TECHNOLOGIES THAT WORK...

IN THE FIELD Q1

CALFRAC WELL SERVICES LTD. › FIRST QUARTER INTERIM REPORT
For the Three Months Ended March 31, 2005

HIGHLIGHTS ›

Three Months Ended March 31,	**2005**	2004	Change
(000s, except per share data) (unaudited)	$	$	%
Financial			
Revenue	**80,694**	57,298	41
Gross margin	**32,437**	21,063	54
Net income	**21,670**	9,068	139
Per share – basic (1)	**0.60**	0.44	36
– diluted (1)	**0.59**	0.44	34
Cash flow from operations (2)	**26,015**	11,235	132
Per share – basic (1)	**0.72**	0.54	33
– diluted (1)	**0.71**	0.54	31
EBITDA (3)	**25,339**	16,186	57
Per share – basic (1)	**0.70**	0.78	(10)
– diluted (1)	**0.69**	0.78	(12)
Working capital	**49,103**	17,934	174
Shareholders' equity	**197,091**	110,490	78
Weighted average common shares outstanding (#)			
Basic (1)	**36,214,554**	20,763,498	74
Diluted (1)	**36,498,452**	20,763,498	76
	#	#	
Operating			
Fracturing spreads as at March 31			
Conventional fracturing	**13**	9	44
Natural gas from coal	**3**	2	50
Total	**16**	11	45

1. Historical per share information has been adjusted for the two-for-one stock split approved by shareholders on February 7, 2005.

2. Cash flow is defined as "Cash provided by operating activities before changes in non-cash working capital." 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 by Canadian GAAP, and accordingly, may not be comparable to similar measures used by other companies.

3. EBITDA represents income before interest, taxes, depreciation and amortization. EBITDA is not a term that is approved under Canadian GAAP as the calculation of EBITDA is not always used consistently by reporting issuers. Accordingly, EBITDA, as the term is used herein, may not be comparable to EBITDA as reported by other entities. EBITDA is presented because it is frequently used by security analysts and others in evaluating companies and their ability to service debt.

Letter to Shareholders

I am pleased to present the highlights for the three months ended March 31, 2005 and the developments to date in the year's second quarter.

FINANCIAL HIGHLIGHTS ›

For the three months ended March 31, 2005, Calfrac posted record first quarter financial results, which included revenues increasing to $80.7 million, net income improving to $21.7 million or $0.60 per share and operating cash flow before change in non-cash working capital growing to $26.0 million or $0.72 per share. Another key metric we use to measure our growth and success is how much revenue we generate for each job we complete. During the 2005 first quarter, our average consolidated revenue per job increased 22% to $46,869 from $38,541 recorded in the first three months of 2004 with year-over-year margins improving from 36.8% to 40.2%.

OPERATIONAL HIGHLIGHTS ›

In Canada, the first quarter of 2005 started at a brisk pace. Although demand for fracturing and coiled tubing services traditionally does not commence until mid-January, the strong activity levels from the 2004 year-end continued into the first weeks of January with spreads and crews maintaining their high utilization rates. By mid-January, the momentum began to fluctuate as weather conditions swung from days with temperatures well below normal to days with record balmy conditions in all of our operating regions. This unstable weather pattern returned to plague our field operations in early March with fears of an early spring break-up, but fortunately temperatures dropped and we were able to resume full operational capacity for the last half of March. Consequently, our overall revenues for the period were slightly lower than our original forecasts, but were more than offset by higher margins and revenues per job.

Calfrac's strategy to move into the larger, more technically challenging areas was evident in the first quarter with our market penetration into the northern areas of the Western Canadian Sedimentary Basin, as we posted record levels of fracturing and coiled tubing activities in our Grande Prairie district. Our coalbed methane ("CBM") spreads utilizing Calfrac's Ultra High Rate Nitrogen Pumpers were very busy during the first three months of 2005 and we continue to operate these specialty spreads on a limited basis as spring road restrictions allow only limited movement of fracturing equipment and bulk nitrogen. To date in 2005, we have been able to source our nitrogen needs locally and in so doing have negated the need to travel long distances for product supplies, which translates into increased margins and job efficiencies. Our shallow gas sand fracturing projects continue to operate through spring break-up in the Suffield area of southern Alberta.

