

Calfrac Well Services Ltd.

Interim Consolidated Financial Statements
(Unaudited)

March 31, 2004

(in thousands of Canadian dollars)

Calfrac Well Services Ltd.

(Unaudited)

Interim Consolidated Balance Sheet

(in thousands of Canadian dollars)

	March 31, 2004	December 31, 2003
	\$	\$
Assets		
Current assets		
Cash	12,046	14,967
Marketable securities	1	1
Accounts receivable	44,363	30,497
Inventory	2,187	1,958
Prepaid expenses and deposits	859	927
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	59,456	48,350
Capital assets	88,291	78,441
Intangible assets	178	252
Goodwill	3,276	3,276
Future income taxes (note 4)	64,589	-
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	215,790	130,319
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	33,543	23,889
Income taxes payable	2,494	5,585
Current portion of long-term debt	5,485	12,112
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	41,522	41,586
Long-term debt	6,095	23,781
Future income taxes	-	7,521
Deferred credit (note 4)	57,683	-
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	105,300	72,888
Shareholders' Equity		
Capital stock (note 6)	109,220	14,720
Retained earnings	1,270	42,711
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	110,490	57,431
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	215,790	130,319
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Calfrac Well Services Ltd.

Interim Consolidated Statement of Operations and Retained Earnings

(Unaudited)

For the three month period ended March 31, 2004 and 2003

(in thousands of Canadian dollars, except per share amounts)

	2004	2003
	\$	\$
Revenue	57,298	38,266
Expenses		
Operating	36,235	24,943
Selling, general and administrative	4,014	3,122
Restructuring costs	965	-
Other (income) expenses	(102)	107
	41,112	28,172
	16,186	10,094
Depreciation	2,549	1,995
Amortization of intangibles	74	74
Interest	404	535
Income before income taxes	13,159	7,490
Income taxes		
Current	4,547	2,386
Future	(456)	256
	4,091	2,642
Net income for the period	9,068	4,848
Retained earnings – Beginning of period	42,711	23,062
Effect of change in accounting for stock-based compensation (note 2)	(829)	-
Purchase and cancellation of shares (note 5)	(53,866)	-
Elimination of deficit on amalgamation	4,186	-
Retained earnings – End of period	1,270	27,910
Earnings per share	0.87	0.50
Diluted earnings per share	0.87	0.50

Calfrac Well Services Ltd.

Interim Consolidated Statement of Cash Flows

(Unaudited)

For the three month period ended March 31, 2004 and 2003

(in thousands of Canadian dollars)

	2004 \$	2003 \$
Cash provided by (used in)		
Operating activities		
Net income for the period	9,068	4,848
Items not involving cash		
Depreciation and amortization	2,623	2,069
Future income taxes	(456)	256
	11,235	7,173
Net change in non-cash working capital	(10,345)	2,661
	890	9,834
Financing activities		
Net proceeds from share issues received on amalgamation (note 3)	92,948	-
Issue of bank loans and long-term debt	-	3,170
Bank loan and long-term debt repayments	(25,924)	(2,347)
Net proceeds on issuance of common shares	-	84
Purchase of common shares (note 5)	(58,437)	-
	8,587	907
Investing activities		
Purchase of capital assets	(12,430)	(8,908)
Proceeds on disposal of capital assets	32	-
	(12,398)	(8,908)
(Decrease) increase in cash for the period	(2,921)	1,833
Cash – Beginning of period	14,967	3,765
Cash – End of period	12,046	5,598

Calfrac Well Services Ltd.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2004

(in thousands of Canadian dollars)

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 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:

Stock-based compensation

In 2004, Calfrac Well Services Ltd. (the "Company") adopted a new CICA Handbook section on a retroactive basis, without restatement that requires companies to recognize compensation cost for the value of stock options granted. The new standard did not affect net earnings for the three months ended March 31, 2003. The affect of this change in accounting policy is to reduce opening retained earnings at January 1, 2004 by \$829.

3 Transaction with Denison Energy Inc.

On December 30, 2003, the shareholders of the Company granted to Denison Energy Inc. ("Denison") an irrevocable option to purchase all of the shares of the Company. On March 24, 2004, Denison exercised this option for a net purchase price of \$143,899. This consideration was paid to the shareholders of the Company by way of cash of \$28,780 and 7,427,039 Denison common shares. On March 24, the Company was amalgamated with Denison and the name of the amalgamated corporation was changed to Calfrac Well Services Ltd. The net assets of Denison contributed to the amalgamated corporation on March 24, were as follows:

	\$
Cash	92,948
Future income tax assets (note 4)	13,972
Current liabilities	(3,580)
Long-term liabilities	(912)
	<u>102,428</u>

Calfrac Well Services Ltd.

