3RD QUARTER 2004

CALFRAC WELL SERVICES LTD.

2004 Third Quarter Report

For the Three and Nine Months ended September 30, 2004

- *Innovation*
- *Enthusiasm*
- *Dependability*
- *Integrity*

Technologies that work in the field.

Highlights

Calfrac delivered significant financial and operational gains during both the three and nine-month periods ending September 30, 2004.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004	2003	Change	**2004**	2003	Change
(000s, except per share data)	$	$	%	$	$	%
Revenue	**60,538**	47,514	27	**158,902**	108,494	46
Gross margin	**20,732**	17,534	18	**49,437**	36,059	37
Net income	**11,771**	7,525	56	**22,496**	12,313	83
Per share - basic & diluted (1)	**0.67**	0.77	(13)	**1.50**	1.26	19
EBITDA (2)	**15,299**	14,524	5	**36,076**	27,442	31
Cash flow from operations (3)	**14,880**	9,756	53	**30,790**	19,780	56
Working capital	**36,427**	3,706	883	**36,427**	3,706	883
Weighted average common shares outstanding - basic & diluted (1)	**17,444,234**	9,733,503	79	**14,986,755**	9,733,503	54
	#	#	%	#	#	%
Operating fracturing spreads as at September 30						
Conventional fracturing	**11**	9	22	**11**	9	22
Coalbed methane	**2**	1	100	**2**	1	100
Total fracturing spreads	**13**	10	30	**13**	10	30

1. In accordance with Canadian GAAP. The number of common shares outstanding on both a basic and diluted basis as at the date of this report is unchanged from the number of shares outstanding as at September 30, 2004, as disclosed in note 7 to the consolidated financial statements.

2. 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.

3. 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.

Management's Discussion and Analysis

Additional information relating to the Company, including its annual information form, is available through SEDAR at www.sedar.com.

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements of Calfrac for the three and nine months ended September 30, 2004 and 2003. 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.

Consolidated revenue for the three months ended September 30, 2004 rose 27% to $60.5 million compared to $47.5 million the previous year. This increase was the result of improved activity levels and a larger fleet of equipment operating in both Canada and the United States. Calfrac recorded net income of $11.8 million ($0.67 per share) for the third quarter of 2004, an increase of 56% over the $7.5 million ($0.77 per share) recorded in 2003, while cash flow from operations grew 53% to $14.9 million ($0.85 per share) from $9.8 million ($1.00 per share) a year ago.

Strong activity levels in the Canadian market contributed to a 46% year-over-year increase in nine-month consolidated revenue to $158.9 million from $108.5 million recorded in 2003. Net income for the first nine months of 2004 increased 83% to $22.5 million ($1.50 per share) from $12.3 million ($1.26 per share) the previous year and cash flow from operations totaled $30.8 million ($2.05 per share), a 56% increase from the $19.8 million ($2.03 per share) recorded for 2003.

RESULTS OF OPERATIONS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2004 AND 2003 ›

Revenue

Third quarter revenue from Canadian operations increased 24% to $53.6 million versus $43.2 million a year ago. Activity in July and August was weak due to inclement weather experienced throughout most of Western Canada resulting in a significant reduction in the number of wells completed during the period compared to 2003. September, however, brought dryer conditions and consequently a record month of activity and strong momentum heading into the fourth quarter. Revenue for the three-month period was positively impacted by the introduction of an additional fracturing spread that was placed in service in September, thereby bringing the total number of fracturing spreads at quarter-end to 11. During the third quarter of 2004, Calfrac completed 1,521 Canadian fracturing jobs for an average revenue of $32,482 per job compared to 1,498 jobs for $26,400 per job the prior year and 1,151 jobs for $28,725 per job recorded in the second quarter of 2004. A 5% price book increase for the Company's service offerings that became effective July 1, 2004 partially attributed to the quarter-over-quarter improvement. As well, a greater percentage of the work completed in the period resided in the Red Deer and Grande Prairie regions of Alberta, which tend to be of greater depth and therefore higher per job revenues. Other revenue totaled $4.2 million versus $3.6 million in 2003. This 17% increase was a result of higher activity levels and a full quarter's revenue contribution from Ram Cementers Inc. ("Ram"), which was acquired in the second quarter of 2004.