In February, Calfrac purchased the remaining 30% of Ram Cementers Inc. ("Ram") resulting in the cementing division being 100% owned by Calfrac. Subsequently, Ram has been fully integrated into the operations, sales, marketing and administration departments of Calfrac.

For Calfrac, the 2005 first quarter was a period of strong financial and operating performance with **SIGNIFICANT INCREASES** in all of our key metrics.

In the United States Rocky Mountain region, the first quarter is traditionally our slowest quarter and the first three months of 2005 was no exception. In keeping with our operating strategy of diversifying our activities so that our personnel and equipment can be maximized year-round, we mobilized a U.S. fracturing spread to our Canadian operations for a portion of the quarter in order to respond to that market's customer demand. During the period, the U.S. division continued to build momentum with the addition of new senior managers to its marketing and technology services teams who will help to expand our customer base and operating regions in this important geographic market.

FUTURE GROWTH ›

Through the first quarter and into early spring, Calfrac has taken delivery of two fracturing spreads, a unique Blender/Pumper spread dedicated to shallow gas fracturing and one Ultra High Rate Nitrogen Pumper spread designed for fracturing the Horse Shoe Canyon coal formation in southern Alberta. The remainder of the scheduled fracturing, coiled tubing and cementing equipment will roll out during the balance of the year to give us a total of 21 fracturing spreads, 14 coiled tubing crews and 11 cementing units by year-end 2005.

CORPORATE ACTIVITIES ›

On February 7, 2005, the shareholders of Calfrac approved a two-for-one stock split, which began trading on February 17, 2005. As a result of the split, Calfrac's outstanding common shares currently total 36,214,554.

OUTLOOK ›

The spring break-up period has allowed our maintenance personnel to conduct equipment maintenance and repairs readying us for what is expected to be a very active remainder of 2005. This brief downtime also allows us to continue to train and certify our people as we continue to grow our employee base, add new customers, roll out new equipment and explore the potential to expand to new markets. We are excited about the results we have posted to date and we look forward to reporting our progress throughout the balance of the year.

On behalf of the Board of Directors,

D.R. Ramsay

DOUGLAS R. RAMSAY
President & Chief Executive Officer

May 9, 2005

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements of Calfrac for the three months ended March 31, 2005 and 2004 and the audited consolidated financial statements and annual MD&A for the years ended December 31, 2004 and 2003 together with the accompanying notes. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This MD&A contains the term cash flow from operations, which should not be considered an alternative to or more meaningful than cash flow from operating activities, as determined in accordance with Canadian GAAP, as an indicator of the Company's performance. Cash flow is defined as "Cash provided by operating activities before changes in non-cash working capital." 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 by Canadian GAAP, and accordingly, may not be comparable to similar measures used by other companies.

PERFORMANCE SUMMARY ›

Calfrac Well Services Ltd. achieved record first quarter financial results for the three months ended March 31, 2005. High levels of activity in Western Canada combined with a larger fleet of equipment provided the foundation for significant increases in revenue, net income and cash flow. The trend within Western Canada's oil and gas industry to natural gas focused drilling continued and, as the Company's services are highly leveraged towards natural gas production, provided the impetus for the record financial results.

Revenue for the three-month period ended March 31, 2005 totaled $80.7 million, an increase of 41% over the $57.3 million recorded a year ago. Net income for the first quarter of 2005 increased 139% to $21.7 million ($0.60 per share) from $9.1 million ($0.44 per share) in 2004. Cash flow from operations before change in non-cash working capital totaled $26.0 million ($0.72 per share), a 132% increase over the $11.2 million ($0.54 per share) recorded in the same period of 2004.