Notes to Interim Consolidated Financial Statements

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4 Future income tax assets

On the amalgamation of Denison and the Company on March 24, 2004, a future income tax asset associated with Denison's income tax pools was recognized in the accounts. Denison had tax pools estimated at \$222,630 for federal income tax purposes and \$170,983 for provincial income tax purposes. The final amount of these tax pools will be determined when all of Denison's tax filings are completed. After tax affecting these pools at applicable federal and provincial income tax rates, a future income tax asset of \$68,909 was recorded. The fair value paid for the tax pools acquired is estimated to be \$11,000. The difference between the future income tax asset recognized and the fair value of these tax pools was recorded as a deferred credit in the amount of \$57,909. In addition to this, a future income tax asset was recognized in the amount of \$2,972, which pertains to \$8,841 of share issue costs incurred on Denison's public offering completed on March 23, 2004.

5 Purchase and cancellation of common shares

On March 23, 2004, the Company acquired all of the shares of 1070479 Alberta Ltd. ("1070479") for nominal consideration. 1070479 had previously acquired 4,289,844 of the Company's shares from a major customer of the Company for \$58,437, payable by way of a promissory note. Immediately following the acquisition of 1070479, 1070479 was wound up into the Company and the Company shares were cancelled. The promissory note was paid in full on March 24. The cancellation of the shares was treated as a proportionate return of capital in the amount of \$4,571 and a distribution of retained earnings in the amount of \$53,866.

6 Capital stock

The issued common shares and related values after giving effect to the acquisitions and amalgamation described above are as follows:

	Number of Shares	Amount \$
December 31, 2003	13,813,700	14,720
Purchase and cancellation of Company shares	(4,289,844)	(4,571)
Denison shares issued prior to March 24, 2004	9,680,238	119,131
Effect of shares issued by Denison to the Company's shareholders	(2,096,817)	-
Recognition of Denison tax pools	-	11,000
Elimination of deficit on amalgamation	-	(31,889)
Elimination of contributed surplus on amalgamation	-	829
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March 31, 2004	17,107,277	109,220

Calfrac Well Services Ltd.

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7 Contingencies

As a result of the acquisition and amalgamation described in note 3, the Company has assumed certain legal obligations relating to Denison's previous businesses as follows:

a) Legal actions – Greece

In September 2002, the Court of Appeal of Athens ruled that certain employee terminations in 1998 by a Greek subsidiary of Denison were made in good faith and in accordance with applicable law and that no further severance payments were required to be made. This decision has since been appealed by these employees to the Supreme Court of Greece. A hearing of the Supreme Court is not expected until late 2004 or early 2005.

In September 2003, the Supreme Court of Greece issued a ruling that another former employee of the Greek subsidiary of Denison be compensated for certain vacation days and referred two other compensation matters back for consideration at a new trial at the Court of Appeals of Athens. The hearing of this case commenced in the Court of Appeals of Athens on April 27, 2004. A decision is not expected until six months after its conclusion.

Another group of employees of the Greek subsidiary received a favourable trial court ruling, entitling them to compensation for a miscalculation of severance. Although the compensation awarded was not material, Denison filed an appeal to a higher court to contest this matter.

The direction and financial consequences of potential decisions in these actions cannot be determined at this time.

b) Mining claim

A letter was received from the Attorney General of the State of Maine, claiming compensation relating to mining activities conducted 35 years ago in Blue Hill, Maine.

Denison Mines Inc. (a company formed from the reorganization of Denison prior to their acquisition of the Company and now unrelated to the Company) has advised the Company in writing that it will indemnify it against any adverse consequences arising from this claim. In the financial statements prepared for Denison Mines at December 31, 2003, management expressed an opinion that the aggregate amount of any potential liability arising from this claim is expected to be immaterial.

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8 Segmented information

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

(three months ended March 31)	Canada		United States		Intersegment Eliminations		Consolidated	
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$
Revenue	49,236	35,770	8,062	2,772	-	(276)	57,298	38,266
Net income	8,585	5,591	483	(743)	-	-	9,068	4,848
Segmented assets	211,456	102,557	4,798	3,868	(464)	(3,385)	215,790	103,040
Capital expenditures	12,257	8,908	173	-	-	-	12,430	8,908
Goodwill	3,276	3,276	-	-	-	-	3,276	3,276