations that became effective on or after January 1, 2014 that had a material impact on the Company.

(q) Recently Issued Accounting Standards Not Yet Applied

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2017, with earlier adoption permitted. IFRS 15 will come into effect for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of the standard on its financial statements.

In July 2014, the IASB completed the final elements of IFRS 9 *Financial Instruments*. The Standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9, as amended, includes a principle based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially reformed approach to hedge accounting. IFRS 9 will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on its financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tested for impairment in accordance with the accounting policy stated in note 2. During the fourth quarter of 2014, in response to the decline in oil and natural gas prices, the Company estimated the recoverable amount of its property, plant and equipment.

The recoverable amount of the remaining property, plant and equipment was determined using multi-year discounted cash flows to be generated from the continuing operations of each cash-generating unit. Cash flow assumptions were based on a combination of historical and expected future results. The cash flows were prepared on a five-year basis, using a discount rate ranging from 14.5% to 25.8% depending on the cash-generating unit. The recoverable amount of each cash-generating unit was in excess of the carrying amount and there were no impairment charges as a result.

Furthermore, the Company carried out a comprehensive review of its property, plant and equipment and identified assets that were permanently idle, obsolete or expected to be disposed of, and therefore, no longer able to generate cash inflows. These assets were written down to their recoverable amount resulting in an impairment charge of $4,620 for the year ended December 31, 2014 (year ended December 31, 2013 – $nil).

The impairment losses by operating segment are as follows:

Years Ended December 31,	**2014**	2013
(C$000s)	**($)**	($)
Canada	**2,941**	–
United States	**401**	–
Latin America	**1,278**	–
	4,620	–

4. GOODWILL

Goodwill is reviewed for impairment at least annually, regardless of whether there is any indication of impairment, in accordance with the accounting policy stated in note 2. Goodwill acquired through a business combination is allocated to that operating segment (or segments) which represent the lowest level within the Company at which goodwill is monitored for internal management purposes.

The fair value of each operating segment is compared to the carrying value of its net assets. The fair value of each operating segment is derived using an accepted valuation method, which utilizes either a multiple-of-earnings approach based on earnings before interest, taxes, depreciation and amortization (EBITDA) or a discounted cash flow approach. Such approaches are typically utilized in valuing oilfield service companies. EBITDA is a non-GAAP measure and does not have a standardized meaning under IFRS.

The annual EBITDA multiples used in the goodwill impairment test were based on 2015 and 2014 EBITDA multiples for major pressure pumping companies as published by third-party industry analysts. The 2015 multiple used was 10.4 times EBITDA and the 2014 multiple used was 4.7 times EBITDA. The discount rate used in the discounted cash flow approach ranged from 14.5% to 25.8% depending on the operating segment.

The Company completed its annual assessment for goodwill impairment and determined that the recoverable amount for its Russian operating segment was less than its carrying amount resulting in a goodwill impairment charge of $979 for the year ended December 31, 2014 (year ended December 31, 2013 – $nil).

5. BANK LOAN

The Company's Argentinean subsidiary has two operating lines of credit, and a total of ARS120,792 ($16,388) was drawn at December 31, 2014 (December 31, 2013 – ARS148,975 ($24,298)). The interest rate ranges from 28.9 percent to 48.0 percent and both lines of credit are secured by letters of credit issued by the Company.

6. LONG-TERM DEBT

As at December 31,	**2014**	2013
(C$000s)	**($)**	($)
US$600,000 senior unsecured notes due December 1, 2020, bearing interest at 7.50% payable semi-annually	**696,060**	638,160
Less: unamortized debt issuance costs and debt discount	**(10,404)**	(11,161)
	685,656	626,999
$280,000 extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company	**52,785**	24,463
Less: unamortized debt issuance costs	**(1,133)**	(1,291)
	51,652	23,172
US$1,299 mortgage maturing May 2018 bearing interest at U.S. prime less 1%, repayable at US$33 per month principal and interest, secured by certain real property	**1,507**	1,766
	738,815	651,937
Less: current portion of long–term debt	**(429)**	(384)
	738,386	651,553

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at December 31, 2014, was $595,131 (December 31, 2013 – $652,921). The carrying values of the mortgage obligations, term loans and revolving term loan facilities approximate their fair values as the interest rates are not significantly different from current interest rates for similar loans.