REVENUE ›

Canadian Operations

Revenue from Canadian operations for the first quarter of 2005 increased 53% to $75.5 million versus $49.2 million for the first quarter of 2004. Canadian fracturing revenue for the three months ended March 31, 2005 totaled $69.4 million compared to $44.3 million recorded in the corresponding period of 2004. Revenue was positively impacted by the introduction of several new fracturing spreads, a 5% book price increase to the Company's service offerings that became effective July 1, 2004, strong commodity prices and robust activity levels. While revenues increased substantially on a quarter-over-quarter basis, they were negatively impacted by extremely cold weather in early January and unseasonably warm temperatures at the beginning of March, which caused road bans to be implemented, however colder weather was experienced later in the month that provided the opportunity to finish the quarter on a positive note. Calfrac completed 1,525 Canadian fracturing jobs for an average revenue of $45,495 per job compared to 1,253 jobs for $35,368 per job the prior year. The 29% improvement in revenue per job was attributable to a significant increase in the size of fracturing jobs, which require more horsepower, completed during the period as well as an increase in the number of coalbed methane ("CBM") jobs, which tend to have higher per job revenues.

Revenue from coiled tubing operations totaled $4.2 million in the 2005 three-month period versus $4.9 million a year ago. The total number of jobs completed in the first quarter of 2005 was 1,125 for a revenue per job of $3,747 compared to 1,893 jobs for a revenue per job of $2,599 in 2004. A greater shift towards larger jobs accounted for the higher per job revenues. Consistent with fracturing operations, revenues were negatively impacted by extremely cold weather during January and warmer than average temperatures in early March.

Revenue from the Company's cementing operations totaled $1.9 million for the three months ended March 31, 2005. The Company expects these operations to become a larger contributor to its financial results in the future through an expanded fleet of equipment and fully integrated marketing and operational capabilities.

United States Operations

Revenue from United States operations totaled $5.2 million in the first quarter of 2005 compared to $8.1 million recorded in the same period the prior year. The decrease was primarily due to lower activity levels by the Company's customers in the DJ basin of Colorado where the majority of Calfrac's operations are based. The Company completed 66 U.S. fracturing jobs for an average revenue of $78,621 per job for the period ended March 31, 2005 compared to 106 jobs for $76,056 per job in 2004. A stronger Canadian dollar also had a negative impact on the revenues recorded in the quarter. The Company has recently augmented its U.S. management team and expects the benefit from these changes will be realized in the near future through a larger customer base and expanded geographical operations. Calfrac has also initiated a comprehensive market analysis to ensure that its operations are focused in areas of greatest long-term activity and financial return.

GROSS MARGIN ›

Consolidated gross margins increased 54% to $32.4 million for the first quarter of 2005 from $21.1 million in the corresponding period of 2004. A larger fleet of equipment combined with strong levels of activity in Western Canada were the most significant contributors to this increase. As a percentage of revenue, consolidated gross margins increased to 40.2% for the period ended March 31, 2005 compared to 36.8% in the same period a year ago. The increase in margins is primarily a result of higher per job revenues.

EXPENSES ›

Operating Expenses

During the quarter, operating costs increased 33% to total $48.3 million versus $36.2 million in the first quarter of 2004 due primarily to higher activity levels. In addition, the Company experienced higher labour, fuel and maintenance costs. Labour costs were increased in order to remain competitive in retaining existing staff and attracting and training a new base of qualified personnel required to meet growing operational demands. The Company is also proactive in hiring field personnel in advance of new equipment rollouts to ensure that our employees are adequately trained to operate this added capital. The increase in maintenance costs reflects the high utilization of equipment as well as the fact that as Calfrac's equipment ages, more resources are required to keep them operating to the Company's high standards. While its equipment is still considered relatively new by industry standards, maintenance costs are expected to increase going forward as assets that were put into service over the past several years start to require overhauls due to the high levels of activity which have been experienced recently. Although a portion of the increases in labour and fuel were passed on to Calfrac's customers, a portion also reduced the Company's margins.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses totaled $7.3 million for the quarter ended March 31, 2005 compared to $4.0 million in 2004. As a percentage of revenue, SG&A expenses increased to 9% in the first quarter of 2005 compared to 7% in the corresponding period a year ago. The increase in SG&A expenses coincides with overhead requirements to support the Company's growth. As Calfrac's employee base continues to grow with the scope of its operations, the Company is taking proactive measures to ensure that it is hiring and retaining the right people and that appropriate levels of training are provided to ensure that personnel work in a safe and efficient environment. The increase in SG&A expenses can also be partially attributed to a stock-based compensation expense of $1.0 million recorded during the quarter related to the implementation of a new long-term incentive plan for directors, officers and employees. Additional costs were also incurred relating to restructuring costs associated with the acquisition of the remaining interest in Ram Cementers Inc. ("Ram") and costs related to investigating international opportunities.