Canadian revenue for the first nine months of 2004 increased 42% to $138.7 million versus $97.9 million a year ago primarily as a result of higher activity levels, particularly in the first quarter, as well as a larger fleet of equipment in 2004 compared to 2003. During this period, the Company completed 4,052 Canadian fracturing jobs for an average revenue of $31,289 per job compared to 3,344 jobs for an average revenue of $26,616 per job in 2003. Other revenue totaled $11.9 million versus $8.5 million recorded during the nine-month period ended September 30, 2003.

In the United States, third quarter revenue increased 57% to $6.9 million from $4.4 million recorded in 2003 and was 32% higher than the $5.2 million generated during the second quarter of 2004. Strong activity levels and further expansion of the Company's customer base in the U.S. Rocky Mountain region are anticipated to continue for the remainder of the year.

Revenue from U.S. operations for the nine-month period ended September 30, 2004 totaled $20.2 million versus $11.0 million a year ago. The 84% increase was primarily as a result of stronger activity levels experienced during the first and third quarters of 2004 and the addition of a second conventional fracturing spread to the Company's U.S. fleet in May 2004.

Fracturing revenue from both Canadian and United States operations totaled $56.3 million for the 2004 three-month period representing 93% of consolidated revenue compared to $43.9 million or 92% recorded a year ago.

Gross Margin

In the third quarter of 2004, consolidated gross margins increased 18% to $20.7 million from $17.5 million recorded in 2003 due to increases in Canadian revenue and job counts. As a percentage of revenue, consolidated gross margins declined to 34% during the 2004 three-month period versus 37% a year ago primarily as a result of a decrease in Canadian activity levels early in the quarter due to inclement weather. Margins in the third quarter of 2004 were also negatively influenced by weak U.S. activity levels for the month of July. Additional expenses were also incurred in Canada that were associated with the deployment of additional fracturing spreads in September and October 2004.

For the first nine months of 2004, consolidated gross margins improved 37% to $49.4 million compared to $36.1 million recorded in 2003. As a percentage of revenue, consolidated gross margins for the period declined to 31% from 33% in 2003 due to a year-over-year drop in U.S. gross margins. In addition, revenue from U.S. operations, which generated lower gross margins, comprised 13% of consolidated revenue compared to 10% for the first nine months of 2003.

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

As a percentage of revenue, SG&A increased to 9% in the third quarter of 2004 from 7% in the comparable 2003 period. The year-over-year increase was due to higher provisions for performance bonuses payable to employees as well as higher SG&A required to support the growth of the Company. Calfrac also recorded a stock-based compensation expense of $154,000 in the quarter related to the grant of stock options. For the 2004 and 2003 nine-month periods, SG&A as a percentage of revenue remained constant at 8%.

Interest, Depreciation and Other Expenses

For the nine months ended September 30, 2004, interest expenses declined 64% primarily as a result of debt repayments made at the end of March 2004 that totaled $22.8 million. Depreciation expenses rose during the three-month period due to the increase in operating equipment. It is anticipated that these expenses will continue to climb throughout the remainder of the year as additional equipment is placed in service. Other expenses arise from fluctuations in Canadian and U.S. exchange rates.

Income Tax

As a result of the amalgamation with Denison Energy Inc. completed on March 24, 2004, Calfrac was able to significantly reduce its current income tax with respect to Canadian operations and anticipates similar reductions will be recorded over the next several years. Consequently, the current tax provision for the third quarter of 2004 of $0.5 million related primarily to the profitability of Ram and the Company's United States operations. Future income tax expense for the third quarter of 2004 was a drawdown of $0.2 million, which consisted of certain expenses that are non-deductible in the current period.

QUARTERLY FINANCIAL INFORMATION ›

Three Months Ended	Dec.31, 2002	Mar.31, 2003	Jun.30, 2003	Sep.30, 2003	Dec.31, 2003	Mar.31, 2004	Jun.30 20004	**Sep.30, 2004**
(000s, except per share data)	$	$	$	$	$	$	$	$
Revenue	29,939	38,266	22,714	47,514	48,065	57,298	41,066	**60,538**
Net income	3,214	4,848	(60)	7,525	7,336	9,068	1,657	**11,771**
Per share								
basic & diluted	0.19	0.28	(0.00)	0.44	0.43	0.53	0.10	**0.67**

Note: Historical earnings per share have been calculated on the 17,107,277 shares outstanding as at March 24, 2004. This is not in accordance with Canadian GAAP as comparative per share information based on Canadian GAAP would not provide a meaningful comparison due to the changes in Calfrac's issued shares since it became a public issuer in March 2004.

