PILLARS OF HIGH PERFORMANCE

CALFRAC WELL SERVICES

Q1 FIRST QUARTER INTERIM REPORT

For the Three Months Ended March 31, 2013

Q1 HIGHLIGHTS

Three Months Ended March 31,	**2013**	2012	Change
(C$000s, except per share and unit data) (unaudited)	**($)**	($)	(%)
Financial			
Revenue	**423,397**	474,107	(11)
Operating income[(1)]	**62,670**	113,381	(45)
EBITDA[(1)]	**65,169**	127,995	(49)
Per share – basic	**1.44**	2.92	(51)
Per share – diluted	**1.43**	2.87	(50)
Net income attributable to the shareholders of Calfrac before foreign exchange gains[(2)]	**22,677**	59,264	(62)
Per share – basic	**0.50**	1.35	(63)
Per share – diluted	**0.50**	1.33	(62)
Net income attributable to the shareholders of Calfrac	**24,645**	70,841	(65)
Per share – basic	**0.55**	1.62	(66)
Per share – diluted	**0.54**	1.59	(66)
Working capital (end of period)	**332,241**	431,053	(23)
Total equity (end of period)	**802,581**	779,426	3
Weighted average common shares outstanding (000s)			
Basic	**45,165**	43,811	3
Diluted	**45,534**	44,550	2
Operating (end of period)			
Pumping horsepower (000s)	**1,013**	782	30
Coiled tubing units (#)	**29**	29	–
Cementing units (#)	**28**	23	22

(1) Refer to “Non-GAAP Measures” on page 9 for further information.

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

CEO'S MESSAGE

I am pleased to present Calfrac's operating and financial highlights for the three months ended March 31, 2013 and to discuss the Company's prospects for the remainder of 2013 and beyond. During the first quarter, the Company:

- had a very active quarter in western Canada despite a slow start in January;
- deployed a fourth fracturing crew to Calfrac's Smithfield, Pennsylvania district which services both the Marcellus and Utica shale plays;
- experienced further increases in the number of horizontal multi-stage fracturing treatments performed in Mexico and Western Siberia; and
- completed the deployment of fracturing equipment into Argentina in anticipation of fracturing operations which commenced in early May 2013.

FINANCIAL HIGHLIGHTS

For the <u>three months</u> ended March 31, 2013, the Company recorded:

- revenue of $423.4 million, a decrease of 11 percent from the first quarter of 2012 driven primarily by lower pricing in the United States and Canada. This decline was partially offset by strong growth in Calfrac's Russia operations;
- operating income of $62.7 million versus $113.4 million in 2012, a decrease of 45 percent, mainly as a result of competitive pricing pressures in Canada and the United States combined with higher product and transportation costs in Canada; and
- net income attributable to the shareholders of Calfrac of $24.6 million or $0.54 per share diluted, which included a non-cash foreign exchange gain of $2.4 million, compared to $70.8 million or $1.59 per share diluted in the comparative period in 2012, which included a primarily non-cash foreign exchange gain of $13.9 million.

OPERATIONAL HIGHLIGHTS

Canada

The Company experienced a relatively slow start to the first quarter of 2013 as the pace of drilling activity in western Canada did not increase until late 2012. The lag between the commencement of drilling operations and completion activity resulted in lower activity for most of January. As the drilling of these wells was completed, activity increased significantly in late January and early February and this momentum continued throughout the remainder of the quarter. Calfrac's strong activity in the first quarter was due, in part, to colder weather persisting throughout most of western Canada until late March. As a result, revenue from the Company's Canadian operations was 15 percent higher on a sequential basis despite strong activity in the fourth quarter. Operating margins for the quarter on a percentage basis were consistent with the prior quarter with the increase in revenue being offset by higher costs related to supply chain logistics given the large increase in product requirements and longer travel distances to remote locations. In addition, competitive pricing pressures experienced during the latter part of the fourth quarter of 2012 impacted pricing for the first quarter. Pricing in the Canadian fracturing market then stabilized as this market became more balanced when overall oilfield activity increased during the first quarter.

The Company's activity in the first quarter targeted the development of many unconventional oil and natural gas resource plays throughout the Western Canada Sedimentary Basin, including the Montney, Duvernay, Cardium, Viking and various Deep Basin plays. Completions activity was mainly focused on the Montney, Duvernay and Cardium plays that require the use of significant horsepower, manpower and materials. Calfrac anticipates that the development of these reservoirs will represent a significant portion of future activity in western Canada.

United States

Calfrac's first-quarter results in the United States were positively impacted by rightsizing efforts implemented in the fourth quarter of last year and the early part of 2013. This rationalization process combined with higher equipment utilization and enhancements in the Company's supply chain and logistical capabilities contributed significantly to its improved financial performance. Calfrac's U.S. operating cost structure has been realigned with its current activity base and will be closely monitored for any future changes in market conditions. Many of Calfrac's customers increased their activity from very low levels in the fourth quarter, particularly after late November. Some of this increase was related to wells that had been drilled in 2012 but were not completed until 2013. The recovery in activity was largely focused in the Marcellus and Fayetteville shale plays with steady work also experienced in North Dakota and the Rockies region. The recent improvement in the price of natural gas had little impact on gas-focused activity in the first quarter. However, the Company anticipates higher activity in the last six months of 2013 and into 2014.

While the Company is pleased with the improvements in the financial performance of its U.S. division, short-term visibility remains poor. There remains a significant oversupply of capacity servicing this market which is anticipated to limit any significant pricing improvement over the short-term. Although pricing conditions in the United States remain very competitive, Calfrac believes that prices are beginning to stabilize. The inventory of drilled but uncompleted wells and the higher than expected number of horizontal wells drilled in the U.S. has provided a buffer despite an otherwise stagnant rig count. The Company believes that a rig count increase in the United States is required to structurally change the pressure pumping supply/demand balance in this market. As a result, Calfrac will continue to monitor opportunities to redeploy assets into more active and profitable regions until the United States market significantly improves.

Russia

Revenue and operating margins improved during the first quarter for Calfrac's Russian operations as fracturing activity and equipment utilization improved significantly from the fourth quarter of 2012. This improvement in equipment utilization was driven by a greater focus by Calfrac's customers to multi-stage completions within horizontal wellbores. However, the increase in operating margins from the previous quarter was negatively impacted by costs related to cold weather operations. The Company anticipates that operating margins in Russia will improve in the second and third quarters of 2013 as weather becomes less of a factor.

Latin America

Calfrac's financial results in Mexico remain relatively consistent with the fourth quarter with a slight reduction in fracturing activity as the Company was unable to complete a significant horizontal project before the end of the quarter due to operational delays by the operator. Multi-stage fracturing operations within horizontal wellbores in Mexico continued to gain momentum in the first quarter of 2013 as the Company leveraged its proven technologies from Canada and the United States. While in the early stages of development, these technologies are now being deployed to improve Mexican production rates, and Calfrac is very pleased with this emerging trend and the initial successes that have been realized. The Company is optimistic that these technologies will provide a solid basis for growth in the Mexican market over the longer term.

Cementing and coiled tubing activity in Argentina during the first quarter was consistent with Calfrac's expectations. During the first quarter, the Company completed the deployment of fracturing equipment into Argentina. This represents a major milestone for the Company as it builds its presence in this emerging pressure pumping market. With this equipment Calfrac expects to service both conventional and unconventional wells. Start-up costs associated with the commencement of these fracturing operations resulted in lower operating margins for Latin America during the first quarter. The Company currently has 27,000 hydraulic horsepower, seven cementing units and one coiled tubing crew deployed in the Argentina market. The commencement of fracturing operations in Argentina is expected to become more significant in the last half of 2013 and in 2014 and is anticipated to provide meaningful long-term growth for the Company's Latin American division.

Despite an overall reduction in oilfield activity in Colombia due to regulatory and infrastructure issues, Calfrac remains committed to this country. A portion of the Company's cementing fleet is currently contracted under a long-term cementing services agreement with one of the largest oil and gas producers in Colombia. This provides a minimum level of activity to sustain the Company's operations through this period of historically low activity. Calfrac expects that these issues in Colombia will be resolved and that it is well-positioned to take advantage of a future recovery.

OUTLOOK AND BUSINESS PROSPECTS

Colder temperatures experienced throughout a significant portion of North America during March and April resulted in significant declines in natural gas storage levels and an increase in natural gas prices. This increase in natural gas prices combined with a relatively stable oil-focused rig count in North America leads Calfrac to be cautiously optimistic that the business environment in North America will improve in the last half of 2013. Assuming the increase in natural gas prices is sustainable, natural gas drilling is anticipated to gain momentum throughout the third and fourth quarters of this year providing the basis for a stronger outlook in 2014. Given the capital intensity of unconventional natural gas completions, Calfrac expects that this incremental activity will improve the supply and demand balance for the fracturing industry. Increasing horizontal activity and service intensity through longer horizontal legs and a greater number of fracturing stages will also provide the potential for higher levels of activity for Calfrac.

Canada continues to be the Company's largest operating segment. Calfrac has a strong and active customer base as well as long-term relationships with a number of large customers. Calfrac expects that well completion activity will continue to grow as many of the larger plays in the Western Canada Sedimentary Basin, such as the Montney and Duvernay, transition from delineation to development. This is particularly relevant as many of the natural gas resource plays of northwest Alberta and northeast British Columbia are some of the most economic gas-producing areas in North America. This activity is expected to increase with the influx of capital from foreign entities and large multi-national companies. This interest in western Canadian natural gas is largely related to a long-term liquefied natural gas (LNG) export strategy. Because sufficient natural gas production and reserves must be available to support the construction of LNG export facilities and subsequent LNG exports, the associated increase in capital investment should provide a platform for significant growth for Calfrac's Canadian operations, as a number of longstanding customers are involved in these plans. The Company's leadership position in the development of the Montney, Duvernay and Horn River resource plays is expected to position it to participate significantly in the development of the resources needed to support LNG exports. In particular, Calfrac remains optimistic about the future development of the Duvernay play. The Company is one of the most active service providers in this play and anticipates that its positioning will form the basis of further growth opportunities in Canada during 2013 and beyond. Overall industry activity is expected to grow materially over the next several years. Over the longer term, further operational efficiencies are expected to be achieved through the expanded use of 24-hour operations and multi-well pad development.