Interest and Depreciation Expenses

The Company recorded interest income of $0.1 million for quarter ended March 31, 2005 compared to interest expense of $0.4 million in 2004. The change is primarily as a result of debt repayments totaling $22.8 million made at the end of March 2004 as well as proceeds of $26.8 million resulting from a public offering of the Company's shares completed in August 2004. Depreciation expense rose 41% to $3.6 million from $2.5 million in the first quarter of 2004 due to a full year of depreciation relating to equipment additions made during 2004 and the first quarter 2005 capital program that included bringing five new fracturing spreads and other support equipment into service.

INCOME TAX ›

Income tax expense for the quarter ended March 31, 2005 totaled $0.2 million versus $4.1 million recorded in the prior year. Current tax for the reporting period was a recovery of $0.3 million compared to an expense of $4.5 million in the prior year. The recovery relates to the Company's U.S. operations as well as current tax associated with Ram's operations. The majority of the current tax provision for the first quarter of 2004 related to the profitability of the Company prior to the amalgamation with Denison Energy Inc. on March 24, 2004. As a result of the business combination, Calfrac significantly reduced its current income tax related to Canadian operations and anticipates similar reductions will be recorded over the next few years. Future income tax expense for the three-month period ended March 31, 2005 totaled $0.5 million, related primarily to the drawdown of the Company's tax pools, compared to a recovery of $0.5 million recorded in the first quarter of 2004.

NET INCOME ›

Net income for the quarter grew to $21.7 million or $0.60 per share from $9.1 million or $0.44 per share in the first quarter of 2004. This 139% earnings growth was due primarily to an increase in revenue and higher margins as a result of strong industry activity levels and a larger fleet of equipment.

CASH FLOW ›

Cash flow from operations before change in non-cash working capital for the first quarter of 2005 increased 132% to $26.0 million or $0.72 per share from $11.2 million or $0.54 per share recorded in the first quarter of 2004. During the three-month period ended March 31, 2005, cash flow was used primarily to finance the Company's expanded capital expenditures program and fund operations during the high activity levels experienced in the quarter.

SUMMARY OF QUARTERLY RESULTS ›

Three Months Ended	Jun.30, 2003	Sep.30, 2003	Dec.31, 2003	Mar.31, 2004	Jun.30, 2004	Sep.30, 2004	Dec.31, 2004	**Mar.31, 2005**
(000s, except per share data) (unaudited)	$	$	$	$	$	$	$	$
Revenue	22,714	47,514	48,064	57,298	41,066	60,538	82,477	**80,694**
Gross margin	5,202	17,534	17,031	21,063	7,643	20,732	34,346	**32,437**
Net income (loss)	(60)	7,525	7,336	9,068	1,657	11,771	23,134	**21,670**
Per share – basic (1)	(0.00)	0.39	0.38	0.44	0.05	0.34	0.64	**0.60**
– diluted (1)	(0.00)	0.39	0.38	0.44	0.05	0.34	0.64	**0.59**
Cash flow from operations (2)	2,850	9,756	10,530	11,235	4,674	14,880	28,156	**26,015**
Per share – basic (1)	0.15	0.50	0.54	0.54	0.14	0.43	0.78	**0.72**
– diluted (1)	0.15	0.50	0.54	0.54	0.14	0.43	0.78	**0.71**
EBITDA (3)	2,824	14,524	14,384	16,186	4,591	15,299	27,950	**25,339**
Per share – basic (1)	0.15	0.75	0.74	0.78	0.13	0.44	0.77	**0.70**
– diluted (1)	0.15	0.75	0.74	0.78	0.13	0.44	0.77	**0.69**
Capital expenditures	4,138	7,299	4,377	12,430	11,311	12,740	14,846	**22,108**
Working capital	3,158	3,706	6,764	17,934	8,280	36,427	49,578	**49,103**
Shareholders' equity	42,192	49,717	57,431	110,490	112,065	151,402	174,956	**197,091**
Fracturing spreads (#)								
Conventional	9	9	9	9	10	11	12	**13**
Natural gas from coal	1	1	1	2	2	2	2	**3**
Total	10	10	10	11	12	13	14	**16**