The interest rate on the $280,000 revolving term loan facility is based on the parameters of certain bank covenants. For prime-based loans, the rate ranges from prime plus 0.50 percent to prime plus 1.25 percent. For LIBOR-based loans and bankers' acceptance-based loans the margin thereon ranges from 1.50 percent to 2.25 percent above the respective base rates for such loans. The facility is repayable on or before its maturity of September 27, 2018, assuming it is not extended. The maturity may be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. Debt issuance costs related to this facility are amortized over its term.

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the year ended December 31, 2014 was $54,076 (year ended December 31, 2013 – $40,629).

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

As at December 31, 2014	**Amount**
(C$000s)	**($)**
2015	**429**
2016	**438**
2017	**448**
2018	**52,977**
2019	**–**
Thereafter	**696,060**
	750,352

The Company also has an extendible operating loan facility, which includes overdraft protection in the amount of $20,000. The interest rate is based on the parameters of certain bank covenants in the same fashion as the revolving term facility. Drawdowns under this facility are repayable on September 27, 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 operating facility is secured by the Company's Canadian and U.S. assets.

At December 31, 2014, the Company had utilized $34,310 of its loan facility for letters of credit and had $52,785 outstanding under its credit facility, leaving $212,905 in available credit.

On January 29, 2015, the Company exercised an "accordion" feature contained in the terms of its loan facility and increased the facility from $300,000 to $400,000. The facility's terms and conditions remain unchanged.

7. FINANCE LEASE OBLIGATIONS

As at December 31,	**2014**	2013
(C$000s)	**($)**	($)
Finance lease contracts bearing interest at 20.5%, repayable at ARS445 per month, secured by equipment under the lease	**1,978**	–
Less: interest portion of contractual payments	**(472)**	–
	1,506	–
Less: current portion of finance lease obligations	**(458)**	–
	1,048	–

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

The minimum lease payments required in each of the next three years, from December 31, 2014, are as follows:

	Amount
(C$000s)	**($)**

2015	**725**
2016	**724**
2017	**529**
	1,978
Less: interest portion of contractual payments	**(472)**
	1,506

8. CAPITAL STOCK

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

Years Ended December 31,		**2014**		2013
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	**(C$000s)**	(#)	(C$000s)
Balance, beginning of year	**92,597,148**	**332,287**	90,041,282	300,451
Issued upon exercise of stock options	**1,537,775**	**27,722**	1,793,674	21,132
Dividend Reinvestment Plan shares issued (note 24)	**1,123,296**	**18,011**	762,192	10,704
Shares cancelled (note 10)	**(5,660)**	**(45)**	–	–
Balance, end of year	**95,252,559**	**377,975**	92,597,148	332,287

The weighted average number of common shares outstanding for the year ended December 31, 2014 was 94,112,758 basic and 94,781,241 diluted (year ended December 31, 2013 – 91,455,656 basic and 92,090,942 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 11.

On May 8, 2014, the Company's shareholders approved a split of its common shares on a two-for-one basis to all shareholders of record as of May 23, 2014. The weighted average numbers of shares, stock options and share-based plans (such as restricted share units, deferred share units and performance share units) during the period and for all periods presented have been adjusted for this two-for-one share split, without a corresponding change in dollar amounts. Earnings per share have been adjusted to reflect the impact of the two-for-one share split.

9. NORMAL COURSE ISSUER BID

The Company received regulatory approval to purchase its own common shares in accordance with a Normal Course Issuer Bid (NCIB) for the one-year period December 17, 2014 through December 16, 2015 and for the one-year period November 12, 2012 through November 11, 2013. There were no shares purchased under the NCIB for the years ended December 31, 2014 or 2013.

Subsequent to year end, 398,500 common shares were purchased at a cost of $3,528 and, of the amount paid, $1,581 was charged to capital stock and $1,947 to retained earnings. These common shares were cancelled.

10. CONTRIBUTED SURPLUS

Continuity of Contributed Surplus Years Ended December 31,	**2014**	2013
(C$000s)	**($)**	($)
Balance, beginning of year	**27,658**	27,546
Stock options expensed	**4,138**	5,454
Stock options exercised	**(7,095)**	(5,342)
Shares cancelled	**66**	–
Balance, end of year	**24,767**	27,658

On November 10, 2009, the Company acquired all of the issued and outstanding shares of Century Oilfield Services Inc. ("Century"). The Plan of Arrangement that governed the acquisition included a five-year "sunset clause" which provided that untendered shares would be surrendered to the Company after five years. Effective November 10,

2014, 5,660 common shares of the Company previously held in trust for untendered shareholders were cancelled. In addition, residual proceeds of $21 previously held in trust for untendered shareholders were returned to the Company.

