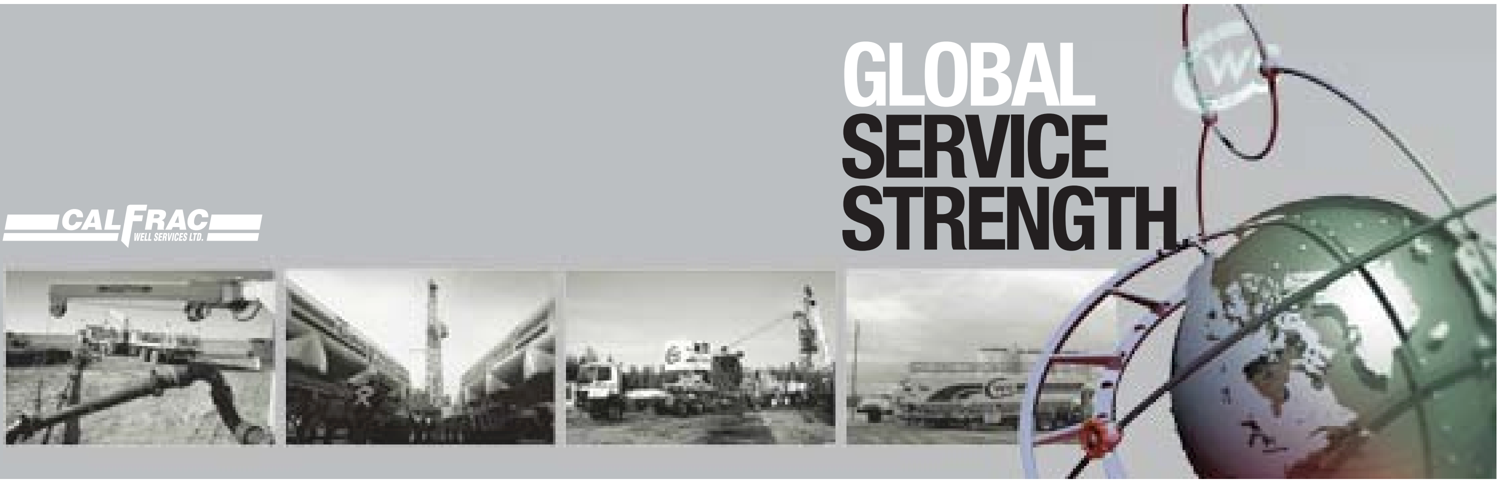

GLOBAL SERVICE STRENGTH

Q1

CALFRAC WELL SERVICES LTD. › FIRST QUARTER INTERIM REPORT
For the Three Months Ended March 31, 2007

HIGHLIGHTS >

Three Months Ended March 31,	**2007**	2006	Change
(000s, except per share and unit data) (unaudited)	($)	($)	(%)
Financial			
Revenue	**128,507**	126,010	2
Gross margin (1)	**38,222**	49,927	(23)
Net income	**18,777**	34,556	(46)
Per share – basic	**0.52**	0.95	(45)
– diluted	**0.52**	0.94	(45)
Cash flow from operations (2)	**28,827**	41,656	(31)
Per share – basic	**0.79**	1.15	(31)
– diluted	**0.79**	1.13	(30)
EBITDA (3)	**30,324**	42,736	(29)
Per share – basic	**0.84**	1.18	(29)
– diluted	**0.83**	1.16	(28)
Working capital	**105,549**	37,071	185
Shareholders' equity	**326,184**	271,084	20
Weighted average common shares outstanding (#)			
Basic	**36,297**	36,334	–
Diluted	**36,390**	36,708	(1)
	(#)	(#)	(%)
Operating			
Fracturing spreads at period end			
Conventional	**23**	18	28
Coalbed methane	**4**	4	–
Total	**27**	22	23
Coiled tubing units	**14**	12	17
Cementing units	**15**	9	67

1. Gross margin is defined as revenue less operating expenses excluding depreciation. Gross margin is a measure that does not have any standardized meaning prescribed under GAAP, and accordingly, may not be comparable to similar measures used by other companies.
2. Cash flow is defined as "funds provided by operations," as reflected in the consolidated statement of cash flows. Cash flow and cash flow per share are measures that provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes these measures to assess the Company's ability to finance operating activities and capital expenditures. Cash flow and cash flow per share are not measures that have any standardized meaning prescribed under GAAP, and accordingly, may not be comparable to similar measures used by other companies.
3. EBITDA is defined as income before interest, taxes, depreciation and amortization. EBITDA is presented because it is frequently used by securities analysts and others for evaluating companies and their ability to service debt. EBITDA is a measure that does not have any standardized meaning prescribed under GAAP, and accordingly, may not be comparable to similar measures used by other companies.

President's Message

I am pleased to present the highlights for the quarter ended March 31, 2007 and provide an outlook for the remainder of year. The Company achieved very positive operating and financial results during the first three months of 2007, despite a significant decline in Western Canadian drilling activity and an early and extended spring breakup in Canada.