1. Historical per share information for 2003 has been calculated using 19,467,012 shares outstanding calculated in accordance with Canadian GAAP for reverse takeover transactions and after adjusting for the two-for-one stock split.

2. Cash flow is defined as "Cash provided by operating activities before changes in non-cash working capital." 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 by Canadian GAAP, and accordingly, may not be comparable to similar measures used by other companies.

3. EBITDA represents income before interest, taxes, depreciation and amortization. EBITDA is not a term that is approved under Canadian GAAP as the calculation of EBITDA is not always used consistently by reporting issuers. Accordingly, EBITDA, as the term is used herein, may not be comparable to EBITDA as reported by other entities. EBITDA is presented because it is frequently used by security analysts and others in evaluating companies and their ability to service debt.

LIQUIDITY AND CAPITAL RESOURCES ›

As at March 31, 2005, Calfrac had positive working capital of $49.1 million. Long-term debt, net of current portion, totaled $2.6 million.

During the quarter, Calfrac completed formal documentation for a new credit facility. The facility includes a $15.0 million operating line of credit with advances bearing interest at either the bank's prime rate or Bankers' Acceptance plus 1.125%. All advances are repayable on demand. The line of credit is undrawn as at the date of this report. The new facility also includes a revolving $25.0 million term loan that bears interest at either the bank's prime rate plus 0.625% or Bankers' Acceptance plus 1.5%. The facility is secured by new equipment acquisitions and is undrawn as at the date of this report.

Capital expenditures for the quarter ended March 31, 2005 totaled $22.1 million, a portion of which related to the completion of the 2004 capital program including the construction of an additional conventional fracturing spread to be based in Medicine Hat, Alberta and two additional spreads specifically designed to complete high rate nitrogen fractures on CBM wells in Canada. The conventional spread and one spread dedicated to CBM activity were delivered late in the first quarter. The delivery of the second spread dedicated to CBM activity is expected later this spring. The remaining portion of the capital expenditures relates to the 2005 capital budget, which contemplates the addition of four conventional fracturing spreads, three deep coiled tubing units, three cementing pumpers, as well as additional infrastructure. Delivery of these additional spreads is scheduled to be completed within time and budget parameters.

On February 11, 2005, the Company acquired the remaining 30% interest in Ram Cementers Inc. ("Ram"), thereby making Ram a wholly owned subsidiary of Calfrac. Subsequent thereto, Ram was wound-up into Calfrac and all operating, marketing and financial activities became fully integrated within Calfrac.

On February 7, 2005, the shareholders of the Company voted in favour of a two-for-one subdivision of the Company's common shares. Common shares began trading on a split basis on the Toronto Stock Exchange on February 17, 2005. Upon completion of the share split, and as at the date of this report, the Company had 36,214,554 common shares outstanding.

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 the balance of 2005.

CRITICAL ACCOUNTING ESTIMATES ›

This MD&A is based on Calfrac's consolidated financial statements that have been prepared in accordance with Canadian GAAP. The Company's significant accounting policies are described in note 2 to the annual consolidated financial statements as at December 31, 2004. 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 accounting estimates that have the greatest impact on the Company's financial results are depreciation, results of legal action, taxation, and valuation of stock option benefits.

