THE RIGHT PLACE. THE RIGHT TIME. THE RIGHT PEOPLE.

Q2 SECOND QUARTER INTERIM REPORT

For the three months and six months ended June 30, 2010

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	**2010**	2009	Change
(000s, except per share and unit data) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Financial						
Revenue	**164,849**	104,727	57	**391,972**	285,115	37
Operating income[1]	**14,907**	4,052	268	**53,815**	31,479	71
Net income (loss)	**(10,457)**	(14,770)	29	**3,179**	(9,242)	134
Per share – basic	**(0.24)**	(0.39)	38	**0.07**	(0.24)	129
Per share – diluted	**(0.24)**	(0.39)	38	**0.07**	(0.24)	129
Funds provided by operations[1]	**6,159**	128	4,712	**42,671**	22,841	87
Per share – basic	**0.14**	–	–	**0.99**	0.61	62
Per share – diluted	**0.14**	–	–	**0.98**	0.61	61
EBITDA[1]	**11,976**	4,340	176	**52,843**	30,285	74
Per share – basic	**0.28**	0.11	155	**1.23**	0.80	54
Per share – diluted	**0.28**	0.11	155	**1.22**	0.80	53
Working capital (end of period)	**139,581**	111,864	25	**139,581**	111,864	25
Shareholders' equity (end of period)	**466,746**	380,515	23	**466,746**	380,515	23
Weighted average common shares outstanding (#)						
Basic	**43,047**	37,742	14	**43,017**	37,742	14
Diluted	**43,150**	37,742	14	**43,398**	37,742	15
Operating (end of period)						
Pumping horsepower (000s)				**472**	319	48
Coiled tubing units (#)				**28**	18	56
Cementing units (#)				**21**	20	5

[1] Refer to "Non-GAAP Measures" on page 9 for further information.

PRESIDENT'S MESSAGE

I am pleased to present Calfrac's operating and financial highlights for the three and six months ended June 30, 2010 and to discuss our prospects for the remainder of 2010. During the second quarter, our Company:

- achieved record second quarter revenue resulting from high levels of pressure pumping activity in the unconventional plays of western Canada and the United States;
- achieved strong period-over-period growth in operating income and EBITDA despite inclement weather in western Canada;
- proactively executed preventative maintenance and recruiting programs in Canada in order to benefit from the expected strong demand for the Company's services for the remainder of 2010 and into 2011;
- mobilized a large fracturing spread and set up logistics for a significant project in the Horn River Basin that commenced early in the third quarter; and
- announced a $60 million increase to its 2010 capital program for a revised total of $176 million, including carryforward capital. This increase primarily related to the construction of a large fracturing spread for Calfrac's U.S. operations, supported by a recently executed long-term minimum commitment contract with a large customer focused on the Marcellus shale play in Pennsylvania.

FINANCIAL HIGHLIGHTS

For the three months ended June 30, 2010, the Company recorded:

- record second quarter revenue of $164.8 million versus $104.7 million in the comparable quarter of 2009 led by higher year-over-year activity in Canada and the United States;
- operating income of $14.9 million versus $4.1 million in the comparable period in 2009 resulting from strong financial performance due to strong activity and improved pricing in Canada and the United States combined with a continued focus on cost control;
- the sale of certain redundant Canadian real estate assets from the acquisition of Century Oilfield Services Inc. ("Century") for proceeds of $4.7 million and a gain on disposal of $1.0 million; and
- a net loss of $10.5 million or $0.24 per share, including a foreign exchange loss of $4.1 million, compared to a net loss of $14.8 million or $0.39 per share in the second quarter of 2009, which included a $0.5 million foreign exchange loss; and

For the six months ended June 30, 2010, Calfrac generated:

- revenue of $392.0 million, an increase of 37 percent from the first half of 2009;
- operating income of $53.8 million versus $31.5 million in the comparable period in 2009 resulting from strong activity levels in Canada and the United States;
- net income of $3.2 million or $0.07 per share compared to a net loss $9.2 million or $0.24 per share in the comparable 2009 period; and
- end-of-period working capital of $139.6 million, an increase of 9 percent from December 31, 2009.

OPERATIONAL HIGHLIGHTS

Canada

In the second quarter of 2010, Calfrac experienced relatively strong demand for its pressure pumping services despite prolonged poor weather and spring break-up conditions. Activity was concentrated in the unconventional natural gas and oil resource plays of western Canada, including the Deep Basin, Cardium and Bakken formations. In anticipation of high levels of activity throughout the remainder of 2010, the Company focused on the preventative maintenance of its equipment fleet as well as the recruitment of new field personnel during the second quarter. In addition, Calfrac prepared for a significant Horn River project that commenced operations in late June. The Company expects that the industry trend towards large, horizontal multi-well completions in the unconventional gas and oil resource plays of the Western Canada Sedimentary Basin will continue to drive improved financial results in this market throughout the remainder of 2010 and into 2011.

United States

The Company's fracturing operations in the Marcellus shale play of Pennsylvania experienced a significant increase in activity during the second quarter of 2010. In addition, Calfrac increased its capital budget in June by $60.0 million related mainly to the construction of a large fracturing spread for this region that is supported by a signed long-term minimum commitment contract with a major oil and natural gas corporation. This fracturing fleet is expected to begin operating late in the fourth quarter of 2010, increasing the number of Calfrac fracturing spreads operating in this area to two. In Arkansas, fracturing and cementing activity levels continue to be robust. The deployment of several pumping units to this region during the quarter assisted in bringing maintenance costs to normalized levels. Activity levels in the Rocky Mountain region of Colorado were consistent with the previous quarter, although activity in the Niobrara oil shale play in northern Colorado increased during the quarter, which provides solid growth prospects for the future. During the second quarter, the Company also completed a large fracturing project in the Bakken play of North Dakota and continues to evaluate future opportunities in this market. Operating margins in the United States benefited from pricing improvements that occurred late in the first quarter and early in the second quarter. Overall, Calfrac anticipates that the current high levels of equipment utilization will be sustained throughout the remainder of the year which, combined with improved pricing, should result in strong operating margins in the United States market.