FINANCIAL HIGHLIGHTS >

For the three months ended March 31, 2007, the Company:

> **realized revenue of $128.5 million;**

> **earned net income of $18.8 million or $0.52 per share (basic);**

> **realized cash flow from operations before changes in non-cash working capital of $28.8 million or $0.79 per share (basic);**

> **achieved EBITDA of $30.3 million or $0.84 per share (basic); and**

> **improved average consolidated revenue per fracturing job by 8% to $62,348.**

OPERATIONAL HIGHLIGHTS >

Canadian Operations

The decline in North American natural gas prices during 2006 has had a significant impact on drilling activity levels within the Western Canadian Sedimentary Basin. As a result, the Canadian service sector has experienced increased price competition, especially in the coalbed methane ("CBM") and shallow gas markets. In response to this challenging operating environment, Calfrac has prudently rationalized its operations by reallocating equipment and senior personnel to higher activity regions, maintained a rigorous focus on operating and SG&A expenses and, where necessary, reduced the number of operating and administrative staff. These actions, combined with our Company's strong relationships with major customers under long-term contractual arrangements, an increased market presence in the deeper and more technically challenging basins of northern Alberta and northeastern British Columbia as well as improved operating results from our shallow gas operations despite an early breakup season, resulted in relatively strong financial performance from this market during the quarter.

United States Operations

Calfrac's United States operations remained strong during the first quarter of 2007, resulting in record quarterly revenue from this geographic segment. Our fracturing operations in Colorado, specifically the DJ Basin, were particularly active and continued to drive the financial performance of this region offset slightly by lower than expected activity in the Piceance Basin. Early in 2007, the Company's fifth U.S. multi-pumper fracturing spread was reallocated from Grand Junction, Colorado to our newest district in Beebe, Arkansas. In order to better serve our growing customer base in this region, we plan to deploy an additional deep fracturing spread during the second quarter of 2007 and two cementing units from Canada into Arkansas by the end of the third quarter of 2007. We expect to further expand the United States market by increasing the scale of our current operations as well as prudently pursuing new market opportunities.

Russian Operations

During the first quarter, we continued to execute our strategy of growing the Company's operating presence in the Russian market. In February 2007, an additional multi-pumper fracturing spread was deployed to Purpe, Western Siberia under contract to one of the largest operators in this market. In the second quarter, two additional deep coiled tubing units are expected to be delivered into Russia, and as a result, we plan to be operating two conventional fracturing spreads and five coiled tubing units in this geographic market by the end of June 2007. Our Russian operations, however, were hampered somewhat by extremely cold weather during the month of February, which deferred some activity into the remainder of the year. Looking forward, we believe that this expanded equipment fleet, combined with our three contracts, provides sufficient critical mass to support improved future financial performance.

OUTLOOK >

The Company believes that the uncertainty regarding short-term natural gas prices may result in lower activity levels in Western Canada throughout much of the second and third quarters and, potentially, the first half of the fourth quarter. We anticipate that this drilling slowdown will be followed by a stronger winter drilling season based on a stronger commodity price environment. The Company is committed to prudently managing its operations through this short-term decline in Canadian drilling activity. Calfrac's operations that are focused on the deeper, more technical basins of northern Alberta and northeastern British Columbia are expected to remain relatively strong throughout 2007. Additionally, the Company's long-term contracts with major customers involved in the CBM and shallow gas markets are expected to mitigate some of the decline in drilling activity that is forecast for these operations throughout the remainder of the year.

Activity levels in the United States are expected to be robust for the remainder of 2007, and as a result, we plan to expand our current fracturing operations in Arkansas during the second quarter of this year and introduce new service lines into the U.S. market during the third quarter of 2007. We have been encouraged by our financial and operating results achieved to date in 2007 in this market and believe that these operations will continue to strengthen as the year progresses.

In Russia, Calfrac's more expansive and diversified equipment fleet, coupled with the positive revenue and earnings momentum achieved during the first quarter, is anticipated to generate stronger financial returns into the future. We are committed to organic growth in this market to further enhance our Company's international operations.

Our capital program is moving forward as planned and, by the end of the second quarter, the majority of this equipment is expected to be deployed into our domestic and international operations. This program is primarily focused on increasing the pumping capacity of Calfrac's fracturing equipment fleet in Canada, the United States and Russia. By the end of June 2007, we expect to have the capacity to operate 27 fracturing spreads, 16 coiled tubing units and 17 cementing units in our three geographic markets.

With the closing of our senior U.S. debt financing in February 2007 we raised US$135.0 million. We believe that we have the financial strength to support the internal growth of our operations and, further, to pursue strategic acquisition opportunities that meet our stringent return on investment criteria. I look forward to reporting the progress of our Company's growth plans throughout the remainder of the year.

On behalf of the Board of Directors,

D.R. Ramsay

DOUGLAS R. RAMSAY
President & Chief Executive Officer

May 8, 2007

This Management's Discussion and Analysis ("MD&A") for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of May 8, 2007 and is a review of the financial condition and results of operations of the Company based on accounting principles generally accepted in Canada. Its focus is primarily a comparison of the financial performance for the three months ended March 31, 2007 and 2006 and should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for those periods as well as the audited financial statements and MD&A for the year ended December 31, 2006. Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A.

All financial amounts and measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used within this MD&A have been included at the end of this MD&A.

FIRST QUARTER 2007 PERFORMANCE SUMMARY >

Calfrac Well Services Ltd. is an independent provider of specialized oilfield services in Canada, the United States and Russia, including fracturing, coiled tubing, cementing and other well stimulation services. The Company has established, and continues to maintain, a leadership position by providing high quality, responsive service through an expanding geographic network, increased operating fleet and growing customer base. Despite a difficult operating environment in Canada, for the three months ended March 31, 2007 Calfrac:

- **increased revenue by 2% to $128.5 million compared to $126.0 million in the first quarter of 2006;**
- **earned net income of $18.8 million or $0.52 per share (basic) compared to $34.6 million or $0.95 per share (basic) recorded in the same three-month period of 2006; and**
- **realized cash flow from operations before changes in non-cash working capital of $28.8 million or $0.79 per share (basic) compared to $41.7 million or $1.15 per share (basic) in the same quarter a year ago.**