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

As described in note 4 to the annual consolidated financial statements, the amount of the future tax asset and deferred tax credit in respect of the income tax pools available to the Company were based on tax filings to date. The income tax rates used to calculate the amount of the asset are based on available information on future income tax rates. The income tax authorities have not audited any of these pools so far as they relate to the Company.

As described in note 6 to the interim consolidated financial statements, the Company is involved in a number of legal actions in Greece and potential claims in the State of Maine. Management evaluates the likelihood of potential liabilities being incurred and the amount of such liabilities after careful examination of available information and discussions with its legal advisors. As these actions have yet to reach a status where the direction of a court's decision can be determined with any reliability, management is unable to evaluate its potential exposure to these legal actions at this time. The Company does not expect these claims to be material. Denison Mines Inc. has provided an indemnity to the Company relating to the claims associated with the State of Maine.

Effective January 1, 2005, the Company adopted the Canadian Accounting Standards Board amendment to Handbook Section 3860 “Financial Instruments – Disclosure and Presentation” along with Canadian Accounting Guideline 15 (AcG 15) “Consolidation of Variable Interest Entities (VIEs).” There was no effect on the consolidated financial statements from the adoption of these guidelines.

OUTLOOK ›

While operations during the first quarter of 2005 were somewhat curtailed by weather related issues, Calfrac believes that strong demand for its service offerings will continue throughout the remainder of 2005 and beyond, and the Company’s 2005 capital program will assist in meeting this demand. Demand for the Company’s services that are specifically related to CBM applications continues to be very encouraging. As Calfrac is generally acknowledged as a leading service provider in this area with the largest fleet of equipment servicing this specialty market, the Company expects to continue to maintain its leadership position through its fleet of equipment and continual focus on improving technology and operating efficiency.

The Company remains committed to growing its U.S. operations. Fundamentals associated with oil and gas activity in the Rocky Mountain region of the United States appear strong. Recent additions to the management team combined with the deployment of an additional fracturing spread in 2004 to this market provide the foundation for future growth in this area. The Company continues to evaluate opportunities in the Rocky Mountain region to ensure that equipment utilization and financial returns are maximized.

The acquisition of the remaining interest in Ram during the quarter reaffirms Calfrac’s long-term commitment for growing this business line. With the planned addition of seven cementing pumpers during 2005, the Company will effectively triple the size of this operating unit. Combining a larger fleet of equipment with the integration of operations and marketing efforts under the Calfrac banner, the Company expects that the cementing business will become a more significant contributor to the future financial performance of the Company.

RISKS AND UNCERTAINTIES ›

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, impact of the Kyoto Protocol, 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.

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 first quarter results at 10:00 a.m. (Calgary time) on Wednesday, May 11, 2005. The conference call dial-in number is 1-800-814-3911. Seven day replay: 1-877-289-8525 and enter 21121982#. 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 Thursday, May 12, 2005 at 3:30 p.m. (Calgary time) in the Turner Valley Room at the Fairmont Palliser Hotel, Calgary, Alberta.

Management's Discussion and Analysis

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 and the Rocky Mountain region of the United States. The common shares of Calfrac are listed for trading on the Toronto Stock Exchange under the symbol CFW. For additional information, visit the Company's website at www.calfrac.com.