Russia

Activity levels in Western Siberia during the second quarter were lower than anticipated primarily due to a slower pace of development by the Company's customers and well access issues related to wet spring weather conditions. The Company's reported financial results were also impacted by a 7 percent decline in the value of the Russian rouble from the second quarter of 2009. However, Calfrac expects higher levels of equipment utilization and stronger financial performance throughout the remainder of the year. In addition, the Company recently commenced deployment of a fifth fracturing spread into Russia, which is anticipated to begin operations late in the fourth quarter of 2010.

Latin America

Fracturing and cementing activity levels in Mexico during the second quarter were lower than expected due to the impact of Pemex budgetary constraints combined with security issues and the impact of Hurricane Alex on northern Mexico. Fracturing activity in the Chicontepec region is anticipated to remain relatively strong throughout the remainder of 2010 as Pemex continues to concentrate on well completion activities in central Mexico; however, cementing activity is expected to be lower. Activity in the Burgos natural gas field of northern Mexico is not expected to significantly improve in 2010 due to Pemex's focus on crude oil production. In response to these market conditions, the Company has transferred some fracturing equipment into the United States and is currently evaluating opportunities to transfer other equipment to existing and new opportunities in Latin America.

During the second quarter, cementing activity levels and operating margins in Argentina were lower than anticipated due primarily to a reduction in drilling activity by the Company's major customer. Activity returned to normal levels by mid-June and is expected to remain relatively strong throughout the remainder of the year. A shallow coiled tubing unit was recently deployed from Canada to Argentina and is expected to commence operations towards the end of the third quarter of 2010.

OUTLOOK AND BUSINESS PROSPECTS

Natural gas and crude oil prices have stabilized and exploration and development activity in Canada and the United States remains focused on horizontal wells incorporating multi-stage fracturing technology in unconventional resource plays. This industry trend is expected to increase overall utilization levels for the pressure pumping service industry during the remainder of 2010 and beyond.

Activity in the Horn River shale gas play of northeast British Columbia commenced in late June and is anticipated to be strong during the third quarter. In addition, activity in the Montney and Deep Basin plays continues to be very robust with a greater proportion of wells being drilled horizontally. The industry focus on developing unconventional natural gas and oil plays is expected to result in high levels of equipment utilization in Canada throughout the remainder of the year and continue to drive the financial performance of Calfrac's Canadian division. Activity in unconventional light oil plays, such as the Cardium, Viking and Bakken, is expected to continue to be very robust. This industry trend has led to significantly greater commodity-based diversification for the Company's Canadian operations.

Calfrac entered the Marcellus shale play of Pennsylvania during the fourth quarter of 2009 and the Company expects that the demand for pressure pumping services in this region will increase significantly throughout this year. The addition of a second large fracturing spread to serve the growing demand in this market is anticipated late in the fourth quarter. Fracturing and cementing activity in the Fayetteville shale play of Arkansas is expected to remain strong during 2010 due to high overall customer demand. Fracturing activity levels in the Rocky Mountain region of Colorado are expected to remain consistent with the first six months of 2010 although the continued development of the Niobrara oil shale play in northern Colorado provides a significant growth opportunity for this market. The improved pricing levels recently seen in the U.S. market are anticipated to drive strong operating margins during the remainder of the year.

Calfrac operates in Russia under the terms of eight annual contracts with two of that country's largest oil and natural gas companies and currently operates four fracturing spreads and six coiled tubing units in this oil-focused market. A fifth fracturing spread has been deployed into this market but will not commence operations until late in the fourth quarter of 2010. The Company expects activity to improve in the second half of the year as its customers focus on completing their 2010 programs, which is anticipated to lead to stronger financial performance during the second half of the year.

Fracturing activity in the Chicontepec oil and natural gas field of central Mexico is expected to remain relatively strong throughout 2010 but cementing activity levels are anticipated to decrease significantly from the second quarter as Pemex remains focused on well completions in this region. In the Burgos natural gas field of northern Mexico, activity levels are anticipated to be low as Pemex develops its onshore oil-producing areas such as the Chicontepec region. As a result, the Company has recently restructured its operations in Reynosa, has transferred some fracturing equipment to more active areas in the United States and is currently evaluating other growth opportunities in existing and new Latin America markets.

The Company has deployed a coiled tubing unit to Argentina and it is expected to become operational in September 2010. This new service line will augment the cementing and acidizing operations, which are anticipated to be relatively active throughout the remainder of the year.

In June, Calfrac announced a $60 million increase to its 2010 capital program for a revised total of $176 million, including carryforward capital. The increase is primarily related to construction of a large fracturing spread for Calfrac's U.S. operations, supported by a recently executed long-term minimum commitment contract with CNX Gas Company (CONSOL Energy) relating to the Marcellus shale basin. Delivery of the spread is expected late in the fourth quarter of 2010. The incremental capital will add 55,000 horsepower to Calfrac's fracturing fleet, bringing its total pressure pumping capacity to approximately 585,000 hydraulic horsepower upon culmination of the 2010 capital program. The balance of the increase in capital will be used to strengthen Calfrac's infrastructure as the Company bolsters its presence in the Marcellus shale play in the U.S. and the unconventional plays in northern Alberta and northeast British Columbia in Canada. It is expected that approximately $25 million of the expanded 2010 capital program will be expended in 2011. The increased capital will be funded from cash flow and existing credit facilities.

On May 11, 2010, the Company announced the election of Kevin Baker and Lorne Gartner to its board of directors. Mr. Baker was most recently President and Chief Executive Officer of Century Oilfield Services Inc., and brings to the Calfrac board valuable industry experience backed by over 38 years of corporate legal experience. Mr. Gartner is an independent businessman with a strong financial and banking background, who most recently was managing director of Royal Bank of Canada Capital Markets.

The outlook for the North American pressure pumping services industry is anticipated to remain strong over the long term due primarily to the expected growth of unconventional natural gas and oil plays, which remain profitable at relatively low commodity prices. The Company continues to focus on maintaining a competitive cost structure and improving operating efficiencies. Calfrac will continue to capitalize on future growth opportunities in existing and new markets while using a conservative financial approach in order to maintain a strong balance sheet and overall financial flexibility.