While the Company remains optimistic about future natural gas development in western Canada, completions activity in oil plays remains very strong. The use of higher rate treatments in plays such as the Cardium are leading to greater demand for larger fracturing crews and larger stage sizes. Technology and play economics continue to improve which should provide the basis for further increases in future activity.

Calfrac is pleased with the operational improvements that have been implemented in the United States over the last two quarters which resulted in improved financial performance during the first quarter of 2013. The Company rationalized its United States cost structure and implemented additional supply chain and logistical improvements to ensure improved profitability in a lower-revenue environment. While Calfrac is satisfied with the progress made in its U.S. division, a great deal of uncertainty remains with respect to the short-term dynamics of this market. Pricing pressure combined with volatility in equipment utilization has negatively impacted the short term visibility regarding operating margin expectations. Although the Company does not expect the market conditions to change significantly in the United States pumping industry during the second quarter, it is cautiously optimistic that well drilling and completions activity will improve in the latter part of the year. This is partially dependant upon a recovery in natural gas-focused activity combined with working through the inventory of wells drilled that are awaiting completion.

Calfrac continues to believe that it is well-positioned in the U.S. pressure pumping business. In addition to its contract position, Calfrac services two of the most active unconventional resource plays in the United States, including the Bakken oil shale play in North Dakota and the Marcellus shale gas play in Pennsylvania and West Virginia. The Company believes that the Marcellus shale play will be one of the primary beneficiaries of the recent increase in the price of natural gas. In response to this market opportunity, Calfrac recently redeployed an additional fracturing spread into this region which brings the Company's total number of spreads servicing this play to four and, based on a recent tender award, expects that a fifth crew will be operational in the third quarter.

Based on the completion of the 2013 contract tender process in Russia, the Company anticipates that equipment utilization will improve over 2012. With limited opportunities to improve pricing in this market, Calfrac remains focused on streamlining its cost structure in an effort to improve future financial performance. Growth and improved profitability in this segment will be predicated on the introduction of new technologies in Western Siberia, including horizontal drilling and multi-stage completions. There is significant future potential in Russia given its stature as a leading producer of oil and natural gas. The Company has been very pleased with its involvement in the deployment of multi-stage completion technology in horizontal wellbores over the last several quarters. Consequently, Calfrac expects that this trend will continue to drive demand for its services over the short and longer term as Russia's producing sector gains confidence with this completion strategy.

The Mexican oilfield service environment continues to evolve and, similar to Russia, is in the very early stages of using multi-stage fracturing technology within horizontal wellbores. With a focus on onshore development combined with the use of this new technology, Calfrac expects that there will be opportunities to grow this market in the future. With the success of our initial multi-stage horizontal fracturing projects in Mexico, the Company believes that there will be more work of this nature in 2013 and beyond. In addition, several tenders are expected to be published during the remainder of the year which provides the opportunity for incremental work and, contingent on Calfrac's success in securing such work, the allocation of additional equipment to Mexico. However, recent budgetary constraints may curtail some activity in the Chicontepec basin over the short term, which may result in lower equipment utilization throughout the remainder of the year. In response to these new market conditions, the Company has rationalized its Mexican operating cost structure.

With the successful completion of Calfrac's first fracturing treatment in Argentina on May 4th, the Company believes that it is well-positioned to take advantage of opportunities related to the development of unconventional resource plays, which is expected to drive higher oilfield activity over the longer term. Horizontal drilling combined with multi-stage fracturing will be key inputs to unlocking these resources. Currently, there is very limited capacity in-country to service these emerging plays. Calfrac believes that its long standing reputation for service quality, technical expertise and strong customer base will provide the foundation for long-term growth in Argentina.

The Company entered the Colombian oilfield service market in late 2011 and is currently focused on building its customer base in the midst of a challenging environment. Industry activity in Colombia has been much slower than expected recently due to permitting and infrastructure issues. The Company's presence is currently limited to four cementing units, of which two are currently under contract with the largest producer in the country. This should provide a base level of activity to navigate through this period of low activity as the region transitions towards greater activity, and will position the Company favourably to realize on significant long-term growth opportunities.

Updating the press release of August 31, 2012, Laura Cillis has agreed to extend her tenure as Senior Vice President, Finance and Chief Financial Officer until June 30, 2013. Tom Medvedic, Calfrac's Senior Vice President, Corporate Development and formerly Calfrac's Chief Financial Officer from 2004 to 2008, has agreed to serve as interim Chief Financial Officer effective July 1, 2013.

D.R. Ramsay

On behalf of the Board of Directors,
Douglas R. Ramsay
Chief Executive Officer

May 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of May 6, 2013 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the three months ended March 31, 2013 and 2012 and should be read in conjunction with the interim consolidated financial statements for the three months ended March 31, 2012, as well as the audited consolidated financial statements and MD&A for the year end December 31, 2012.

Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used are included on page 9.

CALFRAC'S BUSINESS

Calfrac is an independent provider of specialized oilfield services in Canada, the United States, Russia, Mexico, Argentina and Colombia, including hydraulic fracturing, coiled tubing, cementing and other well stimulation services.

The Company's reportable business segments during the first quarter of 2013 were as follows:

- The Canadian segment is focused on the provision of fracturing and coiled tubing services to a diverse group of oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia, Saskatchewan and southwest Manitoba. The Company's customer base in Canada ranges from large multi-national public companies to small private companies. At March 31, 2013, Calfrac's Canadian operations had combined hydraulic horsepower of approximately 404,000 and 21 coiled tubing units.

- The United States segment provides pressure pumping services from operating bases in Colorado, Arkansas, Pennsylvania and North Dakota. The Company provides fracturing services to a number of oil and natural gas companies operating in the Bakken oil shale play in North Dakota, the Piceance Basin of western Colorado, the Uintah Basin of northeast Utah and the Denver-Julesburg Basin centered in eastern Colorado and extending into southeast Wyoming, including the Niobrara oil play of northern Colorado. Calfrac also provides fracturing and cementing services to customers operating in the Marcellus shale play in Pennsylvania and West Virginia, the Fayetteville shale play of Arkansas and the Utica Shale in Ohio. The Company deployed approximately 492,000 hydraulic horsepower and operated 15 cementing units in its United States segment at March 31, 2013.

- The Company's Russian segment provides fracturing and coiled tubing services in Western Siberia. During the first three months of 2013, the Company operated under a mix of annual and multi-year agreements to provide services to two of Russia's largest oil producers. At March 31, 2013, the Company operated seven deep coiled tubing units and deployed approximately 45,000 hydraulic horsepower forming five fracturing spreads in Russia.

- The Latin America segment provides pressure pumping services from operating bases in Mexico, Argentina and Colombia. The Company provides fracturing services to Mexico's national oil company and other customers operating in the Burgos field of northern Mexico and the Chicontepec field of central Mexico. In Argentina, the Company provides cementing and coiled tubing services to locally operating oil and natural gas companies. Calfrac also provides cementing services to locally operating oil and natural gas companies in Colombia. The Company deployed approximately 72,000 hydraulic horsepower, 13 cementing units and one coiled tubing unit in its Latin America segment at March 31, 2013.

CONSOLIDATED HIGHLIGHTS

Three Months Ended March 31,	**2013**	2012	Change
(C$000s, except per share amounts) (unaudited)	**($)**	($)	(%)
Revenue	**423,397**	474,107	(11)
Operating income(1)	**62,670**	113,381	(45)
EBITDA(1)	**65,169**	127,995	(49)
Per share – basic	**1.44**	2.92	(51)
Per share – diluted	**1.43**	2.87	(50)
Net income attributable to the shareholders of Calfrac	**24,645**	70,841	(65)
Per share – basic	**0.55**	1.62	(66)
Per share – diluted	**0.54**	1.59	(66)

As at	**March 31, 2013**	December 31, 2012	Change
(C$000s) (unaudited)	**($)**	($)	(%)
Working capital, end of period	**332,241**	322,857	3
Total assets, end of period	**1,638,544**	1,524,821	7
Long-term debt, end of period	**450,630**	441,018	2
Total equity, end of period	**802,581**	780,759	3

(1) Refer to "Non-GAAP Measures" on page 9 for further information.

FIRST QUARTER 2013 OVERVIEW

In the first quarter of 2013, the Company:

- recorded revenue of $423.4 million, a decrease of 11 percent from the first quarter of 2012 driven primarily by lower pricing and job sizes in the United States. The revenue decline in the United States was partially offset by strong growth in Calfrac's Russia operations;
- reported operating income of $62.7 million versus $113.4 million in 2012, a decrease of 45 percent, mainly as a result of competitive pricing pressures in Canada and the United States combined with higher logistical costs associated with the completion of larger fracturing jobs in Canada;
- reported net income attributable to the shareholders of Calfrac of $24.6 million or $0.54 per share diluted, which included a non-cash foreign exchange gain of $2.4 million, compared to results in 2012 of $70.8 million or $1.59 per share diluted, which included a primarily non-cash foreign exchange gain of $13.9 million;
- incurred capital expenditures of $44.0 million, principally related to the Company's fracturing operations in Canada and the United States;
- reported a period-end working capital increase of 3 percent from December 31, 2012 to $332.2 million at March 31, 2013;
- declared its first dividend of $0.25 per share now payable on a quarterly basis; and
- announced a reduced capital budget for 2013 of $74.0 million in February 2013 that will focus on maintenance and support capital and further investment in logistics equipment. Approximately $25.0 million of capital is allocated to supporting Calfrac's growing Latin American operations, including an investment in coiled tubing and fracturing equipment.