For accounting purposes, the cancellation of the 5,660 common shares was recorded as a reduction of capital stock in the amount of $45. Along with the residual cash received, a corresponding increase in contributed surplus was recorded in the amount of $66.

11. STOCK-BASED COMPENSATION

(a) Stock Options

Continuity of Stock Options	**2014**		2013	
	Options	**Average Exercise Price**	Options	Average Exercise Price
	(#)	**(C$)**	(#)	(C$)
Balance, January 1	**5,002,750**	**13.99**	5,840,824	12.84
Granted during the year	**1,289,700**	**15.74**	1,415,400	12.32
Exercised for common shares	**(1,537,775)**	**13.41**	(1,793,674)	8.81
Forfeited	**(377,400)**	**14.65**	(456,050)	14.47
Expired	**(108,225)**	**10.37**	(3,750)	6.53
Balance, December 31	**4,269,050**	**14.76**	5,002,750	13.99

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

For the year ended December 31, 2014, $4,138 of compensation expense was recognized for stock options (year ended December 31, 2013 – $5,454) and was included in selling, general and administrative expenses.

(b) Share Units

Continuity of Stock Units	**2014**			2013		
	Deferred Share Units	**Performance Share Units**	**Restricted Share Units**	Deferred Share Units	Performance Share Units	Restricted Share Units
	(#)	**(#)**	**(#)**	(#)	(#)	(#)
Balance, January 1	**70,000**	**90,000**	**1,027,590**	70,000	90,000	494,460
Granted during the year	**70,000**	**120,000**	**806,900**	70,000	90,000	798,250
Exercised	**(70,000)**	**(90,000)**	**(391,014)**	(70,000)	(90,000)	(164,820)
Forfeited	**–**	**–**	**(96,834)**	–	–	(100,300)
Balance, December 31	**70,000**	**120,000**	**1,346,642**	70,000	90,000	1,027,590

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. During the year ended December 31, 2014, $704 of compensation expense was recognized for deferred share units (year ended December 31, 2013 – $1,064). This amount is included in selling, general and administrative expenses. At December 31, 2014, the liability pertaining to deferred share units was $701 (December 31, 2013 – $1,085).

The Company grants performance share units to a senior officer who does not participate in the stock option plan. The amount of the grants earned is linked to corporate performance and the grants vest on the approval of the Board of Directors at the meeting held to approve the consolidated financial statements for the year in respect of which performance is being evaluated. As with the deferred share units, performance share units are settled either in cash or Company shares purchased on the open market. During the year ended December 31,

2014, $1,094 of compensation expense was recognized for performance share units (year ended December 31, 2013 – $1,467). This amount is included in selling, general and administrative expenses. At December 31, 2014, the liability pertaining to performance share units was $868 (December 31, 2013 – $1,395).

The Company grants restricted share units to its employees. These units vest equally over three years and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the restricted share units is recognized over the vesting period, based on the current market price of the Company's shares. During the year ended December 31, 2014, $4,987 of compensation expense was recognized for restricted share units (year ended December 31, 2013 – $9,031). This amount is included in selling, general and administrative expenses. At December 31, 2014, the liability pertaining to restricted share units was $9,602 (December 31, 2013 – $10,696).

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.

12. FINANCIAL INSTRUMENTS

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

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes based on the closing market price at December 31, 2014 was $595,131 before deduction of unamortized debt issuance costs (December 31, 2013 – $652,921). The carrying value of the senior unsecured notes at December 31, 2014 was $696,060 before deduction of unamortized debt issuance costs and debt discount (December 31, 2013 – $638,160). The fair values of the remaining long-term debt approximate their carrying values, as described in note 6.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating assets and liabilities for the years ended December 31, 2014 and 2013 are as follows:

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2014	2013	**2014**	2013
(C$000s)	**($)**	($)	**($)**	($)
Accounts receivable	**(27,389)**	(97,816)	**(125,291)**	(75,702)
Inventory	**(11,330)**	(12,852)	**(48,021)**	(8,748)
Prepaid expenses and deposits	**2,834**	4,487	**317**	(5,230)
Accounts payable and accrued liabilities	**12,470**	58,234	**94,886**	77,929
Income taxes payable	**1,202**	1,393	**5,002**	(854)
Other long-term liabilities	**4,027**	(55)	**3,862**	(237)
	(18,186)	(46,609)	**(69,245)**	(12,842)