On behalf of the Board of Directors,

Douglas R. Ramsay
President & Chief Executive Officer
August 3, 2010

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 August 3, 2010 and is a review of the financial condition and results of operations of the Company based on Canadian generally accepted accounting principles (GAAP). Its focus is primarily a comparison of the Company's financial performance for the three and six months ended June 30, 2010 with the comparable periods of 2009 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009. 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 have been included on page 9.

CALFRAC'S BUSINESS

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

The Company's reportable business segments during the first half of 2010 are as follows:

- The Canadian segment is focused on the provision of fracturing and coiled tubing services to diverse oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia and Saskatchewan. The Company's customer base in Canada ranges from large multi-national public companies to small private companies. Calfrac had combined hydraulic horsepower of approximately 211,000, 22 coiled tubing units and six cementing units in Canada at June 30, 2010.
- The United States segment of the Company's business provides pressure pumping services from operating bases in Colorado, Arkansas and Pennsylvania. In the United States, the Company provides fracturing services to a number of oil and natural gas companies operating in the Piceance Basin of western Colorado, the Uintah Basin of northeast Utah and the Denver-Julesburg Basin centered in eastern Colorado but extending into southeast Wyoming, western Nebraska and western Kansas, including the Niobrara oil play of northern Colorado as well as fracturing and cementing operations in the Fayetteville shale play of Arkansas. In the fourth quarter of 2009, Calfrac commenced fracturing operations for several oil and natural gas companies in the Marcellus shale play which is located in Pennsylvania and West Virginia. At June 30, 2010, the Company deployed approximately 202,000 hydraulic horsepower and operated seven cementing units in its United States segment.
- The Company's Russian segment is focused on the provision of fracturing and coiled tubing services in Western Siberia. In the first six months of 2010, the Company operated under the terms of eight annual contracts signed with two of Russia's largest oil and natural gas producers. At June 30, 2010, the Company operated six coiled tubing units and deployed approximately 36,000 hydraulic horsepower forming four fracturing spreads in Russia.
- The Latin America segment provides pressure pumping services from operating bases in central and northern Mexico and central Argentina. The Company provides hydraulic fracturing services to Pemex Exploracion y Produccion in the Burgos field of northern Mexico and the Chicontepec field of central Mexico. The Company also provides cementing services in the Chicontepec field. In Argentina, the Company provides cementing and acidizing services to local oil and natural gas companies. In the Latin America segment, the Company deployed approximately 23,000 hydraulic horsepower forming three fracturing spreads and eight cementing units at June 30, 2010.

CONSOLIDATED HIGHLIGHTS

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	**2010**	2009	Change
(000s, except per share amounts) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**164,849**	104,727	57	**391,972**	285,115	37
Operating income[1]	**14,907**	4,052	268	**53,815**	31,479	71
Net income (loss)	**(10,457)**	(14,770)	29	**3,179**	(9,242)	134
Per share – basic	**(0.24)**	(0.39)	38	**0.07**	(0.24)	129
Per share – diluted	**(0.24)**	(0.39)	38	**0.07**	(0.24)	129
Funds provided by operations[1]	**6,159**	128	4,712	**42,671**	22,841	87
Per share – basic	**0.14**	–	–	**0.99**	0.61	62
Per share – diluted	**0.14**	–	–	**0.98**	0.61	61
EBITDA[1]	**11,976**	4,340	176	**52,843**	30,285	74
Per share – basic	**0.28**	0.11	155	**1.23**	0.80	54
Per share – diluted	**0.28**	0.11	155	**1.22**	0.80	53
Working capital, end of period				**139,581**	111,864	25
Total assets, end of period				**872,269**	646,902	35
Long-term debt, end of period				**277,986**	171,430	62
Shareholders' equity, end of period				**466,746**	380,515	23

[1] Refer to "Non-GAAP Measures" on page 9 for further information.

2010 OVERVIEW

In the second quarter of 2010, the Company:

- achieved record second quarter revenue of $164.8 million with an increase of 57 percent from the comparable quarter of 2009 driven primarily by strong growth and improved pricing in Calfrac's Canadian and United States operations;
- reported operating income of $14.9 million versus $4.1 million in the same quarter of 2009, an increase of 268 percent, mainly as a result of high levels of fracturing activity in the unconventional plays of western Canada and the United States;
- sold redundant Canadian real estate assets from the acquisition of Century Oilfield Services Inc. for proceeds of $4.7 million and a gain on disposal of $1.0 million;
- reported a net loss of $10.5 million or $0.24 per share, including a $4.1 million foreign exchange loss, compared to a net loss of $14.8 million or $0.39 per share in the second quarter of 2009, which included a foreign exchange loss of $0.5 million;
- generated funds provided by operations of $6.2 million or $0.14 per share versus $0.1 million in the second quarter of 2009; and
- announced a $60 million increase to its 2010 capital program for a revised total of $176 million, including carryforward capital. This increase is primarily to fund the construction of a large fracturing spread for Calfrac's United States operations, supported by a recently executed three-year minimum commitment contract with a large customer focused on the Marcellus shale play in Pennsylvania.

In the six months ended June 30, 2010, the Company:

- increased revenue by 37 percent to $392.0 million from $285.1 million in the first six months of 2009 driven primarily by strong growth in Calfrac's Canadian and United States operations and the contribution from the acquisition of Century in November 2009;
- reported operating income of $53.8 million versus $31.5 million in the same period of 2009, an increase of 71 percent, mainly as a result of high levels of fracturing activity in the unconventional resource plays of western Canada and the United States;
- reported net income of $3.2 million or $0.07 per share compared to net loss of $9.2 million or $0.24 per share in the same period of 2009;
- generated funds provided by operations of $42.7 million or $0.99 per share versus $22.8 million or $0.61 per share in the comparable period of 2009; and
- increased its period-end working capital by 9 percent over December 31, 2009 to $139.6 million at June 30, 2010.