NON-GAAP MEASURES

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and, because IFRS have been incorporated as Canadian generally accepted accounting principles (GAAP), are considered non-GAAP measures. These measures have been described and presented in order to provide shareholders and potential investors with additional information regarding the Company's financial results, liquidity and ability to generate funds to finance its operations. These measures may not be comparable to similar measures presented by other entities, and are further explained as follows:

Operating income (loss) is defined as net income (loss) before depreciation, interest, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, income taxes and non-controlling interest. Management believes that operating income is a useful supplemental measure as it provides an indication of the financial results generated by Calfrac's business segments prior to consideration of how these segments are financed or taxed. Operating income was calculated as follows:

Three Months Ended March 31,	**2013**	2012
(C$000s) (unaudited)	**($)**	($)
Net income	**24,188**	70,694
Add back (deduct):		
Depreciation	**24,814**	22,069
Interest, net	**9,203**	8,935
Foreign exchange gains	**(2,379)**	(13,870)
Gain on disposal of property, plant and equipment	**(120)**	(744)
Income taxes	**6,964**	26,297
Operating income	**62,670**	113,381

EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. EBITDA is presented because it is frequently used by securities analysts and others for evaluating companies and their ability to service debt. EBITDA was calculated as follows:

Three Months Ended March 31,	**2013**	2012
(C$000s) (unaudited)	**($)**	($)
Net income	**24,188**	70,694
Add back:		
Depreciation	**24,814**	22,069
Interest, net	**9,203**	8,935
Income taxes	**6,964**	26,297
EBITDA	**65,169**	127,995

FINANCIAL OVERVIEW – THREE MONTHS ENDED MARCH 31, 2013 VERSUS 2012

Canada

Three Months Ended March 31,	**2013**	2012	Change
(C$000s, except operational information) (unaudited)	**($)**	($)	(%)
Revenue	**231,576**	225,824	3
Expenses			
Operating	**171,795**	144,273	19
Selling, General and Administrative (SG&A)	**3,870**	4,219	(8)
	175,665	148,492	18
Operating income[1]	**55,911**	77,332	(28)
Operating income (%)	**24.1%**	34.2%	(30)
Fracturing revenue per job ($)	**223,124**	199,928	12
Number of fracturing jobs	**982**	1,037	(5)
Pumping horsepower, end of period (000s)	**404**	289	40
Coiled tubing revenue per job ($)	**23,932**	30,375	(21)
Number of coiled tubing jobs	**521**	609	(14)
Coiled tubing units, end of period (#)	**21**	21	–

(1) Refer to "Non-GAAP Measures" on page 9 for further information.

Revenue

Revenue from Calfrac's Canadian operations during the first quarter of 2013 was $231.6 million versus $225.8 million in the comparable three-month period of 2012. The 3 percent increase in revenue was due to larger job sizes in the Duvernay and Montney plays as well as several carbonate plays in western Canada combined with favourable weather conditions, which allowed continued high utilization through the end of the quarter. The increase was partially offset by increased pricing pressure in western Canada.

Operating Income

Operating income in Canada decreased by 28 percent to $55.9 million during the first quarter of 2013 from $77.3 million in the same period of 2012. The decrease in Canadian operating income was primarily due to a more competitive pricing environment in combination with higher operating costs resulting from an increase in logistical costs associated with the completion of larger fracturing jobs and longer average travel distances to wellsites in the unconventional oil and natural gas resource plays of western Canada.

United States

Three Months Ended March 31,	2013	2012	Change
(C$000s, except operational and exchange rate information) (unaudited)	($)	($)	(%)
Revenue	127,010	194,899	(35)
Expenses			
Operating	103,848	145,795	(29)
SG&A	5,123	5,000	2
	108,971	150,795	(28)
Operating income[1]	18,039	44,104	(59)
Operating income (%)	14.2%	22.6%	(37)
Fracturing revenue per job ($)	55,084	82,189	(33)
Number of fracturing jobs	2,184	2,281	(4)
Pumping horsepower, end of period (000s)	492	421	17
Cementing revenue per job ($)	32,397	30,362	7
Number of cementing jobs	207	171	21
Cementing units, end of period (#)	15	9	67
US$/C$ average exchange rate[2]	1.0089	1.0013	1

(1) Refer to "Non-GAAP Measures" on page 9 for further information.
(2) Source: Bank of Canada.

Revenue

Revenue from Calfrac's United States operations decreased during the first quarter of 2013 to $127.0 million from $194.9 million in the comparable quarter of 2012. The decrease was due primarily to increased pricing pressure and the completion of smaller jobs. Natural gas drilling and completion activity continued to remain relatively low in the United States, and resulted in increased competition in all of the Company's operating regions. Completions activity in natural gas producing areas such as the Marcellus and Fayetteville shale plays as well as the Piceance Basin was impacted negatively as the number of active drilling rigs in these areas decreased by 28 percent in the first quarter of 2013 compared to the same period in 2012.

Operating Income

Operating income in the United States was $18.0 million for the first quarter of 2013, a decrease of $26.1 million from the comparative period in 2012. The significant decrease in operating income was primarily due to competitive pricing pressure and lower fracturing equipment utilization in the unconventional natural gas plays of the United States. The decrease in operating income was mitigated by reductions in labour and maintenance expenses resulting from cost-saving initiatives implemented by the Company in late 2012, combined with supply chain and logistical improvements and declines in the cost of certain key materials such as guar.

Russia

Three Months Ended March 31,	2013	2012	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**37,161**	28,096	32
Expenses			
Operating	**33,578**	25,139	34
SG&A	**1,594**	1,403	14
	35,172	26,542	33
Operating income[1]	**1,989**	1,554	28
Operating income (%)	**5.4%**	5.5%	(2)
Fracturing revenue per job ($)	**106,185**	98,904	7
Number of fracturing jobs	**275**	184	49
Pumping horsepower, end of period (000s)	**45**	45	–
Coiled tubing revenue per job ($)	**61,229**	58,224	5
Number of coiled tubing jobs	**130**	170	(24)
Coiled tubing units, end of period (#)	**7**	6	17
Rouble/C$ average exchange rate[2]	**0.0332**	0.0332	–

(1) Refer to "Non-GAAP Measures" on page 9 for further information.
(2) Source: Bank of Canada.

Revenue

During the first quarter of 2013, the Company's revenue from Russian operations increased by 32 percent to $37.2 million from $28.1 million in the corresponding three-month period of 2012. The increase in revenue was mainly due to higher fracturing activity resulting from increased demand following a successful 2013 tender process and the commencement of horizontal multi-stage fracturing operations in the latter part of 2012 that has continued into 2013. In addition, the Company resumed providing proppant as part of its fracturing operations to a significant customer in Western Siberia in 2013 which also contributed to this increase. The increase in revenue from fracturing operations was partially offset by lower coiled tubing activity.

Operating Income

Operating income in Russia in the first quarter of 2013 was $2.0 million compared to $1.6 million in the corresponding period of 2012. The increase in operating income was primarily due to the higher revenue base combined with greater operating efficiencies associated with multi-stage fracturing, offset partially by higher maintenance and product costs due to the provision of proppant to a significant customer during the quarter.

Latin America

Three Months Ended March 31,	**2013**	2012	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**27,650**	25,288	9
Expenses			
Operating	**25,166**	21,354	18
SG&A	**1,332**	1,416	(6)
	26,498	22,770	16
Operating income[1]	**1,152**	2,518	(54)
Operating income (%)	**4.2%**	10.0%	(58)
Pumping horsepower, end of period (000s)	**72**	27	167
Cementing units, end of period (#)	**13**	11	18
Coiled tubing units, end of period (#)	**1**	1	–
Mexican peso/C$ average exchange rate[2]	**0.0798**	0.0772	3
Argentinean peso/C$ average exchange rate[2]	**0.2012**	0.2307	(13)

(1) Refer to "Non-GAAP Measures" on page 9 for further information.
(2) Source: Bank of Canada.

Revenue

Calfrac's Latin America operations generated total revenue of $27.7 million during the first quarter of 2013 versus $25.3 million in the comparable three-month period in 2012. The increase in revenue was primarily due to higher coiled tubing activity combined with the completion of larger cementing and coiled tubing jobs in Argentina. This increase in revenue was offset slightly by lower fracturing activity in the Burgos field of northern Mexico as a large project could not be completed in March 2013 due to operational issues by the customer.

Operating Income

Operating income in Latin America for the three months ended March 31, 2013 was $1.2 million compared to $2.5 million in the comparative quarter in 2012. The decrease was mainly related to lower fracturing activity in Mexico combined with costs relating to the start-up of fracturing operations in Argentina.

Corporate

Three Months Ended March 31,	**2013**	2012	Change
(C$000s, except operational information) (unaudited)	**($)**	($)	(%)
Expenses			
Operating	**2,209**	2,180	1
SG&A	**12,212**	9,947	23
	14,421	12,127	19
Operating loss(1)	**(14,421)**	(12,127)	19
% of Revenue	**3.4%**	2.6%	31

(1) Refer to "Non-GAAP Measures" on page 9 for further information.

Operating Loss

The 19 percent increase in corporate expenses in 2013 over 2012 was mainly due to an increase in the Company's global operations and procurement personnel required to support the Company's larger scale of operations. These necessary additions are designed to support Calfrac's continued focus on service quality, operating efficiency and cost management. Higher stock-based compensation expenses of $1.0 million, primarily resulting from additional restricted share units granted in 2013, contributed to the increase in corporate expenses. The increase was offset partially by lower professional fees.

Depreciation

For the three months ended March 31, 2013, depreciation expense increased by 12 percent to $24.8 million from $22.1 million in the corresponding quarter of 2012. The increase in depreciation expense is mainly a result of a larger fleet of equipment operating in North America.

Foreign Exchange Losses or Gains

The Company realized a foreign exchange gain of $2.4 million during the first quarter of 2013 versus a $13.9 million gain in the comparable period in 2012. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in United States dollars in Canada, Russia and Latin America. The Company's foreign exchange gain recorded in the quarter was largely attributable to the translation of United States dollar-denominated assets in Canada and United States dollar-denominated liabilities in Mexico. The value of the United States dollar appreciated against the Canadian dollar and depreciated against the Mexican peso during the first quarter, which resulted in a foreign exchange gain related to these net monetary positions.

Interest

The Company's interest expense during the first quarter of 2013 was $9.2 million compared to $8.9 million for the comparable period in 2012. The increase was related to additional short-term borrowings in Latin America.