SEDAR ›

Additional information relating to the Company, including its Annual Information Form, can be accessed on the Company's website at www.calfrac.com and on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

FORWARD-LOOKING STATEMENTS ›

Certain statements contained in this report, including statements that may contain words such as "anticipates," "can," "may," "expect," "believe or believes" and "will" and similar expressions are 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. These statements are derived from certain assumptions and analyses made by the Company based on its experience and interpretation of historical trends, current conditions and expected future developments, and other factors that it believes are appropriate in the circumstances. These statements or predictions are subject to a number of known and unknown risks and uncertainties, which are discussed previously in this report, that could cause actual results to differ materially from the Company's expectations. Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

D.R. Ramsay

DOUGLAS R. RAMSAY
President & Chief Executive Officer

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

May 9, 2005
Calgary, Alberta

Consolidated Balance Sheets

As at	March 31, 2005	December 31, 2004
(000s) (unaudited)	$	$
Assets		
Current assets		
Cash and cash equivalents	**18,603**	27,830
Accounts receivable	**60,990**	56,609
Income taxes recoverable	**458**	140
Inventory	**2,866**	2,688
Prepaid expenses and deposits	**1,253**	1,363
	84,170	88,630
Capital assets	**139,128**	120,615
Long-term investment (note 3)	**257**	–
Intangible assets	**–**	36
Goodwill	**6,003**	3,604
Future income taxes	**46,347**	53,311
	275,905	266,196
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**32,521**	35,408
Current portion of long-term debt	**2,546**	3,644
	35,067	39,052
Long-term debt	**2,576**	3,958
Deferred credit	**41,171**	47,609
Non-controlling interest	**–**	621
	78,814	91,240
Shareholders' equity		
Capital stock	**136,473**	136,473
Contributed surplus	**1,116**	651
Retained earnings	**59,502**	37,832
	197,091	174,956
	275,905	266,196

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations and Retained Earnings

Three Months Ended March 31,	**2005**	2004
(000s, except per share data) (unaudited)	$	$
Revenue	**80,694**	57,298
Expenses		
Operating	**48,257**	36,235
Selling, general and administrative	**7,287**	4,014
Restructuring costs	**–**	965
Equity share of income from long-term investments (note 3)	**(257)**	–
Other expenses (income)	**68**	(102)
	55,355	41,112
	25,339	16,186
Depreciation	**3,595**	2,549
Amortization of intangibles	**37**	74
Interest	**(107)**	404
Income before income taxes	**21,814**	13,159
Income taxes		
Current	**(361)**	4,547
Future	**526**	(456)
	165	4,091
Income before non-controlling interest	**21,649**	9,068
Non-controlling interest	**(21)**	–
Net income for the period	**21,670**	9,068
Retained earnings, beginning of period	**37,832**	42,711
Effect of change in accounting for stock-based compensation	**–**	(829)
Purchase and cancellation of shares	**–**	(53,866)
Elimination of deficit on amalgamation	**–**	4,186
Retained earnings, end of period	**59,502**	1,270
Earnings per share		
Basic	**0.60**	0.44
Diluted	**0.59**	0.44

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Three Months Ended March 31,	**2005**	2004
(000s) (unaudited)	$	$
Cash provided by (used in)		
Operating activities		
Net income for the period	**21,670**	9,068
Items not involving cash		
Depreciation and amortization	**3,632**	2,623
Stock-based compensation	**465**	–
Equity share of income from long-term investments	**(257)**	–
Future income taxes	**526**	(456)
Non-controlling interest	**(21)**	–
Funds provided by operations	**26,015**	11,235
Net change in non-cash working capital	**(7,654)**	(10,345)
	18,361	890
Financing activities		
Net proceeds from share issues received on amalgamation	**–**	92,948
Issue of long-term debt	**710**	–
Long-term debt repayments	**(3,190)**	(25,924)
Purchase of common shares	**–**	(58,437)
	(2,480)	8,587
Investing activities		
Purchase of capital assets	**(22,108)**	(12,430)
Proceeds on disposal of capital assets	**–**	32
Acquisition of minority interest in a subsidiary	**(3,000)**	–
	(25,108)	(12,398)
Decrease in cash position	**(9,227)**	(2,921)
Cash and cash equivalents, beginning of period	**27,830**	14,967
Cash and cash equivalents, end of period	**18,603**	12,046

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2005
(000s) (unaudited)

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 well sites 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 for:

Long-Term Investments

In 2005, the Company commenced equity accounting for its investment in shares of a company over which it has significant influence. Under the equity method of accounting, investments are carried at their original cost plus the Company’s cumulative share of earnings, less any dividends received.