NON-GAAP MEASURES

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under Canadian GAAP and, therefore, 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 capital assets, 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 how they are taxed. Operating income was calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
Net income (loss)	**(10,457)**	(14,770)	**3,179**	(9,242)
Add back (deduct):				
Depreciation	**19,206**	15,187	**38,768**	30,115
Interest, net	**6,179**	3,500	**12,332**	7,188
Foreign exchange losses	**4,094**	541	**1,955**	2,095
Gain on disposal of capital assets	**(1,163)**	(829)	**(983)**	(901)
Income taxes	**(2,919)**	382	**(1,431)**	2,144
Non-controlling interest	**(33)**	41	**(5)**	80
Operating income	**14,907**	4,052	**53,815**	31,479

Funds provided by operations is defined as cash provided by operating activities before the net change in non-cash operating assets and liabilities. Funds provided by operations is a measure that provides shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes these measures to assess the Company's ability to finance operating activities and capital expenditures. Funds provided by operations was calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
Cash provided by operating activities	**22,271**	23,026	**22,197**	37,011
Add back (deduct):				
Net change in non-cash operating assets and liabilities	**(16,112)**	(22,898)	**20,474**	(14,170)
Funds provided by operations	**6,159**	128	**42,671**	22,841

EBITDA is defined as net income (loss) before interest, taxes, depreciation, amortization and non-controlling interest. 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 June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
Net income (loss)	**(10,457)**	(14,770)	**3,179**	(9,242)
Add back (deduct):				
Depreciation	**19,206**	15,187	**38,768**	30,115
Interest, net	**6,179**	3,500	**12,332**	7,188
Income taxes	**(2,919)**	382	**(1,431)**	2,144
Non-controlling interest	**(33)**	41	**(5)**	80
EBITDA	**11,976**	4,340	**52,843**	30,285

FINANCIAL OVERVIEW – THREE MONTHS ENDED JUNE 30, 2010 VERSUS 2009

Canada

Three Months Ended June 30,	2010	2009	Change
(000s, except operational information)	**($)**	($)	(%)
(unaudited)			
Revenue	**52,183**	26,529	97
Expenses			
Operating	**48,277**	25,632	88
Selling, General and Administrative (SG&A)	**2,406**	2,217	9
	50,683	27,849	82
Operating income (loss)[1]	**1,500**	(1,320)	214
Operating income (loss) (%)	**2.9%**	-5.0%	158
Fracturing revenue per job ($)	**104,189**	153,680	(32)
Number of fracturing jobs	**455**	143	218
Coiled tubing revenue per job ($)	**28,603**	25,661	11
Number of coiled tubing jobs	**167**	147	14

[1] Refer to "Non-GAAP Measures" on page 9 for further information.

Revenue

Revenue from Calfrac's Canadian operations during the second quarter of 2010 was $52.2 million versus $26.5 million in the comparable three-month period of 2009. The 97 percent increase in revenue was primarily due to higher fracturing and coiled tubing activity in the unconventional natural gas resource plays of northern Alberta and northeast British Columbia and an increase in oil-related fracturing in the resource plays of Saskatchewan and west central Alberta, combined with improved pricing. This increase was partially driven by incremental revenue as a result of the acquisition of Century in mid-November 2009, which added 70,000 horsepower to the Canadian equipment fleet. These factors were partially offset by lower fracturing activity in the Horn River unconventional play of northeast British Columbia.

Operating Expenses

Operating expenses in Canada increased by 88 percent to $48.3 million during the second quarter of 2010 from $25.6 million in the same period of 2009. The increase in Canadian operating expenses was mainly due to higher overall fracturing activity levels in the unconventional oil and natural gas resource plays of western Canada combined with the larger overall size of Calfrac's Canadian fleet and the opening of district offices in Dawson Creek and Fort Nelson. Significant preventative maintenance and recruiting programs undertaken in anticipation of strong activity levels throughout the remainder of 2010 also resulted in additional costs.

SG&A Expenses

SG&A expenses for Calfrac's Canadian operations during the second quarter of 2010 increased from the corresponding period in 2009 by 9 percent to $2.4 million, primarily due to an increase in personnel and related costs following the acquisition of Century in November 2009.

United States

Three Months Ended June 30,	**2010**	2009	Change
(000s, except operational and exchange rate information)	**($)**	($)	(%)
(unaudited)			
Revenue	**77,687**	42,954	81
Expenses			
Operating	**56,273**	41,792	35
SG&A	**2,544**	1,595	59
	58,817	43,387	36
Operating income (loss)[1]	**18,870**	(433)	4,458
Operating income (loss) (%)	**24.3%**	-1.0%	2,530
Fracturing revenue per job ($)	**67,871**	78,911	(14)
Number of fracturing jobs	**1,098**	497	121
Cementing revenue per job ($)	**22,442**	18,046	24
Number of cementing jobs	**141**	207	(32)
Cdn$/US$ average exchange rate[2]	**1.0278**	1.1670	(12)

[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 increased during the second quarter of 2010 to $77.7 million from $43.0 million in the comparable quarter of 2009. The increase was due primarily to higher fracturing activity levels in all operating regions, the commencement of fracturing operations in Pennsylvania during the fourth quarter of 2009, the completion of a large fracturing project in the Bakken play of North Dakota during May 2010, improved pricing and larger cementing job sizes. This was partially offset by the 12 percent decline in the United States dollar against the Canadian dollar and lower cementing activity levels.

Operating Expenses

Operating expenses in the United States were $56.3 million for the second quarter of 2010, an increase of 35 percent from the comparative period in 2009. The increase in operating expenses was primarily due to the larger equipment fleet as a result of the acquisition of fracturing assets from Pure Energy Services Ltd. ("Pure") during the third quarter of 2009 combined with the commencement of fracturing operations in the Marcellus shale play of Pennsylvania. These factors were offset partially by the impact of the depreciation of the United States dollar versus the Canadian dollar.

SG&A Expenses

SG&A expenses in the United States during the second quarter of 2010 increased by 59 percent from the comparable period in 2009 to $2.5 million primarily due to the higher personnel expenses related to the Company's larger scope of operations resulting from the acquisition of Pure's fracturing assets during August 2009 and the expansion into the Marcellus Basin during the fourth quarter of 2009 combined with higher annual bonus expenses. These factors were offset partially by the impact of the decline in value of the United States dollar compared to the Canadian dollar.