Income Tax Expenses

The Company recorded income tax expense of $7.0 million during the first quarter of 2013 versus $26.3 million in the comparable period of 2012. The decrease in total income tax expense was primarily due to lower profitability in the United States and Canada. The effective income tax rate for 2013 was 22 percent compared to 27 percent in 2012. The lower effective tax rate for the first quarter of 2013 primarily due to a lower percentage of taxable income in the United States, which has a higher average statutory tax rate.

LIQUIDITY AND CAPITAL RESOURCES

Three Months Ended March 31,	**2013**	2012
(C$000s) (unaudited)	**($)**	($)
Cash provided by (used in):		
Operating activities	**41,502**	84,076
Financing activities	**16,885**	7,058
Investing activities	**(59,654)**	(74,743)
Effect of exchange rate changes on cash and cash equivalents	**5,997**	1,865
Increase in cash and cash equivalents	**4,730**	18,256

Operating Activities

The Company's cash provided by operating activities for the three months ended March 31, 2013 was $41.5 million versus $84.1 million in 2012. The decrease was primarily due to a decline in operating margins in Canada and the United States. At March 31, 2013, Calfrac's working capital was approximately $332.2 million, an increase of 3 percent from December 31, 2012. The Company had an accounts receivable of approximately US$36.0 million at March 31, 2013 with a customer operating in Mexico that has been outstanding for greater than 120 days, for which no provision has been made. This delay in payment is consistent with many other oilfield service companies within this market. The collection of this amount is expected in its entirety; however, the timing of such collection is uncertain.

Financing Activities

Net cash provided by financing activities for the first quarter of 2013 was $16.9 million compared to $7.1 million in 2012. During the first quarter of 2013, the Company issued $8.0 million of common shares, received bank loan proceeds of $9.1 million and repaid $0.3 million of finance lease obligations and long-term debt.

On October 10, 2012, the Company increased its credit facilities with a syndicate of Canadian chartered banks from $250.0 million to $300.0 million and extended the term to September 27, 2016. The maturity may be extended by one or more years at the Company's request and lenders' acceptance. The Company also may prepay principal without penalty. The facilities consist of an operating facility of $20.0 million and a syndicated facility of $280.0 million. The interest rates are based on the parameters of certain bank covenants. For prime-based loans, the rate ranges from prime plus 0.50 percent to prime plus 1.25 percent. For LIBOR-based loans and Bankers' Acceptance-based loans, the margin thereon ranges from 1.50 percent to 2.25 percent above the respective base rates for such loans. As at March 31, 2013, the Company had used $14.4 million of its credit facilities for letters of credit, leaving $285.6 million in available credit.

Calfrac pays quarterly dividends to shareholders at the discretion of the Board of Directors, which qualify as "eligible dividends" as defined by the Canada Revenue Agency. In February 2012, the Company increased its semi-annual cash dividend from $0.10 to $0.50 per share, beginning with the dividend paid on July 16, 2012, thereby increasing the annualized dividend to $1.00 per share beginning in 2012. In December 2012, the Company announced that it would pay dividends quarterly instead of semi-annually commencing with a $0.25 dividend that was declared in the first quarter of 2013.

Investing Activities

Calfrac's net cash used for investing activities was $59.7 million for the first quarter of 2013 versus $74.7 million for 2012. Cash outflows relating to capital expenditures were $60.2 million during the first quarter of 2013 compared to $75.5 million in 2012. Capital expenditures were primarily to support the Company's North American fracturing operations.

Calfrac's 2013 capital budget is projected to be $74.0 million, of which $25.0 million will be directed towards growing its Latin America operations, including an investment in coiled tubing and fracturing equipment. The remaining capital program will focus on maintenance and support capital and further investment in logistics equipment. In addition to the 2013 capital program outlined above, Calfrac expects that the carry-over of approximately $107.0 million related to its 2012 capital program will be completed in 2013.

Effect of Exchange Rate Changes on Cash and Cash Equivalents

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the first quarter of 2013 was a gain of $6.0 million versus a gain of $1.9 million during 2012. These gains relate to cash and cash equivalents held by the Company in a foreign currency.

With its strong working capital position, available credit facilities and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2013 and beyond.

At March 31, 2013, the Company had cash and cash equivalents of $47.2 million.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares under the Company's shareholder-approved stock option plan. The number of shares reserved for issuance under the stock option plan is equal to a maximum of 10 percent of the Company's issued and outstanding common shares. As at May 3, 2013, there were 45,672,927 common shares issued and outstanding, and 3,004,300 options to purchase common shares.

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

Normal Course Issuer Bid

The Company filed a Notice of Intention (the "Renewal Notice") to renew the Normal Course Issuer Bid (the "Renewed NCIB") with the TSX on November 1, 2012. Under the Renewed NCIB, the Company may acquire up to 3,318,738 common shares, which was 10 percent of the public float outstanding as at October 31, 2012, during the period November 12, 2012 through November 11, 2013. The maximum number of common shares that may be acquired by the Company during a trading day is 44,254, with the exception that the Company is allowed to make one block purchase of common shares per calendar week that exceeds such limit. All purchases of common shares will be made through the TSX, alternative trading systems or such other exchanges or marketplaces through which the common shares trade from time to time at the market price of the shares at the time of acquisition. Any shares acquired under the Renewed NCIB will be cancelled. A copy of the Renewal Notice may be obtained by any shareholder, without charge, by contacting the Company's Corporate Secretary at 411 – 8th Avenue S.W., Calgary, Alberta, T2P 1E3, or by telephone at 403-266-6000.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	Mar. 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	**Mar. 31, 2013**
(unaudited)	($)	($)	($)	($)	($)	($)	($)	**($)**
Financial (C$000s, except per share and operating data)								
Revenue	269,456	440,491	490,037	474,107	335,780	417,842	367,487	**423,397**
Operating income[1]	47,937	126,527	150,364	113,381	29,810	70,604	43,218	**62,670**
EBITDA[1]	50,597	102,042	149,146	127,995	18,736	70,874	46,866	**65,169**
Per share – basic	1.16	2.33	3.40	2.92	0.42	1.59	1.05	**1.44**
Per share – diluted	1.14	2.30	3.38	2.87	0.42	1.58	1.04	**1.43**
Net income (loss) attributable to shareholders of Calfrac	12,071	47,381	78,921	70,841	(11,855)	26,917	11,243	**24,645**
Per share – basic	0.28	1.08	1.80	1.62	(0.27)	0.60	0.25	**0.55**
Per share – diluted	0.27	1.07	1.79	1.59	(0.27)	0.60	0.25	**0.54**
Capital expenditures	72,047	85,130	101,008	84,075	75,286	63,962	55,694	**43,989**
Working capital (end of period)	324,832	375,823	398,526	431,053	357,128	353,182	322,857	**332,241**
Total equity (end of period)	568,607	632,889	700,569	779,426	747,591	783,091	780,759	**802,581**
Operating (end of period)								
Pumping horsepower (000s)	584	656	719	782	830	845	977	**1,013**
Coiled tubing units (#)	29	29	29	29	29	29	29	**29**
Cementing units (#)	22	23	23	23	23	25	26	**28**

(1) Refer to "Non-GAAP Measures" on page 9 for further information.

Seasonality of Operations

The Company's Canadian and United States businesses are seasonal. The lowest activity is typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up weather conditions and access to well sites in Canada and North Dakota is reduced (refer to "Business Risks – Seasonality" in the 2012 Annual Report).

Foreign Exchange Fluctuations

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in the United States, Russian, Mexican, Argentinean and Colombian currency exchange rates (refer to "Business Risks – Fluctuations in Foreign Exchange Rates" in the 2012 Annual Report).

OUTLOOK

Colder temperatures experienced throughout a significant portion of North America during March and April resulted in significant declines in natural gas storage levels and an increase in natural gas prices. This increase in natural gas prices combined with a relatively stable oil-focused rig count in North America leads Calfrac to be cautiously optimistic that the business environment in North America will improve in the last half of 2013. Assuming the increase in natural gas prices is sustainable, natural gas drilling is anticipated to gain momentum throughout the third and fourth quarters of this year providing the basis for a stronger outlook in 2014. Given the capital intensity of unconventional natural gas completions, Calfrac expects that this incremental activity will improve the supply and demand balance for the fracturing industry. Increasing horizontal activity and service intensity through longer horizontal legs and a greater number of fracturing stages will also provide the potential for higher levels of activity for Calfrac.

Canada continues to be the Company's largest operating segment. Calfrac has a strong and active customer base as well as long-term relationships with a number of large customers. Calfrac expects that well completion activity will continue to grow as many of the larger plays in the Western Canada Sedimentary Basin, such as the Montney and Duvernay, transition from delineation to development. This is particularly relevant as many of the natural gas resource plays of northwest Alberta and northeast British Columbia are some of the most economic gas-producing areas in North America. This activity is expected to increase with the influx of capital from foreign entities and large multi-national companies. This interest in western Canadian natural gas is largely related to a long-term liquefied natural gas (LNG) export strategy. Because sufficient natural gas production and reserves must be available to support the construction of LNG export facilities and subsequent LNG exports, the associated increase in capital investment should provide a platform for significant growth for Calfrac's Canadian operations, as a number of longstanding customers are involved in these plans. The Company's leadership position in the development of the Montney, Duvernay and Horn River resource plays is expected to position it to participate significantly in the development of the resources needed to support LNG exports. In particular, Calfrac remains optimistic about the future development of the Duvernay play. The Company is one of the most active service providers in this play and anticipates that its positioning will form the basis of further growth opportunities in Canada during 2013 and beyond. Overall industry activity is expected to grow materially over the next several years. Over the longer term, further operational efficiencies are expected to be achieved through the expanded use of 24-hour operations and multi-well pad development.

While the Company remains optimistic about future natural gas development in western Canada, completions activity in oil plays remains very strong. The use of higher rate treatments in plays such as the Cardium are leading to greater demand for larger fracturing crews and larger stage sizes. Technology and play economics continue to improve which should provide the basis for further increases in future activity.