Purchase of property, plant and equipment (excluding the business acquisition disclosed in note 14) is comprised of:

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2014	2013	**2014**	2013
(C$000s)			**($)**	($)
Property, plant and equipment additions	**(52,033)**	(45,227)	**(177,585)**	(170,517)
Change in liabilities related to purchase of property, plant and equipment	**6,744**	3,897	**15,036**	(12,607)
	(45,289)	(41,330)	**(162,549)**	(183,124)

14. BUSINESS COMBINATION

On October 1, 2013, the Company acquired all of the operating assets of Mission Well Services, LLC ("Mission"), a privately-held hydraulic fracturing and coiled tubing services provider based in San Antonio, Texas and operating in the Eagle Ford shale play. The total purchase price was cash consideration of $150,513. The purchase was recognized as a business combination and accounted for as such using the acquisition method of accounting under IFRS 3 *Business Combinations.*

The acquisition provided the Company with modern fracturing and coiled tubing equipment as well as an entry into the Texas pressure pumping market. The recognized amounts of identifiable assets acquired and liabilities assumed are as follows:

(C$000s)	($)
Prepaid expenses and deposits	**1,261**
Inventory	**6,680**
Property, plant and equipment	**147,094**
Deferred income tax liability	**(1,775)**
Total identifiable net assets	**153,260**
Gain on business combination, net of tax	**(2,747)**
Total consideration	**150,513**

The composition of the business combination expenses reported in the statement of operations is as follows:

(C$000s)	($)
Gain on business combination	**(4,522)**
Deferred taxes relating to business combination	**1,775**
	(2,747)
Acquisition costs	**5,221**
Business combination	**2,474**

The gain of $4,522, before taxes, was recognized in the statement of operations on the acquisition date and represents the excess of the fair value of identifiable assets over the consideration paid.

The Company reassessed the fair value of the identifiable assets purchased and the fair value of the consideration transferred in determining the gain, as required under IFRS.

During the period October 1, 2013 to December 31, 2013, the acquisition contributed immaterial operating income to the Company. The effect on revenue and operating income, had the acquisition occurred on January 1, 2013, was not determinable.

15. 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:

Years Ended December 31,	**2014**	2013
(C$000s)	**($)**	($)
Net income	**67,502**	26,733
Adjusted for the following:		
Depreciation	**139,395**	110,006
Interest	**59,584**	41,985
Foreign exchange losses	**30,167**	1,183
Loss (gain) on disposal of property, plant and equipment	**1,577**	(1,514)
Provision for litigation settlement (note 21)	**4,640**	–
Impairment of property, plant and equipment (note 3)	**4,620**	–
Impairment of goodwill (note 4)	**979**	–
Business combination (note 14)	**–**	2,474
Income taxes	**48,746**	7,209
Operating income	**357,210**	188,076

Net debt for this purpose is calculated as follows:

As at December 31,	**2014**	2013
(C$000s)	**($)**	($)
Long-term debt, net of debt issuance costs and debt discount (note 6)	**738,815**	651,937
Bank loan (note 5)	**16,388**	24,298
Finance lease obligation (note 7)	**1,506**	–
Less: cash and cash equivalents	**(99,129)**	(42,195)
Net debt	**657,580**	634,040

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

At December 31, 2014, the net debt to operating income ratio was 1.84:1 (December 31, 2013 – 3.37:1) calculated on a 12-month trailing basis as follows:

As at December 31,	**2014**	2013
(C$000s, except ratio)	**($)**	($)
Net debt	**657,580**	634,040
Operating income	**357,210**	188,076
Net debt to operating income ratio	**1.84:1**	3.37:1

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

The Company's capital management objectives and targets remain unchanged from prior periods. However, the evaluation measure was changed from prior periods as the net debt to operating income ratio was adopted in the third quarter of 2014.

16. PURCHASE OBLIGATIONS

The Company has obligations for the purchase of products, services and property, plant and equipment over the next five years that total approximately $574,222.

17. RELATED-PARTY TRANSACTIONS

In November 2010, the Company lent a senior officer $2,500 to purchase common shares of the Company on the Toronto Stock Exchange. The loan is on a non-recourse basis and is secured by the common shares acquired with the loan proceeds. It is for a term of five years and bears interest at 3.375 percent per annum, payable annually. The market value of the shares that secure the loan was approximately $1,694 as at December 31, 2014 (December 31, 2013 – $2,623). In accordance with applicable accounting standards regarding share purchase loans receivable, this loan is classified as a reduction of shareholders' equity due to its non-recourse nature. In addition, the shares purchased with the loan proceeds are considered to be, in substance, stock options.