Russia

Three Months Ended June 30,	2010	2009	Change
(000s, except operational and exchange rate information)	($)	($)	(%)
(unaudited)			
Revenue	**18,046**	19,193	(6)
Expenses			
Operating	**15,361**	11,719	31
SG&A	**1,036**	881	18
	16,397	12,600	30
Operating income[1]	**1,649**	6,593	(75)
Operating income (%)	**9.1%**	34.4%	(74)
Fracturing revenue per job ($)	**89,931**	76,419	18
Number of fracturing jobs	**122**	157	(22)
Coiled tubing revenue per job ($)	**45,349**	46,124	(2)
Number of coiled tubing jobs	**156**	156	–
Cdn$/rouble average exchange rate[2]	**0.0339**	0.0363	(7)

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

Revenue

During the second quarter of 2010, the Company's revenue from Russian operations decreased by 6 percent to $18.0 million from $19.2 million in the corresponding three-month period of 2009. The decrease in revenue was mainly due to lower fracturing activity levels resulting from a slower pace of development by the Company's customers and the depreciation of the Russian rouble by 7 percent versus the Canadian dollar. This decrease in revenue was offset partially by the completion of larger fracturing and coiled tubing jobs in Western Siberia.

Operating Expenses

Operating expenses in Russia in the second quarter of 2010 were $15.4 million compared to $11.7 million in the corresponding period of 2009. The increase in operating expenses was primarily due to the provision of proppant for a new customer in Western Siberia offset partially by the depreciation in the Russian rouble against the Canadian dollar.

SG&A Expenses

SG&A expenses in Russia were $1.0 million for the three-month period ended June 30, 2010 versus $0.9 million in the same quarter of 2009. The increase in SG&A expenses was primarily due to higher personnel expenses resulting from the Company's broader scope of operations in Western Siberia, offset partially by the depreciation of the Russian rouble versus the Canadian dollar.

Latin America

Three Months Ended June 30,	2010	2009	Change
(000s, except operational and exchange rate information)	($)	($)	(%)
(unaudited)			
Revenue	16,933	16,051	5
Expenses			
Operating	17,323	12,257	41
SG&A	773	645	20
	18,096	12,902	40
Operating income (loss)[1]	(1,163)	3,149	(137)
Operating income (loss) (%)	-6.9%	19.6%	(135)
Cdn$/Mexican peso average exchange rate[2]	0.0818	0.0876	(7)
Cdn$/Argentine peso average exchange rate[2]	0.2602	0.3088	(16)

[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 $16.9 million during the second quarter of 2010 versus $16.1 million in the comparable three-month period in 2009. For the three months ended June 30, 2010 and 2009, revenue generated through subcontractors was $5.5 million and $3.0 million, respectively. The increase in revenue was primarily due to higher fracturing activity in the Chicontepec field as the Company began fracturing operations in this region during the second quarter of 2009 and the commencement of cementing operations in Mexico during the third quarter of 2009. This increase was partially offset by the depreciation of the Mexican and Argentine peso versus the Canadian dollar, lower fracturing activity and smaller job sizes in the Burgos field of northern Mexico, the completion of smaller jobs in the Chicontepec region, and lower cementing activity in Argentina.

Operating Expenses

Operating expenses in Latin America for the three months ended June 30, 2010 increased by 41 percent from the comparable period in 2009 to $17.3 million. The increase was primarily due to a broader scale of fracturing operations in Mexico, higher subcontractor activity and an increase in equipment rental expenses related to fracturing activity in the Chicontepec region. In addition, operating expenses increased due to the commencement of cementing operations in Mexico during the third quarter of 2009. This increase in operating expenses was partially offset by the impact of the decline in the Mexican and Argentine pesos versus the Canadian dollar.

SG&A Expenses

SG&A expenses in Latin America increased to $0.8 million from $0.6 million in the comparable quarter of 2009 primarily due to the Company's expanded scale of operations in Mexico and Argentina, offset by the impact of the depreciation of the Mexican and Argentine peso.

Corporate

Three Months Ended June 30,	2010	2009	Change
(000s, except operational information)	($)	($)	(%)
(unaudited)			
Expenses			
Operating	1,081	630	72
SG&A	4,868	3,307	47
	5,949	3,937	51
Operating loss[1]	(5,949)	(3,937)	51

[1] Refer to "Non-GAAP Measures" on page 9 for further information.

Operating Expenses

Operating expenses primarily relate to global operations and R&D personnel located in the corporate headquarters who directly support the Company's global field operations. The 72 percent increase in corporate operating expenses from the second quarter of 2009 is mainly due to higher compensation expenses as a result of an increase in the number of personnel supporting the growth in the Company's operations combined with more resources dedicated to the Company's R&D activities.

SG&A Expenses

For the three months ended June 30, 2010, corporate SG&A expenses increased by 47 percent from the comparable 2009 period to $4.9 million, mainly due to higher stock-based compensation expenses and additional corporate personnel supporting the Company's broader scale of operations.

Interest and Depreciation Expenses

The Company's net interest expense of $6.2 million for the second quarter of 2010 represented an increase of $2.7 million from $3.5 million in the comparable period of 2009. This increase was primarily due to the issuance of an additional US$100.0 million in senior unsecured notes during December 2009 and a larger drawdown on the Company's revolving term loan facility. The increase in total long-term debt was used to partially fund the purchase of fracturing assets from Pure and the acquisition of Century. This increase was partially offset by lower interest expense related to the Company's unsecured senior notes resulting from the depreciation of the United States dollar.

For the three months ended June 30, 2010, depreciation expense increased to $19.2 million from $15.2 million in the corresponding quarter of 2009. The increase is mainly a result of a larger fleet of equipment operating in North America from the Company's 2009 and 2010 capital programs, the 2009 acquisition of fracturing assets from Pure and the fracturing and coiled tubing equipment acquired in the acquisition of Century in November 2009. This increase was offset partially by the depreciation of the United States dollar versus the Canadian dollar.

Foreign Exchange Losses or Gains

The Company incurred a foreign exchange loss of $4.1 million during the second quarter of 2010 versus a $0.5 million loss in the comparative three-month period of 2009. Foreign exchange gains and losses arise from the translation of Calfrac's international operations in Russia, Mexico and Argentina using the temporal method. The foreign exchange loss recorded in the second quarter of 2010 was primarily related to the translation of a U.S. dollar-denominated inter-company loan from a subsidiary in the United States to the parent company. As the U.S. subsidiary is translated using the current rate method, the associated foreign exchange gain is recorded in the Statement of Other Comprehensive Income.