Calfrac is pleased with the operational improvements that have been implemented in the United States over the last two quarters which resulted in improved financial performance during the first quarter of 2013. The Company rationalized its United States cost structure and implemented additional supply chain and logistical improvements to ensure improved profitability in a lower-revenue environment. While Calfrac is satisfied with the progress made in its U.S. division, a great deal of uncertainty remains with respect to the short-term dynamics of this market. Pricing pressure combined with volatility in equipment utilization has negatively impacted the short term visibility regarding operating margin expectations. Although the Company does not expect the market conditions to change significantly in the United States pumping industry during the second quarter, it is cautiously optimistic that well drilling and completions activity will improve in the latter part of the year. This is partially dependant upon a recovery in natural gas-focused activity combined with working through the inventory of wells drilled that are awaiting completion.

Calfrac continues to believe that it is well-positioned in the U.S. pressure pumping business. In addition to its contract position, Calfrac services two of the most active unconventional resource plays in the United States, including the Bakken oil shale play in North Dakota and the Marcellus shale gas play in Pennsylvania and West Virginia. The Company believes that the Marcellus shale play will be one of the primary beneficiaries of the recent increase in the price of natural gas. In response to this market opportunity, Calfrac recently redeployed an additional fracturing spread into this region which brings the Company's total number of spreads servicing this play to four and, based on a recent tender award, expects that a fifth crew will be operational in the third quarter.

Based on the completion of the 2013 contract tender process in Russia, the Company anticipates that equipment utilization will improve over 2012. With limited opportunities to improve pricing in this market, Calfrac remains focused on streamlining its cost structure in an effort to improve future financial performance. Growth and improved profitability in this segment will be predicated on the introduction of new technologies in Western Siberia, including horizontal drilling and multi-stage completions. There is significant future potential in Russia given its stature as a leading producer of oil and natural gas. The Company has been very pleased with its involvement in the deployment of multi-stage completion technology in horizontal wellbores over the last several quarters. Consequently, Calfrac expects that this trend will continue to drive demand for its services over the short and longer term as Russia's producing sector gains confidence with this completion strategy.

The Mexican oilfield service environment continues to evolve and, similar to Russia, is in the very early stages of using multi-stage fracturing technology within horizontal wellbores. With a focus on onshore development combined with the use of this new technology, Calfrac expects that there will be opportunities to grow this market in the future. With the success of our initial multi-stage horizontal fracturing projects in Mexico, the Company believes that there will be more work of this nature in 2013 and beyond. In addition, several tenders are expected to be published during the remainder of the year which provides the opportunity for incremental work and, contingent on Calfrac's success in securing such work, the allocation of additional equipment to Mexico. However, recent budgetary constraints may curtail some activity in the Chicontepec basin over the short term, which may result in lower equipment utilization throughout the remainder of the year. In response to these new market conditions, the Company has rationalized its Mexican operating cost structure.

With the successful completion of Calfrac's first fracturing treatment in Argentina on May 4th, the Company believes that it is well-positioned to take advantage of opportunities related to the development of unconventional resource plays, which is expected to drive higher oilfield activity over the longer term. Horizontal drilling combined with multi-stage fracturing will be key inputs to unlocking these resources. Currently, there is very limited capacity in-country to service these emerging plays. Calfrac believes that its long standing reputation for service quality, technical expertise and strong customer base will provide the foundation for long-term growth in Argentina.

The Company entered the Colombian oilfield service market in late 2011 and is currently focused on building its customer base in the midst of a challenging environment. Industry activity in Colombia has been much slower than expected recently due to permitting and infrastructure issues. The Company's presence is currently limited to four cementing units, of which two are currently under contract with the largest producer in the country. This should provide a base level of activity to navigate through this period of low activity as the region transitions towards greater activity, and will position the Company favourably to realize on significant long-term growth opportunities.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Calfrac has various contractual lease commitments related to vehicles, equipment and facilities as well as purchase obligations for products, services and capital assets as disclosed in the Company's 2012 annual consolidated financial statements.

Greek Litigation

As described in note 16 to the interim consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. Management is of the view that it is improbable there will be an outflow of economic resources from the Company to settle these claims. Consequently, no provision was recorded in the consolidated financial statements.

U.S. Litigation

As described in note 16 to the interim consolidated financial statements, a collective and class action claim was filed against the Company on September 27, 2012 in the United States District Court for the Western District of Pennsylvania. The direction and financial consequences of the complaint cannot be determined at this time and, consequently, no provision was recorded in the Company's consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the three months ended March 31, 2013, which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Calfrac's significant accounting policies are described in note 2 to the consolidated financial statements for the year ended December 31, 2012.

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

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

Allowance for Doubtful Accounts Receivable

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based on specific situations and overall industry conditions. In situations where the credit-worthiness of a customer is uncertain, services are only provided on receipt of cash in advance. Calfrac's management believes that the provision for doubtful accounts receivable, which was $0.3 million at March 31, 2013, is adequate.

Depreciation

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

Financial Instruments

Financial instruments included in the Company's consolidated balance sheets are cash and cash equivalents, accounts receivable, current liabilities, long-term debt and finance lease obligations.

The fair values of financial instruments that are included in the consolidated balance sheet, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes is based on the closing market price at the end-date of the reporting period. The fair values of the remaining long-term debt and finance lease obligations approximate their carrying values.

Goodwill

Goodwill represents an excess of the purchase price over the fair value of net assets acquired and is not amortized. The Company assesses goodwill at least annually. Goodwill is allocated to each operating segment, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each operating segment is compared to the carrying value of its net assets. If potential impairment is indicated, it is quantified by comparing the carrying value of goodwill to its fair value. The offset would be charged to the consolidated statement of operations and retained earnings as goodwill impairment.

The Company completed its annual assessment for goodwill impairment and determined there was none for the years ended December 31, 2012. There were no triggers nor indications of impairment that warranted an assessment of goodwill impairment during the three months ended March 31, 2013.

Income Taxes

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

Stock-Based Compensation

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

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

Functional Currency

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

Cash-Generating Units

The determination of cash-generating units is based on management's judgment in regards to shared equipment, mobility of equipment, geographical proximity, and materiality.

RELATED-PARTY TRANSACTIONS

In November 2010, the Company lent a senior officer $2.5 million to purchase common shares of the Company on the Toronto Stock Exchange. The loan is on a non-recourse basis and is secured by the common shares acquired with the loan proceeds. It is for a term of five years and bears interest at 3.375 percent per annum, payable annually. The market value of the shares that secure the loan was approximately $2.3 million as at March 31, 2013 (December 31, 2012 – $2.1 million). In accordance with applicable accounting standards regarding share purchase loans receivable, this loan is classified as a reduction of shareholders' equity due to its non-recourse nature. In addition, the shares purchased with the loan proceeds are considered to be, in substance, stock options.

The Company leases certain premises from an entity controlled by a director of the Company. The rent charged for these premises for the three months ended March 31, 2013 was $89,000 (three months ended March 31, 2012 – $93,000), as measured at the exchange amount.

Prior to 2013, an entity controlled by a director of the Company provided ongoing real estate advisory services to the Company at market rates. This engagement was terminated in the fourth quarter of 2012 as these services were no longer required. The aggregate fees charged for such services for the three months ended March 31, 2012 were $8,000.

CHANGES IN ACCOUNTING POLICIES

As disclosed in the annual financial statements for the year ended December 31, 2012, the Company adopted the following revised accounting standards and amendments, effective January 1, 2013. The adoption of these standards did not have a significant effect on the interim consolidated financial statements:

(i) Effective January 1, 2013, the Company adopted, as required, IFRS 10 *Consolidated Financial Statements* which requires an entity to consolidate an investee when it has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reviewed its consolidation methodology and determined that the adoption of IFRS 10 did not result in a change in the consolidation status of its subsidiaries and investees.

(ii) Effective January 1, 2013, the Company adopted, as required, IFRS 12 *Disclosure of Interests in Other Entities* which establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosure and also introduces significant additional disclosure that addresses the nature of, and risks associated with, an entity's interests in other entities. The Company reviewed its existing disclosures and determined that no changes were required.

(iii) Effective January 1, 2013, the Company adopted, as required, IFRS 13 *Fair Value Measurement* and applied the standard prospectively as required by the transitional provisions. The new standard clarifies the definition of fair value and introduces consistent requirements for disclosures related to fair value measurement. The adoption of this standard did not result in a change to the Company's methodology for determining the fair value of its financial assets and liabilities.

(iv) Effective January 1, 2013, the Company applied the amendment to IAS 1 *Presentation of Financial Statements* which requires items within other comprehensive income (OCI) to be grouped into two categories: (1) items that will not be subsequently reclassified to profit or loss or (2) items that may be subsequently reclassified to profit or loss when specific conditions are met. The amendment has been applied retrospectively and, as such, the presentation of items in OCI has been modified. The application of the amendment to IAS 1 did not result in any adjustments to other comprehensive income or comprehensive income.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the interim period ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

BUSINESS RISKS

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

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

ADVISORIES

Forward-Looking Statements

In order to provide Calfrac shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of Calfrac's plans and future operations, certain statements contained in this MD&A, including statements that contain words such as "anticipates", "can", "may", "could", "expect", "believe", "intend", "forecast", "will", or similar words suggesting future outcomes, are forward-looking statements. Forward-looking statements in this document include, but are not limited to, statements with respect to expected operating strategies, future capital expenditures, future financial resources, anticipated equipment utilization levels, future oil and natural gas well activity in each of the Company's operating jurisdictions, future costs or potential liabilities, anticipated benefits of the Company's competitive position, anticipated outcomes of specific events, trends in the oil and natural gas industry, the Company's growth prospects including, without limitation, its international growth strategy and prospects and the impact of changes in accounting policies and standards on the Company and its financial statements. These statements are derived from certain assumptions and analyses made by the Company based on its experience and interpretation of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the general stability of the economic and political environment in which the Company operates, the Company's expectations for its current and prospective customers' capital budgets and geographical areas of focus, the Company's existing contracts and the status of current negotiations with key customers and suppliers, the focus of the Company's customers on oil and liquids-rich plays in the current natural gas pricing environment in North America, the effect unconventional gas projects have had on supply and demand fundamentals for natural gas and the likelihood that the current tax and regulatory regime will remain substantially unchanged. Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. The most significant risk factors to Calfrac relate to prevailing economic conditions; commodity prices; the demand for fracturing and other stimulation services during drilling and completion of oil and natural gas wells; changes in legislation and the regulatory environment; liabilities and risks, including environmental liabilities and risks inherent in oil and natural gas operations; sourcing, pricing and availability of raw materials, components, parts, equipment, suppliers, facilities and skilled personnel; dependence on major customers; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; and regional competition. Readers are cautioned that the foregoing list of risks and uncertainties is not exhaustive. Further information about these and other risks and uncertainties may be found under "Business Risks" above.