The Company leases certain premises from an entity controlled by a director of the Company. The rent charged for these premises during 2014 was $822 (year ended December 31, 2013 – $552), as measured at the exchange amount.

18. PRESENTATION OF EXPENSES

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

- operations; and
- selling, general and administrative.

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

Additional information on the nature of expenses is as follows:

Years Ended December 31,	**2014**	2013
(C$000s)	**($)**	($)
Product costs	**726,229**	477,384
Depreciation	**139,395**	110,006
Amortization of debt issuance costs and debt discount	**2,049**	1,464
Employee benefits expense (note 19)	**535,948**	379,117

19. EMPLOYEE BENEFITS EXPENSE

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

Years Ended December 31,	**2014**	2013
(C$000s)	**($)**	($)
Salaries and short-term employee benefits	**510,481**	356,519
Post-employment benefits (group retirement savings plan)	**5,051**	3,595
Share-based payments	**10,923**	17,016
Termination benefits	**9,493**	1,987
	535,948	379,117

20. COMPENSATION OF KEY MANAGEMENT

Key management is defined as the Company's Board of Directors, Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer. Compensation awarded to key management comprised:

Years Ended December 31,	**2014**	2013
(C$000s)	**($)**	($)
Salaries, fees and short-term benefits	**3,331**	2,151
Post-employment benefits (group retirement savings plan)	**38**	39
Share-based payments	**2,106**	2,732
	5,475	4,922

In the event of termination, the three senior officers are entitled to one to two years of annual compensation, and to two years of annual compensation in the event of termination resulting from change of control.

21. CONTINGENCIES

GREEK LITIGATION

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

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $9,610 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. NAPC is assessing available rights of appeal to any other levels of court in any jurisdiction where such an appeal is warranted. NAPC is also the subject of a claim for approximately $4,018 (2,862 euros) 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 and penalties and interest of approximately $4,388 (3,126 euros) payable on such amounts as at December 31, 2014.

The maximum aggregate interest and penalties payable under the claims noted above, as well as three other immaterial claims against NACP, amounted to $22,402 (15,958 euros) as at December 31, 2014.

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.

U.S. LITIGATION

A collective and class action complaint was filed against the Company in September 2012 in the U. S. District Court for the Western District of Pennsylvania, alleging failure to pay U.S. employees the amount of overtime pay required by the Fair Labor Standards Act (FLSA) and the Pennsylvania Minimum Wage Act. In May 2013, the plaintiffs amended their complaint to add a Colorado wage-hour claim. In June 2013, the parties stipulated to conditional certification of a putative class in the FLSA collective action. After notice of the right to opt-in was mailed to approximately 1,200 current and former employees, 359 individuals opted in. Pursuant to a court-approved discovery plan, discovery occurred as to a mutually agreed-upon sample of the conditionally-certified opt-in class.

No motion for final class certification as to the FLSA claim or motion for certification of the Pennsylvania or Colorado state law claims was filed, and thus no FLSA, Pennsylvania or Colorado class was certified. The Company and the plaintiffs have now reached a tentative settlement of all claims, including certain potential, related claims, that is subject to court approval. The proposed settlement contemplates use of a claims procedure, pursuant to which each plaintiff and potential plaintiff would be required to file a claim to be entitled to receive money pursuant to the settlement. The $4,640 provision recorded by the Company represents its current best estimate of the projected net cost of the settlement. The Company does not have insurance coverage for these claims.