REVENUE >

Canadian Operations

Revenue from Canadian operations for the first quarter of 2007 decreased 21% to $86.6 million compared to $109.0 million during the same quarter of 2006. Canadian fracturing revenue for the three months ended March 31, 2007 totaled $74.9 million compared to $98.6 million recorded in the same three-month period of the prior year. Revenue was negatively impacted by lower activity levels as a result of concerns related to gas commodity prices and competitive industry pressures in the Western Canadian Sedimentary Basin. During the first quarter of 2007, Calfrac completed 1,398 Canadian fracturing jobs for average revenue of $53,597 per job compared to 1,738 jobs for $56,753 per job in the corresponding period of 2006. The year-over-year decrease in the Company's Canadian fracturing revenue per job was primarily a result of competitive pricing pressures in the Western Canadian Sedimentary Basin, a significant increase in the number of shallow gas jobs completed during the quarter and an earlier spring breakup in 2007 offset slightly by the completion of fewer but larger fracturing jobs in the technically challenging basins of northern Alberta and northeastern British Columbia.

For the quarter ended March 31, 2007, revenue from coiled tubing operations was $4.9 million compared to $4.6 million for the same period of 2006. The total number of jobs completed in the first quarter of 2007 was 1,181 for average revenue of $4,107 per job compared to 1,314 jobs for $3,516 per job in 2006. The slightly higher average revenue per job in the first quarter of 2007 was primarily due to the completion of larger but fewer jobs in the deeper basins of northern Alberta and northeastern British Columbia being somewhat offset by an early spring breakup and lower shallow coiled tubing activity and revenues.

Revenue from the Company's cementing operations totaled $6.8 million for the three months ended March 31, 2007 versus $5.8 million recorded in the first quarter of 2006. The 18% increase in revenue can be primarily attributed to a larger fleet of cementing equipment servicing a larger number of areas, including the deeper basins of Western Canada. The total number of jobs completed in the first three months of 2007 was 497 for average revenue of $13,697 per job compared to 627 jobs for $9,178 per job in the same period of 2006. The increased revenue per job in the first three months of 2007 was primarily as a result of a larger proportion of deeper cement jobs being completed in Western Canada.

United States Operations

Revenue from Calfrac's United States operations in the first quarter of 2007 increased to $29.9 million compared to $15.7 million recorded in the same period of 2006. This 91% increase was primarily due to strong activity in the DJ Basin during the first three months of 2007, the start-up of the Company's new Arkansas district as well as the deployment of an additional fracturing spread to service the Piceance Basin late in the first quarter of 2006. For the period ended March 31, 2007, the Company completed 356 fracturing jobs in the United States for average revenue of $83,891 per job compared to 248 jobs for $62,711 per job in the same period of 2006. The increase in the reported revenue per job during the 2007 first quarter was primarily related to the commencement of operations in Arkansas during March 2007 and a slightly weaker Canadian dollar partially offset by lower than expected activity in the Piceance Basin and a larger proportion of work in the DJ Basin, which tends to have lower revenues on a per job basis.

Russian Operations

As at March 31, 2007, the Company was operating two fracturing spreads and three coiled tubing units throughout its Russian operations. During the first three months of 2007, Calfrac's revenue from Russian operations totaled $12.1 million, an increase of 28% from the $9.4 million recorded in the fourth quarter of 2006. The Company's operations in Western Siberia were curtailed for an extended period during the month of February due to extremely cold temperatures, but were considerably more active in March 2007. The Company considers its Russian operations to have reached a critical mass with the deployment of a second fracturing spread in the first quarter of the year and the expected delivery of two additional coiled tubing units during the second quarter of 2007. Calfrac expects that the positive momentum experienced from its Russian operating results during the last two quarters will lead to stronger financial performance in future periods.

GROSS MARGIN >

Consolidated gross margin for the first quarter of 2007 was $38.2 million, a 23% decrease from $49.9 million recorded in the same period of 2006. The lower consolidated gross margin in the first three months of 2007 was primarily due to the impact of lower levels of field activity, competitive pricing pressures in Canada and higher operating expenses offset partially by improved financial performance from the Company's United States and Russian operations. As a percentage of revenue, consolidated gross margin was 30% for the three months ended March 31, 2007 compared to 40% in the corresponding period of 2006. The decrease in consolidated gross margin percentage was primarily a result of the impact of competitive pricing pressures experienced in the Western Canadian Sedimentary Basin as well as a higher proportion of total revenue being earned from comparatively lower margin regions of southern Alberta, the DJ Basin and Western Siberia.

EXPENSES >

Operating Expenses

Operating expenses during the first quarter of 2007 totaled $90.3 million compared to $76.1 million in the same three-month period of 2006. The 19% year-over-year increase was due primarily to a broader scale of operations in North America and Russia as well as higher district expenses in the quarter related to Calfrac's newest operating regions in Beebe, Arkansas as well as Khanty-Mansiysk and Purpe, Western Siberia.

Selling, General and Administrative ("SG&A") Expenses

During the first quarter of 2007, SG&A expenses totaled $7.6 million compared to $7.5 million in the corresponding three-month period of 2006. SG&A expenses as a percentage of revenue were 6% for the three months ended March 31, 2007, consistent with the same period a year ago.

Interest and Depreciation Expenses

The Company recorded interest expense of $1.9 million for the quarter ended March 31, 2007 compared to $0.3 million in the corresponding period of 2006. The higher interest expense was primarily a result of the closing of a private placement of unsecured senior notes in February 2007 for an aggregate amount of US$135.0 million and higher debt levels incurred to finance the Company's 2006 and 2007 capital programs. Depreciation expense during the first quarter of 2007 increased 49% to $7.9 million from $5.3 million recorded in the comparable period of 2006 primarily due to a larger fleet of equipment across the Company's North American and international operations. Since the end of the first quarter of 2006, the Company has deployed five new fracturing spreads, two additional coiled tubing units, six cementing units and other support equipment into its three operating regions.