Consequently, all of the forward-looking statements made in this MD&A 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, except as required pursuant to applicable securities laws.

Additional Information

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

CONSOLIDATED BALANCE SHEETS

As at	**March 31, 2013**	December 31, 2012
(C$000s) (unaudited)	**($)**	($)
ASSETS		
Current assets		
Cash and cash equivalents	**47,211**	42,481
Accounts receivable	**402,192**	320,143
Income taxes recoverable	**–**	292
Inventories	**118,218**	118,713
Prepaid expenses and deposits	**8,633**	10,697
	576,254	492,326
Non-current assets		
Property, plant and equipment	**1,033,203**	1,005,101
Goodwill	**10,523**	10,523
Deferred income tax assets	**18,564**	16,871
Total assets	**1,638,544**	1,524,821
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**233,678**	168,250
Income taxes payable	**273**	–
Bank loans (note 3)	**9,003**	–
Current portion of long-term debt (note 4)	**457**	479
Current portion of finance lease obligations (note 5)	**602**	740
	244,013	169,469
Non-current liabilities		
Long-term debt (note 4)	**450,630**	441,018
Other long-term liabilities	**384**	435
Deferred income tax liabilities	**140,936**	133,140
Total liabilities	**835,963**	744,062
Equity attributable to the shareholders of Calfrac		
Capital stock (note 6)	**311,219**	300,451
Contributed surplus (note 8)	**26,251**	27,546
Loan receivable for purchase of common shares (note 13)	**(2,500)**	(2,500)
Retained earnings	**471,813**	458,543
Accumulated other comprehensive loss	**(2,864)**	(2,403)
	803,919	781,637
Non-controlling interest	**(1,338)**	(878)
Total equity	**802,581**	780,759
Total liabilities and equity	**1,638,544**	1,524,821

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended March 31,	**2013**	2012
(C$000s, except per share data) (unaudited)	**($)**	($)
Revenue	**423,397**	474,107
Cost of sales (note 14)	**361,409**	360,810
Gross profit	**61,988**	113,297
Expenses		
Selling, general and administrative	**24,132**	21,985
Foreign exchange gains	**(2,379)**	(13,870)
Gain on disposal of property, plant and equipment	**(120)**	(744)
Interest	**9,203**	8,935
	30,836	16,306
Income before income tax	**31,152**	96,991
Income tax expense		
Current	**2,482**	1,134
Deferred	**4,482**	25,163
	6,964	26,297
Net income for the period	**24,188**	70,694
Net income (loss) attributable to:		
Shareholders of Calfrac	**24,645**	70,841
Non-controlling interest	**(457)**	(147)
	24,188	70,694
Earnings per share (note 6)		
Basic	**0.55**	1.62
Diluted	**0.54**	1.59

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three Months Ended March 31,	**2013**	2012
(C$000s) (unaudited)	**($)**	($)
Net income for the period	**24,188**	70,694
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit or loss:		
Change in foreign currency translation adjustment	**(464)**	(3,937)
Comprehensive income for the period	**23,724**	66,757
Comprehensive income (loss) attributable to:		
Shareholders of Calfrac	**24,184**	66,908
Non-controlling interest	**(460)**	(151)
	23,724	66,757

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to the Shareholders of Calfrac							
	Share Capital	Contributed Surplus	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Non-Controlling Interest	Total Equity
(C$000s) (unaudited)	($)	($)	($)	($)	($)	($)	($)	**($)**
Balance – January 1, 2013	300,451	27,546	(2,500)	(2,403)	458,543	781,637	(878)	**780,759**
Net income for the period	–	–	–	–	24,645	24,645	(457)	**24,188**
Other comprehensive income:								
Cumulative translation adjustment	–	–	–	(461)	–	(461)	(3)	**(464)**
Comprehensive income for the period	–	–	–	(461)	24,645	24,184	(460)	**23,724**
Stock options:								
Stock-based compensation recognized	–	1,479	–	–	–	1,479	–	**1,479**
Proceeds from issuance of shares	10,768	(2,774)	–	–	–	7,994	–	**7,994**
Dividends	–	–	–	–	(11,375)	(11,375)	–	**(11,375)**
Balance – March 31, 2013	**311,219**	**26,251**	**(2,500)**	**(2,864)**	**471,813**	**803,919**	**(1,338)**	**802,581**
Balance – January 1, 2012	271,817	24,170	(2,500)	1,334	405,954	700,775	(206)	**700,569**
Net income for the period	–	–	–	–	70,841	70,841	(147)	**70,694**
Other comprehensive income:								
Cumulative translation adjustment	–	–	–	(3,933)	–	(3,933)	(4)	**(3,937)**
Comprehensive income for the period	–	–	–	(3,933)	70,841	66,908	(151)	**66,757**
Stock options:								
Stock-based compensation recognized	–	1,570	–	–	–	1,570	–	**1,570**
Proceeds from issuance of shares	11,547	(2,788)	–	–	–	8,759	–	**8,759**
Dividend Reinvestment Plan shares issued (note 19)	1,771	–	–	–	–	1,771	–	**1,771**
Balance – March 31, 2012	285,135	22,952	(2,500)	(2,599)	476,795	779,783	(357)	**779,426**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31,	**2013**	2012
(C$000s) (unaudited)	**($)**	($)
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income for the period	**24,188**	70,694
Adjusted for the following:		
Depreciation	**24,814**	22,069
Stock-based compensation	**1,479**	1,570
Unrealized foreign exchange gains	**(4,971)**	(15,389)
Gain on disposal of property, plant and equipment	**(120)**	(744)
Interest	**9,203**	8,935
Deferred income taxes	**4,482**	25,163
Interest paid	**(253)**	(261)
Changes in items of working capital (note 11)	**(17,320)**	(27,961)
Cash flows provided by operating activities	**41,502**	84,076
FINANCING ACTIVITIES		
Bank loan proceeds	**9,146**	1,348
Long-term debt repayments	**(118)**	(114)
Finance lease obligation repayments	**(137)**	(330)
Dividends paid	**–**	(2,605)
Net proceeds on issuance of common shares	**7,994**	8,759
Cash flows provided by financing activities	**16,885**	7,058
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (note 11)	**(60,223)**	(75,488)
Proceeds on disposal of property, plant and equipment	**569**	745
Cash flows used in investing activities	**(59,654)**	(74,743)
Effect of exchange rate changes on cash and cash equivalents	**5,997**	1,865
Increase in cash and cash equivalents	**4,730**	18,256
Cash and cash equivalents, beginning of period	**42,481**	133,055
Cash and cash equivalents, end of period	**47,211**	151,311

See accompanying notes to the consolidated financial statements.

Certain of the comparatives have been reclassified to conform with current year presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2013 and 2012
(Amounts in text and tables are in thousands of Canadian dollars, except share data and certain other exceptions as indicated) (unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC). They should be read in conjunction with the annual financial statements for the year ended December 31, 2012. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

These financial statements were approved by the Audit Committee of the Board of Directors for issuance on May 6, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual financial statements.

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

As disclosed in the annual financial statements for the year ended December 31, 2012, the Company adopted the following revised accounting standards and amendments, effective January 1, 2013. The adoption of these standards did not have a significant effect on the interim consolidated financial statements:

(i) Effective January 1, 2013, the Company adopted, as required, IFRS 10 *Consolidated Financial Statements* which requires an entity to consolidate an investee when it has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reviewed its consolidation methodology and determined that the adoption of IFRS 10 did not result in a change in the consolidation status of its subsidiaries and investees.

(ii) Effective January 1, 2013, the Company adopted, as required, IFRS 12 *Disclosure of Interests in Other Entities* which establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosure and also introduces significant additional disclosure that addresses the nature of, and risks associated with, an entity's interests in other entities. The Company reviewed its existing disclosures and determined that no changes were required.

(iii) Effective January 1, 2013, the Company adopted, as required, IFRS 13 *Fair Value Measurement* and applied the standard prospectively as required by the transitional provisions. The new standard clarifies the definition of fair value and introduces consistent requirements for disclosures related to fair value measurement. The adoption of this standard did not result in a change to the Company's methodology for determining the fair value of its financial assets and liabilities.

(iv) Effective January 1, 2013, the Company applied the amendment to IAS 1 *Presentation of Financial Statements* which requires items within other comprehensive income (OCI) to be grouped into two categories: (1) items that will not be subsequently reclassified to profit or loss or (2) items that may be subsequently reclassified to profit or loss when specific conditions are met. The amendment has been applied retrospectively and, as such, the presentation of items in OCI has been modified. The application of the amendment to IAS 1 did not result in any adjustments to other comprehensive income or comprehensive income.

3. BANK LOANS

The Company's Argentinean subsidiary has two operating lines of credit of which a total of ARS45,385 (C$9,003) was drawn at March 31, 2013. The interest rate ranges from 17.7 percent to 22 percent and both lines of credit are secured by letters of credit issued by the Company.