4. COMMON SHARE SPLIT ›

On February 7, 2005, the shareholders of the Company voted in favour of a two-for-one subdivision of the Company’s common shares. Upon completion of the share split on February 17, 2005, the Company had 36,214,554 common shares outstanding. Comparative per share information has been restated to reflect the two-for-one split.

5. STOCK OPTIONS ›

As of March 31, 2005, the Company had a total of 852,200 stock options outstanding at exercise prices ranging from $15.73 to $25.00. These options vest equally over three years and expire three and one half years from the date of grant. None of the options are exercisable prior to September 1, 2005.

6. CONTINGENCIES ›

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 previous businesses as follows:

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 November 8, 2005.

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.

6. CONTINGENCIES › (continued)

Greek Operations (continued)

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 November 8, 2005 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.

Mining Claims

The Company is named as a defendant in an action filed by the State of Maine regarding potential liability for clean-up costs at a zinc-mining site in the state of Maine known as Blue Hill. The site is now the source of some heavy metal contamination of the ground water in the area and further reclamation work is required. Furthermore, the Company has been advised that Noranda Inc., a co-defendant in the above-mentioned case, is filing a counterclaim that names the Company as a defendant by counterclaim.

Denison Mines Inc. ("Denison") has advised the Company in writing that it will indemnify it from any adverse consequences arising from both of the above claims. Denison has advised the Company that it has thoroughly examined the issue and believes it has no liability related to the costs of any clean-up of the contamination and has made no provision for any costs other than those incurred to date to investigate the matter. Further, the Company believes that, to the extent that there is liability and the Company incurs legal fees, Kerramerican and Black Hawk are liable pursuant to an indemnity agreement. Notwithstanding the Company's belief that it has no liability, future litigation of the matter cannot be ruled out and as a result, the Company cannot determine the outcome of this matter at this time.

7. SEGMENTED INFORMATION ›

The Company's activities are conducted in two geographic segments: Canada and the United States. All activities are related to stimulation and cementing services to the oil and gas industry.

	Canada	United States	Intersegment Eliminations	Consolidated
(000s)	$	$	$	$
Three Months Ended March 31, 2005				
Revenue	**75,505**	**5,189**	**–**	**80,694**
Net income (loss)	**22,428**	**(758)**	**–**	**21,670**
Segmented assets	**273,117**	**5,420**	**(2,632)**	**275,905**
Capital expenditures	**22,034**	**74**	**–**	**22,108**
Goodwill	**6,003**	**–**	**–**	**6,003**
Three Months Ended March 31, 2004				
Revenue	49,236	8,062	–	57,298
Net income	8,585	483	–	9,068
Segmented assets	211,456	4,798	(464)	215,790
Capital expenditures	12,257	173	–	12,430
Goodwill	3,276	–	–	3,276

Note: Assets operated by Calfrac Well Services Corp. were acquired through a lease arrangement with Calfrac Well Services Ltd.

Corporate Information

DIRECTORS ›

Ronald P. Mathison (1)(2)
Chairman

James S. Blair (1)(3)

Gregory S. Fletcher (1)(2)

Martin Lambert (3)

Paul F. Little (3)

R. Timothy Swinton (1)(2)

Douglas R. Ramsay

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance Committee

OFFICERS ›

Douglas R. Ramsay
President & Chief Executive Officer

Gordon A. Dibb
Executive Vice President

Robert S. Roberts
Senior Vice President &
Chief Operating 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 Service

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

Matthew L. Mignault
Controller

HEAD OFFICE ›

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E-Mail: info@calfrac.com
Website: www.calfrac.com

OPERATING BASES ›

Alberta, Canada
Calgary – Head Office
Medicine Hat
Red Deer
Grande Prairie

Colorado, United States
Denver – Regional Office
Platteville

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

STOCK EXCHANGE LISTING ›

Toronto Stock Exchange
Trading Symbol: CFW