INCOME TAX >

Income tax expense for the quarter ended March 31, 2007 totaled $1.7 million compared to $2.6 million recorded in the same period of the prior year. Current tax expense for the three months ended March 31, 2007 was $0.6 million compared to $1.2 million in 2006. Future income tax expense for the three-month period ended March 31, 2007 was $1.1 million, a decrease of $0.3 million from the first quarter of 2006. The decrease in tax expense was primarily related to lower profitability in Canada in the quarter as well as the timing of deductibility of certain expenses for income tax purposes.

NET INCOME >

Net income for the quarter ended March 31, 2007 was $18.8 million or $0.52 per share (basic) compared to $34.6 million or $0.95 per share (basic) during the first three months of 2006. The decline in net income was primarily a result of lower activity levels, increased competitive pricing pressures in Canada, especially in the CBM and shallow gas markets, as well as lower than expected fracturing activity in the Piceance Basin.

CASH FLOW >

Cash flow from operations before changes in working capital for the three months ended March 31, 2007 decreased to $28.8 million or $0.79 per share (basic) from $41.7 million or $1.15 per share (basic) recorded in the first quarter of 2006. For the quarter ended March 31, 2007, cash flow from operations was used primarily to fund operations and finance the Company's capital expenditures.

SUMMARY OF QUARTERLY RESULTS >

Three Months Ended	Jun.30, 2005	Sep.30, 2005	Dec.31, 2005	Mar.31, 2006	Jun.30, 2006	Sep.30, 2006	Dec.31, 2006	**Mar.31, 2007**
(000s, except per share and unit data) (unaudited)	($)	($)	($)	($)	($)	($)	($)	($)
Financial								
Revenue	44,619	77,377	111,634	126,010	66,973	115,112	118,322	**128,507**
Gross margin (1)	7,630	25,694	43,336	49,927	14,446	36,500	34,488	**38,222**
Net income (loss)	(1,876)	12,947	27,372	34,556	1,569	19,418	16,907	**18,777**
Per share – basic	(0.05)	0.36	0.75	0.95	0.04	0.54	0.47	**0.52**
– diluted	(0.05)	0.35	0.75	0.94	0.04	0.53	0.46	**0.52**
Cash flow from operations (2)	2,280	18,503	33,794	41,656	7,208	27,560	25,507	**28,827**
Per share – basic	0.06	0.51	0.93	1.15	0.20	0.76	0.70	**0.79**
– diluted	0.06	0.51	0.92	1.13	0.20	0.76	0.70	**0.79**
EBITDA (3)	1,907	18,234	34,131	42,736	8,761	29,614	28,421	**30,324**
Per share – basic	0.05	0.50	0.94	1.18	0.24	0.82	0.78	**0.84**
– diluted	0.05	0.50	0.93	1.16	0.24	0.81	0.78	**0.83**
Capital expenditures	25,653	29,241	20,612	50,631	36,501	23,931	44,415	**48,521**
Working capital	22,301	12,962	39,396	37,071	28,741	31,158	31,225	**105,549**
Shareholders' equity	192,508	207,679	234,021	271,084	267,559	287,616	303,510	**326,184**
	(#)	(#)	(#)	(#)	(#)	(#)	(#)	(#)
Operating								
Fracturing spreads								
Conventional	13	13	17	18	19	19	21	**23**
Coalbed methane	4	4	4	4	4	4	4	**4**
Total	17	17	21	22	23	23	25	**27**
Coiled tubing units	11	11	11	12	14	14	14	**14**
Cementing units	6	8	9	9	11	11	13	**15**

1. Gross margin is defined as revenue less operating expenses excluding depreciation. Gross margin is a measure that does not have any standardized meaning prescribed under GAAP, and accordingly, may not be comparable to similar measures used by other companies.
2. Cash flow is defined as "funds provided by operations," as reflected in the consolidated statement of cash flows. Cash flow and cash flow per share are measures that provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes these measures to assess the Company's ability to finance operating activities and capital expenditures. Cash flow and cash flow per share are not measures that have any standardized meaning prescribed under GAAP, and accordingly, may not be comparable to similar measures used by other companies.
3. EBITDA is defined as income before interest, taxes, depreciation and amortization. EBITDA is presented because it is frequently used by securities analysts and others for evaluating companies and their ability to service debt. EBITDA is a measure that does not have any standardized meaning prescribed under GAAP, and accordingly, may not be comparable to similar measures used by other companies.

LIQUIDITY AND CAPITAL RESOURCES >

Operating Activities

As at March 31, 2007, Calfrac had positive working capital of $105.5 million and long-term debt totaled $150.2 million. The increase in the Company's working capital position from December 31, 2006 was primarily due to a higher cash balance as a result of the issuance of unsecured senior notes in February 2007. As at the date of this report, the Company had 36,416,808 common shares issued and outstanding.

Financing Activities

On February 13, 2007, the Company completed a private placement of unsecured senior notes for an aggregate principal amount of US$135.0 million. These notes bear interest at 7.75% and are due on February 15, 2015. The Company also has an operating line of credit of $25.0 million and advances bear interest at either the bank's prime rate, U.S. base rate, LIBOR plus 1% or bankers' acceptances plus 1%. In addition, Calfrac has a $65.0 million revolving term loan credit facility that bears interest at either the bank's prime rate plus 0.25%, U.S. base rate plus 0.25%, LIBOR plus 1.25% or bankers' acceptance plus 1.25% and is secured by a general security agreement over all of the North American assets of the Company. Calfrac used a portion of the note proceeds on the closing date to repay its existing credit facilities.