DISCUSSION OF FINANCIAL CONDITION AS AT SEPTEMBER 30, 2004 ›

Liquidity and Capital Resources

As at September 30, 2004, the Company had positive working capital of $36.4 million, which was in excess of the long-term portion of debt that totaled $4.1 million, and as a result, had no net debt.

During the third quarter, the Company entered into a bought deal financing with a syndicate of underwriters to sell 1,000,000 common shares in the capital of the Company at a price of $28.40 per common share for net proceeds of $26,912,000. The proceeds of the financing will be used to fund the Company's capital expenditures and other general corporate purposes.

Capital expenditures approved by the Company's Board of Directors for 2004 total $51.0 million, of which $36.5 million has been recorded in the financial statements for the period ended September 30, 2004. As part of this capital program, the Company recently introduced two additional fracturing spreads to its Canadian operations: one spread is based out of Medicine Hat and the second out of Grande Prairie. As at the date of this report, Calfrac has a total of 14 fracturing spreads. The Company is currently constructing three additional fracturing spreads, two of which are specifically designed to complete high rate nitrogen fractures on natural gas from coal (NGC) wells in Canada. As reported previously, the first NGC spread is expected to be brought into service late in the fourth quarter of 2004 and the second spread is anticipated to be operational in the first quarter of 2005. The third spread will be a conventional fracturing spread to be deployed in either Canada or the United States during the first quarter of 2005, depending on market conditions. Delivery of these additional spreads is scheduled to be completed within both time and budget parameters.

In early October 2004, Calfrac began to receive shipments of nitrogen from a facility located in Strathmore, Alberta. These shipments are based on a multi-year contract signed earlier in the year that will guarantee Calfrac the right to all of the product produced at this facility. As supply of these products is expected to be limited for the foreseeable future, this contract is a critical component to ensure Calfrac has the ability to deliver on its commitments to its customer base.

With its recent equity issue, available credit facilities and expected cash flow from operations, the Company expects to have adequate resources to fund its financial obligations for the foreseeable future.

ACQUISITION OF CALFRAC SHARES, SHARE CANCELLATION, BUSINESS COMBINATION AND EQUITY FINANCING ›

On March 23, 2004, Calfrac exercised its option to purchase for cancellation 4,289,844 of its common shares that were held by another company for $58.4 million.

On March 24, 2004, all of the issued and outstanding shares of Calfrac were acquired by Denison Energy Inc. ("DEI") for a net purchase price of approximately $143.9 million ($227.5 million less indebtedness of $83.6 million). The net purchase price was paid by DEI issuing 7,427,039 common shares and making a cash payment of approximately $28.8 million to the shareholders of Calfrac.

Prior to this transaction, DEI completed a public offering of 8,064,520 common shares at a price of $15.50 per share for net proceeds of approximately $116.3 million. The net proceeds were used to finance the cash component of DEI's acquisition of all of the shares of Calfrac in the amount of $28.8 million and to finance the repayment of a promissory note totaling $58.4 million that had been issued with respect to the repurchased Calfrac shares referred to above. The balance of the net proceeds of approximately $29.1 million was added to the Company's working capital to be used for general corporate purposes.

Immediately following completion of the transaction between DEI and Calfrac, DEI amalgamated with Calfrac and the successor company changed its name to "Calfrac Well Services Ltd." The combination of DEI and Calfrac has been accounted for in accordance with Canadian GAAP with Calfrac as the acquiring entity, and as a result, the financial results for all periods presented in this report are those generated by Calfrac operations.

Following these transactions, the Company's primary business is the provision of fracturing and well stimulation services to companies exploring for and developing petroleum and natural gas in North America.

TAX ATTRIBUTES ›

As reflected in note 5 to the consolidated financial statements, the Company has estimated tax pools of approximately $220.0 million for federal income tax purposes and $170.0 million for provincial income tax purposes. These amounts include non-capital losses of approximately $69.0 million, of which $18.8 million is scheduled to expire on December 31, 2004. Of the remaining amount, $38.6 million is scheduled to expire on December 31, 2008 and $11.6 million is scheduled to expire on December 31, 2009. The Company expects to fully utilize all tax pools prior to the expiration dates.