Income Tax Expenses

The Company recorded an income tax recovery of $2.9 million during the second quarter of 2010 compared to income tax expense of $0.4 million in the comparable period of 2009. The effective income tax rate for the three months ended June 30, 2010 was 22 percent versus negative 3 percent in the comparable quarter of 2009. The decrease in total income tax expense was primarily due to lower earnings generated in Russia and Mexico and the fact that the Company recovered taxes at full statutory rates in Canada on losses incurred during the second quarter. This decrease was offset partially by higher profitability in the United States. The higher effective tax rate was primarily a result of the Company recovering tax at statutory rates in Canada during the second quarter after completing the drawdown of the remaining deferred credit balance in the first quarter of 2010.

Summary of Quarterly Results

Three Months Ended	Sept. 30, 2008	Dec. 31, 2008	Mar. 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	Mar. 31, 2010	**June 30, 2010**
(000s, except per share and unit data)	($)	($)	($)	($)	($)	($)	($)	**($)**
(unaudited)								
Financial								
Revenue	151,650	172,430	180,388	104,727	133,261	173,124	227,123	**164,849**
Operating income[1]	27,812	25,658	27,427	4,052	16,499	23,157	38,908	**14,907**
Net income (loss)	11,203	7,861	5,528	(14,770)	2,842	864	13,636	**(10,457)**
Per share – basic	0.30	0.21	0.15	(0.39)	0.08	0.02	0.32	**(0.24)**
Per share – diluted	0.30	0.21	0.15	(0.39)	0.08	0.02	0.31	**(0.24)**
Funds provided by operations[1]	27,128	24,838	22,713	128	12,199	19,580	36,512	**6,159**
Per share – basic	0.72	0.66	0.60	–	0.32	0.48	0.85	**0.14**
Per share – diluted	0.72	0.66	0.60	–	0.32	0.48	0.84	**0.14**
EBITDA[1]	26,983	26,740	25,945	4,340	15,112	23,398	40,867	**11,976**
Per share – basic	0.71	0.71	0.69	0.11	0.40	0.58	0.95	**0.28**
Per share – diluted	0.71	0.71	0.69	0.11	0.40	0.57	0.94	**0.28**
Capital expenditures	18,414	32,233	15,857	9,862	58,212	18,245	14,938	**26,825**
Working capital (end of period)	104,700	100,575	129,532	111,864	103,331	128,243	157,688	**139,581**
Shareholders' equity (end of period)	378,890	393,476	402,537	380,515	378,972	459,932	474,718	**466,746**
Operating (end of period)								
Pumping horsepower (000s)	287	287	303	319	371	456	465	**472**
Coiled tubing units (#)	18	18	18	18	18	28	28	**28**
Cementing units (#)	18	18	20	20	21	21	21	**21**

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

FINANCIAL OVERVIEW – SIX MONTHS ENDED JUNE 30, 2010 VERSUS 2009

Canada

Six Months Ended June 30,	2010	2009	Change
(000s, except operational information)	($)	($)	(%)
(unaudited)			
Revenue	185,814	111,604	66
Expenses			
Operating	138,220	98,649	40
SG&A	6,669	4,938	35
	144,889	103,587	40
Operating income[1]	40,925	8,017	410
Operating income (%)	22.0%	7.2%	206
Fracturing revenue per job ($)	115,634	93,764	23
Number of fracturing jobs	1,476	1,008	46
Coiled tubing revenue per job ($)	31,147	19,519	60
Number of coiled tubing jobs	486	692	(30)

[1] Refer to "Non-GAAP Measures" on page 9 for further information.

Revenue

Revenue from Calfrac's Canadian operations during the first six months of 2010 was $185.8 million versus $111.6 million in the comparable six-month period of 2009. The 66 percent increase in revenue was primarily due to the completion of larger jobs in the unconventional resource plays located in northern Alberta and northeast British Columbia and an increase in oil-related fracturing in the Bakken and Viking resource plays of Saskatchewan and the Cardium play of west central Alberta, combined with higher pricing levels. This increase was partially driven by incremental revenue as a result of the acquisition of Century in mid-November 2009, which added 70,000 horsepower and 10 coiled tubing units to the Canadian equipment fleet.

Operating Expenses

Operating expenses in Canada increased by 40 percent to $138.2 million during the first six months of 2010 from $98.6 million in the same period of 2009. The increase in Canadian operating expenses was mainly due to higher overall fracturing activity levels, Calfrac's enlarged fleet size, larger job sizes in the unconventional oil and natural gas resource plays of western Canada and costs incurred in the second quarter related to preventative maintenance and recruiting programs.

SG&A Expenses

SG&A expenses for Calfrac's Canadian operations during the first six months of 2010 increased by 35 percent from the corresponding period in 2009 to $6.7 million, primarily due to an increase in personnel and related costs following the acquisition of Century in November 2009 combined with higher annual bonus expenses.

United States

Six Months Ended June 30,	2010	2009	Change
(000s, except operational and exchange rate information)	($)	($)	(%)
(unaudited)			
Revenue	133,719	111,496	20
Expenses			
Operating	106,323	90,955	17
SG&A	4,439	3,734	19
	110,762	94,689	17
Operating income[(1)]	22,957	16,807	37
Operating income (%)	17.2%	15.1%	14
Fracturing revenue per job ($)	61,812	93,575	(34)
Number of fracturing jobs	2,074	1,090	90
Cementing revenue per job ($)	20,370	20,385	–
Number of cementing jobs	271	466	(42)
Cdn$/US$ average exchange rate[(2)]	1.0340	1.2059	(14)

(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 increased during the first six months of 2010 to $133.7 million from $111.5 million in the comparable period of 2009. The increase was due primarily to higher fracturing activity levels in the Fayetteville shale play of Arkansas and the Rocky Mountain region of Colorado and the commencement of fracturing operations in Pennsylvania during the fourth quarter of 2009, combined with larger cementing job sizes. This was partially offset by the 14 percent decline in the United States dollar against the Canadian dollar, smaller fracturing job sizes, the impact of competitive pricing pressures in the first quarter of 2010 and lower cementing activity levels.