Investing Activities

Capital expenditures for the quarter ended March 31, 2007 totaled $48.5 million and were primarily focused on increasing the Company's fracturing pumping capabilities in its three geographic markets: Canada, the United States and Russia. A portion of these expenditures related to the completion of the 2006 capital program, including the completion of two additional fracturing spreads (one spread deployed to each of the Canadian and Russian well services markets) during the first quarter of 2007 and two cementing units that were deployed to the deep basin market of Western Canada.

With its current working capital position, available credit facilities and anticipated cash flow from operations, the Company expects to have adequate resources to fund its financial obligations for 2007 and beyond.

INTERNAL CONTROL OVER FINANCIAL REPORTING >

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ACCOUNTING POLICIES AND ESTIMATES >

Changes in Accounting Policies

COMPREHENSIVE INCOME

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, on January 1, 2007. The new standard introduces comprehensive income, which consists of net income and other comprehensive income ("OCI"). For the Company, OCI is currently comprised of the changes in the foreign currency translation adjustment balance.

The cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented as a new category within shareholders' equity in the consolidated balance sheets. The Company's consolidated financial statements now include a statement of accumulated other comprehensive income, which provides the continuity of the AOCI balance.

FINANCIAL INSTRUMENTS

On January 1, 2007, the Company adopted CICA Section 3855, Financial Instruments – Recognition and Measurement. This standard establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading," "available-for-sale," "held-to-maturity," "loans and receivables" or "other financial liabilities" as defined by the standard.

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables" and are carried at cost. Accounts payable are designated as "other financial liabilities" and are carried at cost. Long-term debt is designated as "other financial liabilities" and carried at amortized cost using the effective interest method. The financing costs associated with the Company's US$135.0 million private placement of unsecured senior notes on February 13, 2007 are included in the amortized cost of the debt. These costs are amortized to interest expense over the term of the debt, which matures on February 15, 2015.

FOREIGN CURRENCY TRANSLATION

During the first quarter of 2007, the Company's U.S. subsidiaries were reclassified from integrated to self-sustaining foreign operations. Consequently, Calfrac prospectively began translating the financial accounts of its United States subsidiaries using the current rate translation method. Under this method, assets and liabilities are translated to Canadian dollars from their functional currency using the exchange rate in effect at the consolidated balance sheet date. Revenues and expenses are translated to Canadian dollars at monthly average exchange rates. Gains or losses on translation are deferred and included in accumulated other comprehensive income in the shareholders' equity section of the consolidated balance sheet in accordance with CICA Section 1530, Comprehensive Income. Prior to this reclassification, the temporal method of translation was used to translate the U.S. subsidiaries and will continue to be used to translate the financial accounts of the Company's Russian subsidiaries into Canadian currency.

Critical Accounting Policies and Estimates

This MD&A is based on the Company's annual consolidated financial statements that have been prepared in accordance with Canadian GAAP. Management is required to make assumptions, judgements and estimates in the application of GAAP. Calfrac's significant accounting policies are described in note 2 to the annual consolidated financial statements and note 3 to the interim consolidated financial statements. The preparation of the consolidated financial statements requires that certain estimates and judgements be made concerning the reported amount of revenues and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgement. Anticipating 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 following accounting policies and practices involve the use of estimates that have a significant impact on the Company's financial results.

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 impacting the operation of the Company's property and equipment.

STOCK-BASED COMPENSATION

As described in note 8 to the annual consolidated financial statements, the fair value of stock options are estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, estimated volatility of the Company's shares and anticipated dividends.

RISK FACTORS >

This document contains forward-looking statements based on current expectations that involve a number of business risks and uncertainties. The factors that could cause results to differ materially include, but are not limited to, national and global economic conditions, crude oil and natural gas prices, foreign currency fluctuations, the impact of the Kyoto Protocol accord, weather conditions, the ability of oil and gas companies to raise capital, and other unforeseen circumstances that could impact the use of services provided by Calfrac. The entire listing of business risks pertaining to the Company's operations are contained within the most recently filed Annual Information Form, which is available at www.sedar.com.

OUTLOOK >

Calfrac anticipates that concerns over short-term natural gas prices in North America could result in lower drilling activity levels throughout Western Canada during much of the second, third and, conceivably, fourth quarters of 2007. The Company believes that Canadian drilling activity will strengthen in the final three months of the year and into the first quarter of 2008. Calfrac is committed to responsibly managing the Company through this near-term decline in drilling activity by maintaining a stringent focus on costs, both operating and capital, as well as maximizing the utilization of its equipment fleet. The pressure pumping markets of the deeper, more technical basins of northern Alberta and northeastern British Columbia are expected to continue to be relatively strong throughout the remainder of 2007. The Company's long-term contractual relationships with major customers involved in the CBM and shallow gas regions of central and southern Alberta are expected to provide a base level of activity for these operations over the balance of the year.

While the Company did experience some weakness in activity in western Colorado throughout the spring, Calfrac anticipates higher activity levels during the latter part of the second quarter. The activity levels in Calfrac's other operating areas in the United States are expected to be strong throughout the remainder of 2007. Consequently, the Company intends to deploy an additional deep fracturing spread from Canada during the second quarter and introduce new cementing units to its Arkansas operations in the third quarter of 2007. The Company believes that its U.S. operations will continue to be a major driver of Calfrac's consolidated financial and operating performance throughout 2007 and beyond.