STOCK OPTION PLAN ›

The Compensation Committee of the Board of Directors, in conjunction with senior management, undertook a comprehensive review of alternatives for long-term incentive plans. The objective of the Committee was to develop a cost effective incentive plan that focuses on the profitable growth of the Company and will assist in the retention and motivation of the Company's key employees. As a result, an initial grant of 388,100 stock options at $31.45 per option was made to existing employees during the third quarter of 2004. Based on this grant price and current assumptions, the fair value of each option, as per the Black-Scholes pricing model, is approximately $8.65 per option. A stock-based compensation expense of $154,000 was booked in the quarter related to the grant of these options. As disclosed in the Company's second quarter report, the Company believes that due to the increasing responsibilities placed on its directors and the complexities of performing those obligations, directors must be appropriately compensated in order to attract and retain board members who have sufficient knowledge, experience and expertise. As a result and subsequent to quarter-end, the Company granted, in aggregate, 30,000 deferred stock units to the Company's six outside directors. In addition, the Company's three most senior officers were not included in the employee stock option plan, and therefore, a grant of 17,000 performance stock units was also provided subsequent to quarter-end. The amount of the grant to be earned by senior officers will be linked to the 2004 corporate performance. At the option of the Company, both the deferred and performance stock units can be settled in either cash or Company shares purchased on the open market. The Company will be required to "mark these units to market" to determine the expense to be recognized in its financial statements for the expired portion of the applicable vesting period.

CRITICAL ACCOUNTING ESTIMATES ›

This MD&A is based on the Company'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 consolidated financial statements as at December 31, 2003. 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 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 operating 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 and taxation, valuation of stock option benefits, and except as noted below, have not changed from those disclosed in the Company's interim report for the three months ended March 31 and June 30, 2004.

As described in note 9 to the consolidated financial statements for the three and nine months ended September 30, 2004, the Company is involved in a number of legal actions in Greece and a potential claim 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.

RISKS AND UNCERTAINTIES ›

The Company is subject to a number of risks and uncertainties, which were described in the Company's interim report for the three months ended March 31, 2004 and which have not changed from the disclosure in that report.

OUTLOOK ›

On October 28, 2004, the Petroleum Services Association of Canada ("PSAC") updated its well count forecast for 2004 and also provided its 2005 predictions. The 2004 forecast estimates a total well count of 22,160, of which approximately 70% will target natural gas. As the majority of natural gas wells require hydraulic fracturing to stimulate the production of hydrocarbons, the Company believes that the demand for hydraulic fracturing services is likely to remain at record levels for the remainder of the year. The PSAC forecast for 2005 predicts an all-time record well count of 24,035 wells, an 8% year-over-year improvement that is largely due to the expected increase in coalbed methane ("CBM") activity. The number of CBM wells is expected to increase from 1,000 in 2004 to 3,000 in 2005. To meet this expected demand, and as noted earlier in this report, the Company plans to double its existing capacity of Canadian fracturing spreads focusing on CBM activity from two to four spreads by the end of the first quarter of 2005.

Activity levels for Ram's cementing services have been very encouraging. Calfrac anticipates that with the expansion of Ram's fleet of equipment and augmented marketing and operational capabilities, Ram will become a larger contributor to the Company's performance going forward.

Calfrac's United States operations have also recently experienced a significant increase in activity levels, which is expected to continue for the remainder of 2004 and well into 2005. With additional capital recently deployed and a growing customer base in the U.S. Rocky Mountain region, the Company feels that it is well positioned to take advantage of the expected increase in activity.

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 that could cause actual results to differ materially from the Company's expectations. These risks and uncertainties include the items discussed above under that heading in the Company's interim report for the three months ended March 31, 2004. 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.

Prepared: Monday, November 8, 2004

Consolidated Balance Sheets

As at	September 30, **2004**	December 31, 2003
(unaudited)		
(000s)	$	$
Assets		
Current assets		
Cash and marketable securities	**24,656**	14,968
Accounts receivable	**41,161**	30,497
Income taxes recoverable	**305**	–
Inventory	**2,036**	1,958
Prepaid expenses and deposits	**1,659**	927
	69,817	48,350
Capital assets	**109,263**	78,441
Intangible assets	**73**	252
Goodwill	**3,604**	3,276
Future income taxes (note 5)	**61,722**	–
	244,479	130,319
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**28,979**	23,889
Income taxes payable	**–**	5,585
Current portion of long-term debt	**4,411**	12,112
	33,390	41,586
Long-term debt	**4,088**	23,781
Future income taxes	**–**	7,521
Deferred credit (note 5)	**54,978**	–
Non-controlling interest	**621**	–
	93,077	72,888
Shareholders' equity		
Capital stock (note 7)	**136,550**	14,720
Contributed surplus	**154**	–
Retained earnings	**14,698**	42,711
	151,402	57,431
	244,479	130,319