Operating Expenses

Operating expenses in the United States were $106.3 million for the first six months of 2010, an increase of 17 percent from the comparative period in 2009. The increase in operating expenses was primarily due to a higher revenue base, the larger equipment fleet as a result of the acquisition of fracturing assets from Pure during the third quarter of 2009 combined with expenses related to the commencement of fracturing operations in the Marcellus shale play of Pennsylvania. In addition, higher equipment repair expenses due to the increase in fracturing activity in the unconventional resource plays of the United States also contributed to this increase in operating expenses. These factors were offset partially by the impact of the depreciation of the United States dollar.

SG&A Expenses

SG&A expenses in the United States during the first six months of 2010 increased by 19 percent from the comparable period in 2009 to $4.4 million primarily due to higher personnel expenses related to the Company’s larger scope of operations resulting from the acquisition of Pure’s fracturing assets during August 2009, the expansion into the Marcellus Basin during the fourth quarter of 2009 and higher annual bonus expenses. This increase was offset slightly by the impact of the decline in the value of the U.S. dollar against the Canadian dollar.

Russia

Six Months Ended June 30,	2010	2009	Change
(000s, except operational and exchange rate information)	($)	($)	(%)
(unaudited)			
Revenue	35,622	34,158	4
Expenses			
Operating	31,239	22,629	38
SG&A	2,077	1,760	18
	33,316	24,389	37
Operating income[1]	2,306	9,769	(76)
Operating income (%)	6.5%	28.6%	(77)
Fracturing revenue per job ($)	85,735	75,863	13
Number of fracturing jobs	266	291	(9)
Coiled tubing revenue per job ($)	44,503	45,592	(2)
Number of coiled tubing jobs	288	265	9
Cdn$/rouble average exchange rate[2]	0.0344	0.0365	(6)

[1] Refer to “Non-GAAP Measures” on page 9 for further information.
[2] Source: Bank of Canada.

Revenue

During the first six months of 2010, the Company’s revenue from Russian operations increased by 4 percent to $35.6 million from $34.2 million in the corresponding six-month period of 2009. The increase in revenue was mainly due to higher coiled tubing activity levels due to a larger equipment fleet and contract base combined with an increase in fracturing job sizes. This increase in revenue was offset partially by the impact on equipment utilization of long periods of cold weather during January and February 2010, lower fracturing activity levels and the depreciation of the Russian rouble by 6 percent versus the Canadian dollar.

Operating Expenses

Operating expenses in Russia in the first six months of 2010 were $31.2 million compared to $22.6 million in the corresponding period of 2009. The increase in operating expenses was primarily due to the higher revenue base, the provision of proppant for a new customer in Western Siberia, higher fuel consumption and greater downtime as a result of persistent cold weather in Western Siberia during the first two months of 2010. These factors were offset partially by the depreciation in the Russian rouble against the Canadian dollar.

SG&A Expenses

SG&A expenses in Russia were $2.1 million for the six-month period ended June 30, 2010 versus $1.8 million in the same period of 2009. The increase in SG&A expenses was primarily due to higher personnel expenses resulting from Calfrac’s larger operating scale in Western Siberia, offset partially by the depreciation of the Russian rouble against the Canadian dollar.

Latin America

Six Months Ended June 30,	**2010**	2009	Change
(000s, except operational and exchange rate information)	**($)**	($)	(%)
(unaudited)			
Revenue	**36,817**	27,857	32
Expenses			
Operating	**34,958**	21,329	64
SG&A	**1,446**	1,068	35
	36,404	22,397	63
Operating income[(1)]	**413**	5,460	(92)
Operating income (%)	**1.1%**	19.6%	(94)
Cdn$/Mexican peso average exchange rate[(2)]	**0.0817**	0.0872	(6)
Cdn$/Argentine peso average exchange rate[(2)]	**0.2636**	0.3265	(19)

(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 $36.8 million during the first six months of 2010 versus $27.9 million in the comparable six-month period in 2009. For the six months ended June 30, 2010 and 2009, revenue generated through subcontractors was $10.8 million and $6.1 million, respectively. The increase in revenue was primarily due to higher fracturing activity in the Chicontepec region as the Company began fracturing operations during the second quarter of 2009, the commencement of cementing operations in Mexico during the third quarter of 2009 and higher subcontractor activity. This increase was partially offset by the depreciation of the Mexican and Argentine pesos versus the Canadian dollar, and lower fracturing activity and smaller job sizes in the Burgos field of northern Mexico, combined with smaller cementing job sizes in Argentina.

Operating Expenses

Operating expenses in Latin America for the six months ended June 30, 2010 increased by 64 percent from the comparative period in 2009 to $35.0 million. The increase was primarily due to a broader scale of fracturing operations in Mexico, higher product costs related to fracturing activity in the Chicontepec region and higher subcontractor activity. In addition, operating expenses increased due to the start-up and commencement of cementing operations in Mexico during the third quarter of 2009. This increase in operating expenses was partially offset by the impact of the decline in the Mexican and Argentine pesos versus the Canadian dollar.

SG&A Expenses

SG&A expenses in Latin America increased to $1.4 million during the first six months of 2010 from $1.1 million in the first half of 2009 primarily due to the Company's expanded scale of operations in Mexico and Argentina, offset by the impact of the depreciation of the Mexican and Argentine pesos against the Canadian dollar.

Corporate

Six Months Ended June 30,	2010	2009	Change
(000s, except operational information)	($)	($)	(%)
(unaudited)			
Expenses			
Operating	2,301	1,410	63
SG&A	10,485	7,164	46
	12,786	8,574	49
Operating loss[1]	(12,786)	(8,574)	(49)

[1] Refer to "Non-GAAP Measures" on page 9 for further information.

Operating Expenses

Operating expenses primarily relate to global operations and R&D personnel located in the corporate headquarters who directly support the Company's global field operations. The 63 percent increase in corporate operating expenses from the first six months of 2009 is mainly due to higher compensation expenses as a result of an increase in the number of personnel supporting the Company's operations stemming from the acquisition of Century and Pure's fracturing assets.