Calfrac plans to deploy two additional deep coiled tubing units into Russia during the second quarter of 2007. As a result, the Company expects to be operating two conventional fracturing spreads and five coiled tubing units in Western Siberia by the end of June 2007. This broader scale of operations, combined with the improved financial performance from this geographic segment during the first quarter of 2007, is expected to drive stronger financial results into the future. The Company is committed to organic growth in this geographic market to further diverisfy and enhance its operations.

The Company's 2007 capital program is primarily dedicated to enhancing its fracturing pumping capabilities throughout all of its operating regions and is expected to be substantially complete by the end of the second quarter. By the end of June 2007, Calfrac expects to have the capacity to operate 27 fracturing spreads, 16 coiled tubing units and 17 cementing units in its three geographic markets.

As a result of the recent closing of the Company's senior U.S. debt financing in February 2007, Calfrac believes that it is financially well positioned to support the organic growth of its current operations and to pursue acquisition opportunities that align with its business strategy and meet its stringent internal rate of return thresholds.

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 future plans and operations, certain statements made in this MD&A may contain words such as "anticipate," "can," "may," "expect," "believe," "intend," "forecast," or similar words suggesting future outcomes or statements regarding an outlook, which constitute forward-looking statements or information ("forward-looking statements"). These statements may include, but are not limited to, future capital expenditures, future financial resources, future oil and gas well activity, outcome of specific events and trends in the oil and gas industry. Readers are cautioned that the foregoing list of significant factors is not exhaustive. These statements are derived from certain assumptions and analysis made by the

Company based on its experience and interpretation of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances. These statements are subject to a number of known and unknown risks and uncertainties, which are discussed previously in this MD&A, that could cause actual results to differ materially from the Company's expectations. Although Calfrac believes that the expectations presented by these forward-looking statements are reasonable, there can be no assurances that actual results or developments anticipated by the Company will be realized or such expectations will prove to be correct. Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and Calfrac assumes no obligation to update publicly, except as required by applicable securities laws, any such forward-looking information whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified under this cautionary statement.

Non-GAAP Measures

Certain measures in this MD&A do not have any standardized meaning as prescribed under Canadian GAAP, such as gross margin, cash flow from operations, cash flow, cash flow per share (basic), cash flow per share (diluted), EBITDA, EBITDA per share (basic) and EBITDA per share (diluted), and therefore, are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other entities. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management's use of these measures has been disclosed further in this MD&A as these measures are discussed and presented.

FIRST QUARTER CONFERENCE CALL AND ANNUAL GENERAL MEETING >

Calfrac will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its 2007 first quarter results at 9:00 a.m. (Calgary time) on Thursday, May 10, 2007. The conference call dial-in number is 1-800-814-4860 or 416-644-3434. The seven-day replay number is 1-877-289-8525 or 416-640-1917 and enter 21228862#. A webcast of the conference call may be accessed via the Company's website at www.calfrac.com.

Shareholders are also invited to attend the Company's Annual General Meeting on Wednesday, May 9, 2007 at 3:30 p.m. (Calgary time) in the McMurray Room of the Calgary Petroleum Club, Calgary, Alberta.

ADDITIONAL INFORMATION >

Calfrac Well Services Ltd. is a leading provider of specialized oilfield services, including fracturing, coiled tubing, cementing and well stimulation services, which are designed to increase the production of hydrocarbons from wells drilled throughout Western Canada, the United States and Russia. The common shares of Calfrac are listed for trading on the Toronto Stock Exchange under the symbol CFW. Additional information relating to Calfrac Well Services Ltd. can be accessed on the Company's website at www.calfrac.com or under the Company's filings found at www.sedar.com.

D. R. Ramsay

DOUGLAS R. RAMSAY
President &
Chief Executive Officer

TOM J. MEDVEDIC
Vice President, Finance &
Chief Financial Officer

May 8, 2007

Consolidated Balance Sheets

As at	March 31, 2007	December 31, 2006
(000s) (unaudited)	($)	($)
Assets		
Current assets		
Cash and cash equivalents	**68,659**	5,580
Accounts receivable	**86,491**	84,481
Income taxes recoverable	**101**	–
Inventory	**17,687**	13,387
Prepaid expenses and deposits	**9,353**	7,463
	182,291	110,911
Capital assets	**366,167**	327,832
Long-term investment	**396**	396
Goodwill	**6,003**	6,003
Future income taxes	**2,698**	9,048
	557,555	454,190
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**76,742**	77,344
Income taxes payable	**–**	2,342
	76,742	79,686
Long-term debt (note 4)	**150,191**	60,000
Other long-term liabilities	**3,437**	4,743
Deferred credit	**1,001**	6,251
	231,371	150,680
Shareholders' equity		
Capital stock (note 5)	**139,890**	139,841
Shares held in trust (note 6)	**–**	(3,869)
Contributed surplus (note 7)	**5,071**	4,393
Retained earnings	**181,922**	163,145
Accumulated other comprehensive income (note 3)	**(699)**	–
	326,184	303,510
	557,555	454,190

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations and Retained Earnings

Three Months Ended March 31,	2007	2006
(000s, except per share data) (unaudited)	($)	($)
Revenue	**128,507**	126,010
Expenses		
Operating	**90,285**	76,083
Selling, general and administrative	**7,637**	7,469
Depreciation	**7,900**	5,304
Interest, net	**1,906**	268
Foreign exchange gains and other	**(12)**	(278)
Loss on disposal of capital assets	**273**	–
	107,989	88,846
Income before income taxes	**20,518**	37,164
Income taxes		
Current	**649**	1,230
Future	**1,092**	1,378
	1,741	2,608
Net income for the period	**18,777**	34,556
Retained earnings, beginning of period	**163,145**	94,322
Retained earnings, end of period	**181,922**	128,878
Earnings per share		
Basic	**0.52**	0.95
Diluted	**0.52**	0.94