4. LONG-TERM DEBT

As at	**March 31, 2013**	December 31, 2012
(C$000s)	**($)**	($)
US$450,000 senior unsecured notes due December 1, 2020, bearing interest at 7.5% payable semi–annually	**457,200**	447,705
Less: unamortized debt issuance costs	**(6,821)**	(6,895)
	450,379	440,810
$280,000 extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company	**–**	–
Less: unamortized debt issuance costs	**(1,345)**	(1,444)
	(1,345)	(1,444)
US$1,926 mortgage maturing May 2018 bearing interest at U.S. prime less 1%, repayable at US$33 per month principal and interest, secured by certain real property	**1,957**	2,003
ARS485 Argentina term loan maturing December 31, 2013 bearing interest at 18.25%, repayable at ARS61 per month principal and interest, secured by a Company guarantee	**96**	128
	451,087	441,497
Less: current portion of long–term debt	**(457)**	(479)
	450,630	441,018

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at March 31, 2013 was $458,915 (December 31, 2012 – $443,228). The carrying values of the mortgage obligations, term loans and revolving term loan facilities approximate their fair values as the interest rates are not significantly different from current interest rates for similar loans.

The interest rate on the $280,000 revolving term loan facility is based on the parameters of certain bank covenants. For prime-based loans, the rate ranges from prime plus 0.50 percent to prime plus 1.25 percent. For LIBOR-based loans and Bankers' Acceptance-based loans the margin thereon ranges from 1.50 percent to 2.25 percent above the respective base rates for such loans. The facility is repayable on or before its maturity of September 27, 2016, assuming the facility is not extended. The maturity may be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. Debt issuance costs related to this facility are amortized over its term.

Interest on long-term debt (including the amortization of debt issuance costs) for the three months ended March 31, 2013 was $9,082 (three months ended March 31, 2012 – $9,116).

The Company also has an extendible operating loan facility, which includes overdraft protection in the amount of $20,000. The interest rate is based on the parameters of certain bank covenants in the same fashion as the revolving term facility. Drawdowns under this facility are repayable on September 27, 2016, assuming the facility is not extended. The term and commencement of principal repayments may be extended by one year on each anniversary at the Company's request and lenders' acceptance. The operating facility is secured by the Company's Canadian and U.S. assets.

At March 31, 2013, the Company had utilized $14,376 of its loan facility for letters of credit, leaving $285,624 in available credit.

5. FINANCE LEASE OBLIGATIONS

As at	**March 31, 2013**	December 31, 2012
(C$000s)	**($)**	($)
Finance lease contracts bearing interest at 5.68%, repayable at $49 per month, secured by certain equipment	**605**	753
Less: interest portion of contractual payments	**(3)**	(13)
	602	740
Less: current portion of finance lease obligations	**(602)**	(740)
	–	–

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

6. CAPITAL STOCK

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

	Three Months Ended March 31, 2013		Year Ended December 31, 2012	
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	**(C$000s)**	(#)	(C$000s)
Balance, beginning of period	**45,020,641**	**300,451**	43,709,073	271,817
Issued upon exercise of stock options	**479,537**	**10,768**	686,488	14,836
Dividend Reinvestment Plan shares issued (note 19)	**–**	**–**	625,080	13,798
Balance, end of period	**45,500,178**	**311,219**	45,020,641	300,451

The weighted average number of common shares outstanding for the three months ended March 31, 2013 was 45,164,743 basic and 45,533,812 diluted (three months ended March 31, 2012 – 43,810,704 basic and 44,550,296 diluted). The difference between basic and diluted shares is attributable to the dilutive effect of stock options issued by the Company as disclosed in note 9.

7. NORMAL COURSE ISSUER BID

The Company received regulatory approval to purchase its own common shares in accordance with a Normal Course Issuer Bid for the one-year period November 7, 2011 through November 6, 2012 and for the one-year period November 12, 2012 through November 11, 2013. There were no shares purchased under the Normal Course Issuer Bid for the three months ended March 31, 2013 or for the year ended December 31, 2012.

8. CONTRIBUTED SURPLUS

Continuity of Contributed Surplus	**Three Months Ended March 31, 2013**	Year Ended December 31, 2012
(C$000s)	**($)**	($)
Balance, beginning of period	**27,546**	24,170
Stock options expensed	**1,479**	6,990
Stock options exercised	**(2,774)**	(3,614)
Balance, end of period	**26,251**	27,546

9. STOCK-BASED COMPENSATION

(a) Stock Options

Three Months Ended March 31,	**2013**		2012	
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	**(C$)**	(#)	(C$)
Balance, beginning of period	**2,920,412**	**25.67**	3,198,475	23.31
Granted during the period	**678,750**	**24.46**	592,300	28.26
Exercised for common shares	**(479,537)**	**16.67**	(541,463)	16.18
Forfeited	**(43,700)**	**27.46**	(131,525)	25.37
Balance, end of period	**3,075,925**	**26.78**	3,117,787	25.40

Stock options vest equally over four years and expire five years from the date of grant. The exercise price of outstanding options ranges from $8.39 to $37.18 with a weighted average remaining life of 3.13 years. When stock options are exercised the proceeds, together with the amount of compensation expense previously recorded in contributed surplus, are added to capital stock. During the three months ended March 31, 2013, $1,479 of compensation expense was recognized for stock options (three months ended March 31, 2012 – $1,570). This amount is included in selling, general and administrative expenses.

(b) Stock Units

Three Months Ended March 31,	2013			2012		
Continuity of Stock Units	**Deferred Stock Units**	**Performance Stock Units**	**Restricted Stock Units**	Deferred Stock Units	Performance Stock Units	Restricted Stock Units
	(#)	**(#)**	**(#)**	(#)	(#)	(#)
Balance, beginning of period	**35,000**	**45,000**	**247,230**	35,000	40,000	–
Granted during the period	**35,000**	**45,000**	**380,650**	35,000	45,000	236,635
Exercised	**(35,000)**	**(45,000)**	**(82,410)**	(35,000)	(40,000)	–
Forfeited	**–**	**–**	**(8,250)**	–	–	(6,675)
Balance, end of period	**35,000**	**45,000**	**537,220**	35,000	45,000	229,960

The Company grants deferred stock units to its outside directors. These units vest in November of the year of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred stock units is recognized equally over the vesting period, based on the current market price of the Company's shares. During the three months ended March 31, 2013, $217 of compensation expense was recognized for deferred stock units (three months ended March 31, 2012 – $252). This amount is included in selling, general and administrative expenses.

The Company grants performance stock units to its senior officers who do not participate in the stock option plan. The amount of the grants earned is linked to corporate performance and the grants vest on the approval of the Board of Directors at the meeting held to approve the consolidated financial statements for the year in respect of which performance is being evaluated. As with the deferred stock units, performance stock units are settled either in cash or Company shares purchased on the open market. During the three months ended March 31, 2013, $379 of compensation expense was recognized for performance stock units (three months ended March 31, 2012 – $482). This amount is included in selling, general and administrative expenses.

The Company grants restricted share units to its employees. These units vest equally over three years and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the restricted share units is recognized over the vesting period, based on the current market price of the Company's shares. During the three months ended March 31, 2013, $2,183 of compensation expense was recognized for restricted share units (three months ended March 31, 2012 – $980). This amount is included in selling, general and administrative expense.

Changes in the Company's obligations under the deferred and performance stock unit plans, which arise from fluctuations in the market value of the Company's shares underlying these compensation programs, are recorded as the share value changes.

10. FINANCIAL INSTRUMENTS

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

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes based on the closing market price at March 31, 2013 was $458,915 before deduction of unamortized debt issuance costs (December 31, 2012 – $443,228). The carrying value of the senior unsecured notes at March 31, 2013 was $457,200 before deduction of unamortized debt issuance costs (December 31, 2012 – $447,705). The fair values of the remaining long-term debt and finance lease obligations approximate their carrying values, as described in notes 4 and 5.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating assets and liabilities are as follows:

Three Months Ended March 31,	**2013**	2012
(C$000s)	**($)**	($)
Accounts receivable	**(82,048)**	(14,958)
Income taxes recoverable	**566**	299
Inventory	**495**	(10,110)
Prepaid expenses and deposits	**2,063**	(710)
Accounts payable and accrued liabilities	**61,655**	(2,474)
Other long-term liabilities	**(51)**	(8)
	(17,320)	(27,961)

Purchase of property, plant and equipment is comprised of:

Three Months Ended March 31,	**2013**	2012
(C$000s)	**($)**	($)
Property, plant and equipment additions	**(43,989)**	(84,075)
Change in liabilities related to purchase of property, plant and equipment	**(16,234)**	8,587
	(60,223)	(75,488)

12. CAPITAL STRUCTURE

The Company's capital structure is comprised of shareholders' equity and long-term debt. The Company's objectives in managing capital are (i) to maintain flexibility so as to preserve the Company's access to capital markets and its ability to meet its financial obligations, and (ii) to finance growth, including potential acquisitions.

The Company manages its capital structure and makes adjustments in light of changing market conditions and new opportunities, while remaining cognizant of the cyclical nature of the oilfield services sector. To maintain or adjust its capital structure, the Company may revise its capital spending, adjust dividends paid to shareholders, issue new shares or new debt or repay existing debt.

The Company monitors its capital structure and financing requirements using, amongst other parameters, the ratio of long-term debt to cash flow. Cash flow for this purpose is calculated on a 12-month trailing basis and is defined as follows:

For the Twelve Months Ended	**March 31, 2013**	December 31, 2012
(C$000s)	**($)**	($)
Net income	**49,855**	96,361
Adjusted for the following:		
Depreciation	**93,126**	90,381
Amortization of debt issuance costs and debt discount	**1,243**	1,234
Stock-based compensation	**6,899**	6,990
Unrealized foreign exchange gains	**(477)**	(10,895)
Loss on disposal of property, plant and equipment	**1,426**	802
Deferred income taxes	**15,961**	36,642
Cash flow	**168,033**	221,515

The ratio of long-term debt to cash flow does not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies.

At March 31, 2013, the long-term debt to cash flow ratio was 2.68:1 (December 31, 2012 – 1.99:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended	**March 31, 2013**	December 31, 2012
(C$000s)	**($)**	($)
Long-term debt (net of unamortized debt issuance costs and debt discount) (note 4)	**451,087**	441,497
Cash flow	**168,033**	221,515
Long-term debt to cash flow ratio	**2.68:1**	1.99:1

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

The Company's capital management objectives, evaluation measures and targets remained unchanged over the periods presented.