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations and Retained Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
(unaudited)				
(000s, except per share data)	$	$	$	$
Revenue	**60,538**	47,514	**158,902**	108,494
Expenses				
Operating	**39,806**	29,980	**109,465**	72,435
Selling, general and administrative	**5,492**	3,121	**12,382**	8,178
Restructuring costs	**–**	–	**965**	–
Other expenses (income)	**(61)**	(111)	**10**	439
Loss on disposal of capital assets	**2**	–	**4**	–
	45,239	32,990	**122,826**	81,052
	15,299	14,524	**36,076**	27,442
Depreciation	**3,064**	2,200	**8,408**	6,387
Amortization of intangibles	**30**	74	**179**	223
Interest	**65**	551	**608**	1,687
Income before income taxes	**12,140**	11,699	**26,881**	19,145
Income taxes				
Current	**510**	4,217	**4,836**	5,975
Future	**(155)**	(43)	**(471)**	857
	355	4,174	**4,365**	6,832
Income before non-controlling interest	**11,785**	7,525	**22,516**	12,313
Non-controlling interest	**14**	–	**20**	–
Net income for the period	**11,771**	7,525	**22,496**	12,313
Retained earnings, beginning of period	**2,927**	27,850	**42,711**	23,062
Effect of change in accounting for stock-based compensation (note 3)	**–**	–	**(829)**	–
Purchase and cancellation of shares (note 6)	**–**	–	**(53,866)**	–
Elimination of deficit on amalgamation	**–**	–	**4,186**	–
Retained earnings, end of period	**14,698**	35,375	**14,698**	35,375
Earnings per share				
Basic and diluted	**0.67**	0.77	**1.50**	1.26

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	**2004**	2003
(unaudited)				
(000s)	$	$	$	$
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	**11,771**	7,525	**22,496**	12,313
Items not involving cash				
Depreciation and amortization	**3,094**	2,274	**8,587**	6,610
Stock-based compensation	**154**	–	**154**	–
Loss on disposal of capital assets	**2**	–	**4**	–
Future income taxes	**(155)**	(43)	**(471)**	857
Non-controlling interest	**14**	–	**20**	–
Funds provided by operations	**14,880**	9,756	**30,790**	19,780
Net change in non-cash working capital	**(12,542)**	(3,668)	**(15,340)**	(5,066)
	2,338	6,088	**15,450**	14,714
Financing activities				
Net proceeds from share issues				
received on amalgamation (note 4)	**–**	–	**92,948**	–
Issue of bank loans and long-term debt	**1,175**	916	**1,175**	10,136
Bank loan and long-term debt repayments	**(2,781)**	(2,921)	**(30,179)**	(7,832)
Net proceeds on issuance of common shares	**26,912**	–	**26,912**	211
Purchase of common shares (note 6)	**–**	–	**(58,437)**	–
	25,306	(2,005)	**32,419**	2,515
Investing activities				
Purchase of capital assets	**(12,740)**	(7,299)	**(36,481)**	(20,346)
Proceeds on disposal of capital assets	**12**	–	**59**	–
Acquisition of subsidiary, net of cash acquired	**–**	–	**(1,759)**	–
	(12,728)	(7,299)	**(38,181)**	(20,346)
Increase (decrease) in cash position	**14,916**	(3,216)	**9,688**	(3,117)
Cash, beginning of period	**9,740**	3,870	**14,968**	3,771
Cash, end of period	**24,656**	654	**24,656**	654

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

For the Nine Months Ended September 30, 2004

(unaudited) (000s)

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:

Stock-Based Compensation

In 2004, 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 affect of this change in accounting policy was to reduce opening retained earnings at January 1, 2004 by $829. See also note 8.