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income

Three Months Ended March 31,	2007	2006
(000s) (unaudited)	($)	($)
Net income for the period	**18,777**	34,556
Other comprehensive income (loss)		
Change in foreign currency translation adjustment	**(699)**	–
Comprehensive income	**18,078**	34,556
Accumulated other comprehensive income, beginning of period	**–**	–
Other comprehensive income (loss) for the period	**(699)**	–
Accumulated other comprehensive income, end of period	**(699)**	–

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Three Months Ended March 31,	2007	2006
(000s) (unaudited)	($)	($)
Cash provided by (used in)		
Operating activities		
Net income for the period	**18,777**	34,556
Items not involving cash		
Depreciation	**7,900**	5,304
Amortization of debt issue costs	**94**	–
Stock-based compensation	**691**	418
Loss on disposal of capital assets	**273**	–
Future income taxes	**1,092**	1,378
Funds provided by operations	**28,827**	41,656
Net change in non-cash operating assets and liabilities	**(8,579)**	(17,008)
	20,248	24,648
Financing activities		
Issue of long-term debt	**199,790**	10,000
Long-term debt repayments	**(107,545)**	(899)
Net proceeds on issuance of common shares	**38**	703
	92,283	9,804
Investing activities		
Purchase of capital assets	**(48,521)**	(50,631)
Proceeds on disposal of capital assets	**366**	4,119
Net change in non-cash working capital from purchase of capital assets	**(105)**	5,367
	(48,260)	(41,145)
Effect of exchange rate changes on cash and cash equivalents	**(1,192)**	–
Increase (decrease) in cash position	**63,079**	(6,693)
Cash and cash equivalents (bank indebtedness), beginning of period	**5,580**	(10,813)
Cash and cash equivalents (bank indebtedness), end of period	**68,659**	(17,506)

See accompanying notes to the consolidated financial statements.

1. BASIS OF PRESENTATION

The interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements. The interim financial statements should be read in conjunction with the most recent annual financial statements.

2. SEASONALITY OF OPERATIONS

The business of Calfrac Well Services Ltd. (the "Company") is seasonal in nature. The lowest activity levels are experienced during the second quarter of the year when road weight restrictions are in place and access to wellsites in Canada is reduced.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements, except as follows:

(a) Comprehensive Income

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, on January 1, 2007. The new standard introduces comprehensive income, which consists of net income and other comprehensive income ("OCI"). For the Company, OCI is currently comprised of the changes in the foreign currency translation adjustment balance.

The cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented as a new category within shareholders' equity in the consolidated balance sheets. The Company's consolidated financial statements now include a statement of accumulated other comprehensive income, which provides the continuity of the AOCI balance.

(b) Financial Instruments

On January 1, 2007, the Company adopted CICA Section 3855, Financial Instruments – Recognition and Measurement. This standard establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading," "available-for-sale," "held-to-maturity," "loans and receivables" or "other financial liabilities" as defined by the standard.

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables" and are carried at cost. Accounts payable are designated as "other financial liabilities" and are carried at cost. Long-term debt is designated as "other financial liabilities" and carried at amortized cost using the effective interest method. The financing costs associated with the Company's US$135,000 private placement of unsecured senior notes on February 13, 2007 are included in the amortized cost of the debt. These costs are amortized to interest expense over the term of the debt, which matures on February 15, 2015.

(c) Foreign Currency Translation

During the first quarter of 2007, the Company's U.S. subsidiaries were reclassified from integrated to self-sustaining foreign operations. As a result, the Company has prospectively adopted the current rate method of translating its U.S. operations into Canadian dollars whereby assets and liabilities are translated at the rate of exchange at the balance sheet date, revenues and expenses are translated at average monthly exchange rates, and gains and losses in translation are deferred and included in the shareholders' equity section as accumulated other comprehensive income in accordance with CICA Section 1530, Comprehensive Income. Prior to this reclassification, the Company's U.S. operations were translated into Canadian dollars using the temporal method, which continues to be followed in respect of the Company's Russian operations.

4. LONG-TERM DEBT

On February 13, 2007, the Company completed a private placement of unsecured senior notes for an aggregate amount of US$135,000. The notes are due in full on February 15, 2015 and bear interest at 7.75% payable semi-annually. A portion of the proceeds of the offering was used to repay the Company's existing operating and revolving term credit facilities. In conjunction with this offering, the Company's existing revolving term credit facility was reduced from $125,000 to $65,000.

5. CAPITAL STOCK

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

Continuity of Common Shares (year-to-date)	Shares	Amount
	(#)	($000s)
Balance, January 1, 2007	36,388,408	139,841
Issued upon exercise of stock options	**2,400**	**49**
Balance, March 31, 2007	**36,390,808**	**139,890**

The weighted average number of common shares outstanding for the three months ended March 31, 2007 was 36,296,933 basic and 36,390,271 diluted (2006 – 36,333,526 basic and 36,708,041 diluted). The difference between basic and diluted shares is attributable to the dilutive effect of stock options issued by the Company and the shares held in trust (see note 6).