13. RELATED-PARTY TRANSACTIONS

In November 2010, the Company lent a senior officer $2,500 to purchase common shares of the Company on the Toronto Stock Exchange. The loan is on a non-recourse basis and is secured by the common shares acquired with the loan proceeds. It is for a term of five years and bears interest at 3.375 percent per annum, payable annually. The market value of the shares that secure the loan was approximately $2,309 as at March 31, 2013 (December 31, 2012 – $2,119). In accordance with applicable accounting standards regarding share purchase loans receivable, this loan is classified as a reduction of shareholders' equity due to its non-recourse nature. In addition, the shares purchased with the loan proceeds are considered to be, in substance, stock options.

The Company leases certain premises from an entity controlled by a director of the Company. The rent charged for these premises for the three months ended March 31, 2013 was $89 (three months ended March 31, 2012 – $93), as measured at the exchange amount.

Prior to 2013, an entity controlled by a director of the Company provided ongoing real estate advisory services to the Company at market rates. This engagement was terminated in the fourth quarter of 2012 as these services were no longer required. The aggregate fees charged for such services for the three months ended March 31, 2012 were $8.

14. PRESENTATION OF EXPENSES

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

- operations; and
- selling, general and administrative.

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

Additional information on the nature of expenses is as follows:

Three Months Ended March 31,	**2013**	2012
(C$000s)	**($)**	($)
Product costs	**129,322**	140,107
Depreciation	**24,814**	22,069
Amortization of debt issuance costs and debt discount	**318**	309
Employee benefits expense (note 15)	**98,549**	90,284

15. EMPLOYEE BENEFITS EXPENSE

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

Three Months Ended March 31,	**2013**	2012
(C$000s)	**($)**	($)
Salaries and short-term employee benefits	**92,745**	85,157
Post-employment benefits (group retirement savings plan)	**1,001**	823
Share-based payments	**4,259**	3,286
Termination benefits	**544**	1,018
	98,549	90,284

16. CONTINGENCIES

Greek Litigation

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

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $8,916 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. NAPC and the Company are assessing available rights of appeal to any other levels of court in any jurisdiction where such an appeal is warranted.

Several other smaller groups of former employees have filed similar cases in various courts in Greece. One of these cases was heard by the Athens Court of First Instance on January 18, 2007. By judgment rendered November 23, 2007, the plaintiff's allegations were partially accepted, and the plaintiff was awarded compensation for additional work of approximately $46 (35 euros), plus interest. The appeal of this decision was heard on June 2, 2009, at which time an additional claim by the plaintiff was also heard. A decision in respect of the hearing has been rendered which accepted NAPC's appeal of the initial claim and partially accepted the additional claim of the plaintiff, resulting in an award of approximately $14 (11 euros), plus interest.

Another one of the lawsuits seeking salaries in arrears of $167 (128 euros) plus interest was heard by the Supreme Court of Greece on November 6, 2007, at which date the appeal of the plaintiffs was denied for technical reasons due to improper service. A rehearing of this appeal was heard on September 21, 2010 and the decision rendered declared once again the appeal inadmissible due to technical reasons. The remaining action, which is seeking salaries in arrears of approximately $572 (439 euros) plus interest, was scheduled to be heard before the Athens Court of First Instance on October 1, 2009, but has been postponed a total of four times, including the most recent postponement on February 22, 2013. No new date has been set yet for the postponed hearing.

The maximum aggregate interest payable under the claims noted above amounted to $15,402 (11,826 euros) as at March 31, 2013.

Management is of the view that it is improbable there will be an outflow of economic resources from the Company to settle these claims. Consequently, no provision has been recorded in these consolidated financial statements.

U.S. Litigation

A collective and class action claim was filed against the Company on September 27, 2012 in the United States District Court for the Western District of Pennsylvania. The direction and financial consequences of the complaint cannot be determined at this time and, consequently, no provision was recorded in the Company's financial statements.

17. SEGMENTED INFORMATION

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

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

	Canada	States	Russia	America	Corporate	Consolidated
(C$000s)	($)	($)	($)	($)	($)	($)
Three Months Ended March 31, 2013						
Revenue	**231,576**	**127,010**	**37,161**	**27,650**	**–**	**423,397**
Operating income (loss)[1]	**55,911**	**18,039**	**1,989**	**1,152**	**(14,421)**	**62,670**
Segmented assets	**767,589**	**597,552**	**136,174**	**137,229**	**–**	**1,638,544**
Capital expenditures	**17,291**	**20,809**	**2,431**	**3,458**	**–**	**43,989**
Goodwill	**7,236**	**2,308**	**979**	**–**	**–**	**10,523**
Three Months Ended March 31, 2012						
Revenue	225,824	194,899	28,096	25,288	–	474,107
Operating income (loss)[1]	77,332	44,104	1,554	2,518	(12,127)	113,381
Segmented assets	764,524	552,653	125,909	64,708	–	1,507,794
Capital expenditures	37,193	45,540	859	483	–	84,075
Goodwill	7,236	2,308	979	–	–	10,523

(1) Operating income (loss) is defined as net income (loss) before depreciation, interest, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, and income taxes. Operating income was calculated as follows:

Three Months Ended March 31,	**2013**	2012
(C$000s)	**($)**	($)
Net income	**24,188**	70,694
Add back (deduct):		
Depreciation	**24,814**	22,069
Interest	**9,203**	8,935
Foreign exchange gains	**(2,379)**	(13,870)
Gain on disposal of property, plant and equipment	**(120)**	(744)
Income taxes	**6,964**	26,297
Operating income	**62,670**	113,381

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

The following table sets forth consolidated revenue by service line:

Three Months Ended March 31,	**2013**	2012
(C$000s)	**($)**	($)
Fracturing	**384,144**	429,379
Coiled tubing	**21,603**	30,785
Cementing	**11,863**	7,875
Other	**5,787**	6,068
	423,397	474,107

18. SEASONALITY OF OPERATIONS

The Company's Canadian and United States businesses are seasonal in nature. The lowest activity levels in these areas are typically experienced during the second quarter of the year when road weight restrictions are in place and access to wellsites in Canada and North Dakota is reduced.

19. DIVIDEND REINVESTMENT PLAN

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

A dividend of $0.25 per common share was declared on February 26, 2013 and paid on April 15, 2013. Of the total dividend of $11,375, $3,108 was reinvested under the DRIP into 125,024 common shares of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ronald P. Mathison
Chairman (1)(2)
President &
Chief Executive Officer
Matco Investments Ltd.

Douglas R. Ramsay (4)
Chief Executive Officer
Calfrac Well Services Ltd.

Kevin R. Baker, Q.C. (2)(3)
President &
Managing Director
Baycor Capital Inc.

James S. Blair (3)(4)
President &
Chief Executive Officer
Glenogle Energy Inc.

Gregory S. Fletcher (1)(2)
President
Sierra Energy Inc.

Lorne A. Gartner (1)(4)
Independent Businessman

R.T. (Tim) Swinton (1)(2)(3)
Independent Businessman

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance and Nominating Committee

(4) Member of the Health, Safety and Environment Committee

OFFICERS

Douglas R. Ramsay
Chief Executive Officer

Fernando Aguilar
President &
Chief Operating Officer

Laura A. Cillis
Senior Vice President, Finance &
Chief Financial Officer

Lindsay R. Link
President,
United States Operating Division

Robert J. Montgomery
President,
Canadian Operating Division

Robert L. Sutherland
President,
Russian Operating Division

OFFICERS

O. Alberto Bertolin
Director General,
Latin America Division

Armando J. Bertolin
Director General,
Latin America Division

Dwight M. Bobier
Senior Vice President,
Technical Services

Tom J. Medvedic
Senior Vice President,
Corporate Development

R. Leron Crapo
Vice President,
Operations Finance

Chris K. Gall
Vice President,
Global Supply Chain

Roderick P. Kuntz
Vice President, HS&E

Chad J. Leier
Vice President, Sales,
Marketing & Engineering,
United States Operating Division

Umberto Marseglia
Vice President, Global Business

Michael D. Olinek
Vice President, Finance

Edward L. Oke
Vice President,
Human Resources

B. Mark Paslawski
Vice President,
General Counsel
& Corporate Secretary

F. Bruce Payne
Vice President,
Global Operations

Gary J. Rokosh
Vice President, Sales,
Marketing & Engineering,
Canadian Operating Division

Matthew L. Mignault
Corporate Controller

HEAD OFFICE

411 – 8th Avenue S.W.
Calgary, Alberta, T2P 1E3
Phone: 403-266-6000
Toll Free: 1-866-770-3722
Fax: 403-266-7381
Email: info@calfrac.com
Website: www.calfrac.com

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

BANKERS

HSBC Bank Canada
Alberta Treasury Branches
Royal Bank of Canada
Canadian Imperial Bank of Commerce
Export Development Canada

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

Trading Symbol: CFW

OPERATING BASES

Alberta, Canada
Calgary – Head Office
Calgary – Technology and Training Centre
Edson
Grande Prairie
Medicine Hat
Red Deer
Red Earth

British Columbia, Canada
Dawson Creek

Saskatchewan, Canada
Estevan

Colorado, United States
Denver – Regional Office
Grand Junction
Platteville

Arkansas, United States
Beebe

Pennsylvania, United States
Philipsburg
Smithfield

North Dakota, United States
Williston

Russia
Moscow – Regional Office
Khanty-Mansiysk
Nefteugansk
Noyabrsk

Mexico
Mexico City – Regional Office
Reynosa
Poza Rica

Argentina
Buenos Aires – Regional Office
Catriel
Las Heras
Neuquén

Colombia
Bogota – Regional Office

REGISTRAR AND TRANSFER AGENT

For information concerning lost share certificates and estate transfers or for a change in share registration or address, please contact the transfer agent and registrar at 1-800-564-6253 or by email at service@computershare.com, or write to:

COMPUTERSHARE INVESTOR SERVICES INC.
9th floor, 100 University Avenue,
Toronto, Ontario, M5J 2Y1

411 - 8 AVENUE S.W.
CALGARY, ALBERTA, T2P 1E3
E-MAIL: INFO@CALFRAC.COM
WWW.CALFRAC.COM