22. SEGMENTED INFORMATION

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

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

	Canada	United States	Russia	Latin America	Corporate	Consolidated
(C$000s)	($)	($)	($)	($)	($)	($)
Three Months Ended December 31, 2014						
Revenue	**296,983**	**355,688**	**37,685**	**58,540**	**–**	**748,896**
Operating income (loss)[1]	**67,564**	**52,820**	**4,823**	**11,836**	**(14,841)**	**122,202**
Segmented assets	**822,699**	**1,022,145**	**111,576**	**200,947**	**–**	**2,157,367**
Capital expenditures	**26,676**	**11,270**	**2,359**	**11,728**	**–**	**52,033**
Goodwill	**7,236**	**2,308**	**–**	**–**	**–**	**9,544**
Three Months Ended December 31, 2013						
Revenue	197,112	189,239	41,404	35,299	–	463,054
Operating income (loss)[22]	35,003	29,596	2,664	3,836	(13,683)	57,416
Segmented assets	706,405	828,527	149,946	185,053	–	1,869,931
Capital expenditures	13,602	22,683	4,918	4,024	–	45,227
Goodwill	7,236	2,308	979	–	–	10,523
Year Ended December 31, 2014						
Revenue	**942,947**	**1,214,560**	**171,703**	**167,721**	**–**	**2,496,931**
Operating income (loss) [22]	**175,771**	**200,484**	**18,734**	**26,858**	**(64,637)**	**357,210**
Segmented assets	**822,699**	**1,022,145**	**111,576**	**200,947**	**–**	**2,157,367**
Capital expenditures	**57,604**	**81,566**	**10,372**	**28,043**	**–**	**177,585**
Goodwill	**7,236**	**2,308**	**–**	**–**	**–**	**9,544**
Year Ended December 31, 2013						
Revenue	677,114	616,174	158,782	111,744	–	1,563,814
Operating income (loss)[22]	121,699	104,125	13,358	3,523	(54,629)	188,076
Segmented assets	706,405	828,527	149,946	185,053	–	1,869,931
Capital expenditures	75,875	62,297	13,368	18,977	–	170,517
Goodwill	7,236	2,308	979	–	–	10,523

(1) Operating income (loss) is defined as net income (loss) before depreciation, interest, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, provision for litigation settlements, impairment of non-current assets, expenses and gain related to business combinations, and income taxes.

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2014	2013	**2014**	2013
(C$000s)	**($)**	($)	**($)**	($)
Net income	**26,280**	11,751	**67,502**	26,733
Add back (deduct):				
Depreciation	**35,997**	31,410	**139,395**	110,006
Interest	**15,509**	13,433	**59,584**	41,985
Foreign exchange losses (gains)	**16,582**	(1,517)	**30,167**	1,183
Loss (gain) on disposal of property, plant and equipment	**96**	(1,208)	**1,577**	(1,514)
Provision for litigation settlement (note 21)	**4,640**	–	**4,640**	–
Impairment of property, plant and equipment (note 3)	**4,620**	–	**4,620**	–
Impairment of goodwill (note 4)	**979**	–	**979**	–
Business combination (note 14)	**–**	2,474	**–**	2,474
Income taxes	**17,499**	1,073	**48,746**	7,209
Operating income	**122,202**	57,416	**357,210**	188,076

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

The following table sets forth consolidated revenue by service line:

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2014	2013	**2014**	2013
(C$000s)	**($)**	($)	**($)**	($)
Fracturing	**690,714**	422,306	**2,293,447**	1,422,872
Coiled tubing	**30,335**	22,477	**110,113**	73,053
Cementing	**23,353**	15,399	**80,633**	53,520
Other	**4,494**	2,872	**12,738**	14,369
	748,896	463,054	**2,496,931**	1,563,814

The Company's customer base consists of approximately 150 oil and natural gas exploration and production companies, ranging from large multi-national publicly traded companies to small private companies. Notwithstanding the Company's broad customer base, Calfrac had seven significant customers that collectively accounted for approximately 46 percent of the Company's revenue for the year ended December 31, 2014 (year ended December 31, 2013 – five significant customers for approximately 46 percent) and, of such customers, one customer accounted for approximately 11 percent of the Company's revenue for the year ended December 31, 2014 (year ended December 31, 2013 – 12 percent).

23. SEASONALITY OF OPERATIONS

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

24. DIVIDEND REINVESTMENT PLAN

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

A dividend of $0.125 per common share, totalling $11,907, was declared on December 4, 2014, to be paid on January 15, 2015. This amount has been accrued in the financial statements.

A dividend of $0.125 per common share was declared on September 12, 2014 and paid on October 15, 2014. Of the total dividend of $11,852, $4,895 was invested under the DRIP into 353,184 common shares of the Company.

A dividend of $0.125 per common share was declared on June 13, 2014 and paid on July 15, 2014. Of the total dividend of $11,806, $4,790 was reinvested under the DRIP into 240,484 common shares of the Company.

A dividend of $0.125 per common share was declared on February 26, 2014 and paid on April 15, 2014. Of the total dividend of $11,699, $4,105 was reinvested under the DRIP into 245,404 common shares of the Company.

A dividend of $0.125 per common share was declared on December 5, 2013 and paid on January 15, 2014. Of the total dividend of $11,575, $4,221 was reinvested under the DRIP into 284,224 common shares of the Company.

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