6. SHARES HELD IN TRUST

The Company has established a Trust to purchase and hold Company stock on behalf of certain employees who have elected to receive a portion of their annual bonus entitlement in the form of Company shares. During 2006, 113,508 shares were purchased on the open market at a cost of $3,869. These shares vested with employees in March 2007, at which time they were distributed to those individuals participating in the plan. Shares held within the Trust are not considered outstanding for purposes of calculating basic earnings per share, but are included in the calculation of diluted earnings per share.

7. CONTRIBUTED SURPLUS

Continuity of Contributed Surplus (year-to-date)	Amount
(000s)	($)
Balance, January 1, 2007	4,393
Stock options expensed	**691**
Stock options exercised	**(13)**
Balance, March 31, 2007	**5,071**

8. STOCK OPTIONS

Continuity of Stock Options (year-to-date)	Options	Average Exercise Price
	(#)	($)
Balance, January 1, 2007	1,505,796	22.15
Granted during the period	–	–
Exercised for common shares	**(2,400)**	**15.73**
Forfeited	**(21,668)**	**26.38**
Balance, March 31, 2007	**1,481,728**	**22.10**

All stock options vest equally over three years and expire three and one-half years from the date of grant. When stock options are exercised, the proceeds, together with the amount of compensation expense previously recorded in contributed surplus, is added to capital stock.

9. RELATED PARTY TRANSACTIONS

For the three months ended March 31, 2007, the Company purchased $9,015 (2006 – $5,632) of products and services from a company in which it holds a 30% equity interest. At March 31, 2007, accounts payable included $6,571 of indebtedness to this related party (March 31, 2006 – $2,176).

10. CONTINGENCIES

Greek Operations

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

In 1998, a consortium in which a Greek subsidiary of Denison participated, terminated employees in Greece as a result of the cessation of its oil and gas operations in that country. Several groups of employees have filed claims 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 compensation was due to the 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 employees has filed an appeal with the Supreme Court of Greece, which is scheduled to be heard on May 29, 2007.

Several other smaller groups of employees have filed similar cases in various courts in Greece. Some of these cases were heard in 2004. In general, the finding of these courts has been that the termination of the employees was valid and in some instances have awarded the employees immaterial amounts of additional compensation and in one case have referred the matter back to a lower court to be reheard based on more specific grounds.

As a result of the above-mentioned court hearings, a majority of the number of former employees with respect to these smaller groups of claimants have received payment of the immaterial amounts awarded to them and waived their right of recourse to the Supreme Court of Greece. The remainder have filed an appeal to the Supreme Court of Greece or have advised that they are waiting for the outcome of the May 29, 2007 hearing of the Supreme Court of Greece before proceeding further.

The direction and financial consequence of the potential decision in these actions cannot be determined at this time.

11. SEGMENTED INFORMATION

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

	Canada	Russia	United States	Intersegment Eliminations	Consolidated
(000s)	($)	($)	($)	($)	($)
Three Months Ended March 31, 2007					
Revenue	**86,587**	**12,055**	**29,865**	**–**	**128,507**
Operating income (1)	**22,694**	**1,603**	**6,288**	**–**	**30,585**
Segmented assets (2)	**411,813**	**90,028**	**189,299**	**(133,585)**	**557,555**
Capital expenditures	**13,914**	**14,014**	**20,593**	**–**	**48,521**
Goodwill	**6,003**	**–**	**–**	**–**	**6,003**
Three Months Ended March 31, 2006					
Revenue	109,011	1,347	15,652	–	126,010
Operating income (loss) (1)	39,574	(1,558)	4,442	–	42,458
Segmented assets (2)	381,667	18,432	28,489	(47,326)	381,262
Capital expenditures	44,564	4,279	1,788	–	50,631
Goodwill	6,003	–	–	–	6,003

1. Operating income (loss) is defined as revenue less operating expenses (excluding depreciation) and selling, general and administrative expenses.
2. Assets operated by the Company's U.S. subsidiary during 2006 were acquired through a lease arrangement with the Canadian parent company. The cost base of these assets was $45.7 million at March 31, 2006. During the first quarter of 2007, these assets were sold to the U.S. subsidiary by the parent company.

The following table sets forth consolidated revenue by service line:

Three Months Ended March 31,	**2007**	2006
(000s)	($)	($)
Fracturing	**112,289**	114,189
Coiled tubing	**9,411**	6,067
Cementing	**6,807**	5,754
	128,507	126,010

Corporate Information

DIRECTORS >

Ronald P. Mathison – Chairman (1)(2)

James S. Blair (3)

Gregory S. Fletcher (1)(2)

Martin Lambert (3)

R.T. (Tim) Swinton (1)(2)

Douglas R. Ramsay

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance and Nominating Committee

OFFICERS >

Douglas R. Ramsay
President & Chief Executive Officer

Gordon A. Dibb
Executive Vice President &
Chief Operating Officer

Tom J. Medvedic
Vice President, Finance &
Chief Financial Officer

Donald R. Battenfelder
Vice President, Operations

Dwight M. Bobier
Vice President, Technical Services

John L. Grisdale
Vice President, Business Development

Stephen T. Dadge
Vice President, Corporate Services

Michael D. Olinek
Corporate Controller

Matthew L. Mignault
Controller

HEAD OFFICE >

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Platteville

Arkansas, United States
Beebe

Russia
Moscow – Regional Office
Khanty-Mansiysk
Noyabrsk
Purpe

AUDITOR >

PricewaterhouseCoopers LLP
Calgary, Alberta

BANKER >

HSBC Bank Canada
Calgary, Alberta

LEGAL COUNSEL >

Bennett Jones LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT >

Computershare Trust Company of Canada
Calgary, Alberta

STOCK EXCHANGE LISTING >

Toronto Stock Exchange
Trading Symbol: CFW