4. 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, 2004, 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, 2004 were as follows:

	2004
	$
Cash	**92,948**
Future income tax assets (note 5)	**13,989**
Current liabilities	**(3,703)**
Long-term liabilities	**(912)**
	102,322

5. 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 of approximately $220,000 for federal income tax purposes and $170,000 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 $70,771 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 $59,771. In addition to this, a future income tax asset was recognized in the amount of $2,989, which pertains to $8,964 of share issue costs incurred on Denison's public offering completed on March 23, 2004. Another $500 in future income tax assets was recorded in connection with the $1,488 of share issue costs incurred on the Company's public offering completed August 31, 2004.

6. 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's shares were cancelled. The promissory note was paid in full on March 24, 2004. 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.

7. 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 (adjusted for 1 for 21 Denison shares consolidated on March 8, 2004)	843,669	14,720
Repurchase and cancellation of Company shares	–	(4,571)
Denison shares issued prior to public offering	772,049	–
Denison public share offering	8,064,520	–
Denison shares issued to Company's shareholders	7,427,039	–
Denison net assets acquired on amalgamation	–	102,346
Elimination of Company's deficit on amalgamation	–	(4,186)
Elimination of Company's contributed surplus on amalgamation	–	829
Public share offering - August 31, 2004	1,000,000	27,412
September 30, 2004	**18,107,277**	**136,550**

The Company closed a public share offering on August 31, 2004 for 1,000,000 common shares at a price of $28.40 per share for gross proceeds of $28,400. The costs of the offering were $1,488 less future income taxes of $500.

8. STOCK-BASED COMPENSATION ›

On September 1, 2004, the Company granted 388,100 options to its employees to purchase shares in the Company. The options have an exercise price of $31.45 per share and vest in three equal parts on the first, second and third anniversary of the grant date. The options expire on February 29, 2008. The estimated fair value of these options using the Black-Scholes option pricing model is $3,354, which will be charged to compensation expense over the option's vesting period. To date, $154 of compensation expense has been recorded.

9. CONTINGENCIES ›

As a result of the acquisition and amalgamation described in note 4, 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 laws 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 has been scheduled for November 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 took place in the Court of Appeals of Athens on April 27, 2004 and the Court has awarded compensation to the former employee. The amount of compensation is considered immaterial.

9. CONTINGENCIES (continued) ›

(a) Legal Actions – Greece (continued)

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 Inc. at June 30, 2004, management expressed an opinion that the aggregate amount of any potential liability arising from this claim is expected to be immaterial.

10. 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 September 30, 2004				
Revenue	**53,637**	**6,901**	**–**	**60,538**
Net income (loss)	**11,452**	**319**	**–**	**11,771**
Segmented assets	**240,527**	**6,857**	**(2,905)**	**244,479**
Capital expenditures	**12,716**	**24**	**–**	**12,740**
Goodwill	**3,604**	**–**	**–**	**3,604**
Three Months Ended September 30, 2003				
Revenue	43,169	4,384	(39)	47,514
Net income (loss)	7,736	(211)	–	7,525
Segmented assets	116,247	3,506	(1,923)	117,830
Capital expenditures	7,254	45	–	7,299
Goodwill	3,276	–	–	3,276
Nine Months Ended September 30, 2004				
Revenue	**138,703**	**20,199**	**–**	**158,902**
Net income (loss)	**22,652**	**(156)**	**–**	**22,496**
Segmented assets	**240,527**	**6,857**	**(2,905)**	**244,479**
Capital expenditures	**36,228**	**253**	**–**	**36,481**
Goodwill	**3,604**	**–**	**–**	**3,604**
Nine Months Ended September 30, 2003				
Revenue	97,863	10,986	(355)	108,494
Net income (loss)	13,163	(850)	–	12,313
Segmented assets	116,247	3,506	(1,923)	117,830
Capital expenditures	20,301	45	–	20,346
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 – Chairman (1)(2)

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 & Chief Financial Officer

Robert S. Roberts
Senior Vice President & Chief Operating Officer

Don R. Battenfelder
Vice President, Operations

Dwight M. Bobier
Vice President, Technical Services

John L. Grisdale
Vice President, Business Development

Steve T. Dadge
Vice President, Corporate Services

Tom J. Medvedic
Vice President, Finance

Matthew L. Mignault
Controller

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PricewaterhouseCoopers LLP
Calgary, Alberta

Banker

HSBC Bank Canada
Calgary, Alberta

Operating Bases

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

Colorado, United States
Denver – Regional Office
Platteville

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