SG&A Expenses

For the six months ended June 30, 2010, corporate SG&A expenses increased by 46 percent from the comparable 2009 period to $10.5 million, mainly due to higher stock-based compensation expenses, additional corporate personnel supporting the Company's broader scale of operations and higher bonus expenses.

Interest and Depreciation Expenses

The Company's net interest expense of $12.3 million for the first six months of 2010 represented an increase of $5.1 million from $7.2 million in the comparable period of 2009. This increase was primarily due to the issuance of an additional US$100.0 million in senior unsecured notes during December 2009 and a larger drawdown on the Company's revolving term loan facility. Total debt levels increased in order to partially fund the purchase of Pure's fracturing assets and the acquisition of Century in 2009. This increase was partially offset by lower interest expense related to the Company's unsecured senior notes resulting from the depreciation of the United States dollar.

For the six months ended June 30, 2010, depreciation expense increased by 29 percent to $38.8 million from $30.1 million in the corresponding period of 2009. The increase is mainly due to a larger fleet of equipment operating in North America resulting from Calfrac's capital investment program, the 2009 acquisition of fracturing assets from Pure and the fracturing and coiled tubing equipment acquired in the acquisition of Century in November 2009, offset partially by the depreciation of the United States dollar versus the Canadian dollar.

Foreign Exchange Losses or Gains

The Company incurred a foreign exchange loss of $2.0 million during the first six months of 2010 versus a $2.1 million loss in the comparative six-month period of 2009. Foreign exchange gains and losses arise from the translation of Calfrac's international operations in Russia, Mexico and Argentina using the temporal method. The foreign exchange loss recorded in the first six months of 2010 was primarily related to the translation of a U.S. dollar-denominated inter-company loan from a subsidiary in the United States to the parent company. As the United States subsidiary is translated using the current rate method, the associated foreign exchange gain is recorded in the Statement of Other Comprehensive Income.

Income Tax Expenses

The Company recorded an income tax recovery of $1.4 million during the first six months of 2010 compared to income tax expense of $2.1 million in the comparable period of 2009. The effective income tax rate for the six months ended June 30, 2010 was negative 82 percent versus negative 31 percent in the comparable period of 2009. The Company's consolidated income tax provision and effective tax rate are impacted by the mix of earnings or losses from the different jurisdictions in which it operates. Taxable earnings during the first six months of 2010 were higher in Canada and the United States and lower in Russia, Mexico and Argentina compared to the first half of 2009. Furthermore, the effective tax rate on Canadian earnings was reduced during the first quarter of 2010 by the elimination of the deferred credit balance, which resulted from the amalgamation with Denison Energy Inc. Canadian earnings or losses are now subject to income taxes at full statutory rates, including the tax recovery on losses realized during the second quarter of 2010.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
Cash provided by (used in):				
Operating activities	**22,271**	23,026	**22,197**	37,011
Financing activities	**(2,438)**	(1,887)	**13,859**	13,113
Investing activities	**(19,892)**	(10,694)	**(37,548)**	(32,986)
Effect of exchange rate changes on cash and cash equivalents	**5,866**	(5,588)	**1,905**	(3,506)
Increase in cash and cash equivalents	**5,807**	4,857	**413**	13,632

Operating Activities

The Company's cash provided by operating activities for the six months ended June 30, 2010 was $22.2 million versus $37.0 million in the first half of 2009. The decrease was due primarily to a $34.6 million net decrease in non-cash working capital that was partially offset by a $19.8 million increase in funds provided by operations (refer to "Non-GAAP Measures" on page 9). At June 30, 2010, Calfrac's working capital was approximately $139.6 million, an increase of 9 percent from December 31, 2009. The Company reviewed its period-end accounts receivable in detail and determined that a provision for doubtful accounts receivable totalling $1.4 million was adequate. The majority of this provision related to a customer that filed for Chapter 11 restructuring under United States bankruptcy law.

Financing Activities

Net cash provided by financing activities during the first six months of 2010 was $13.9 million compared to $13.1 million in the comparable period of 2009. During the first six months of 2010, the Company drew down $15.0 million on its revolving credit facility. In addition, Calfrac received proceeds of $2.1 million from the issuance of common shares and paid dividends of $2.2 million.

On September 29, 2009, the Company increased its credit facilities from $90.0 million to $170.0 million with a syndicate of Canadian chartered banks, and on December 22, 2009 further increased these facilities to $175.0 million. The facilities consist of an operating facility of $10.0 million and an extendible revolving term syndicated facility of $165.0 million. The terms of the renewed credit facilities are based upon parameters of certain bank covenants with advances bearing interest at rates ranging from prime plus 1 percent to prime plus 1.75 percent. As of June 30, 2010, the Company had drawn $40.3 million on its syndicated facility, including letters of credit, leaving $134.7 million in available credit.

On December 16, 2009, Calfrac completed an additional private placement of senior unsecured notes for an aggregate principal amount of US$100.0 million. The Company's combined total of US$235.0 million of senior unsecured notes is due on February 15, 2015. The notes bear interest at 7.75 percent per annum, which is paid semi-annually.

At June 30, 2010, the Company had cash and cash equivalents of $25.5 million. A portion of these funds was invested in short-term investments, which consisted primarily of an overnight money market fund.

Investing Activities

For the six months ended June 30, 2010, Calfrac's net cash used for investing activities was $37.5 million versus $33.0 million for 2009. Capital expenditures were $41.8 million in 2010 compared to $25.7 million in 2009. Capital expenditures were primarily related to supporting the Company's fracturing operations throughout North America.

In March 2010, the Company acquired a non-controlling interest in one of its subsidiaries for approximately $2.1 million. The agreement required an immediate cash payment of approximately $1.5 million as well as a second cash payment to be made in 2011, which is based upon a formula incorporating the earnings generated by the subsidiary during 2010, subject to a minimum payment. The second cash payment is currently estimated to be approximately $0.5 million. The acquisition was accounted for as a step acquisition and the consideration paid has been assigned to goodwill as the fair value of the subsidiary's tangible assets, net of liabilities, was nominal.

On November 10, 2009, the Company acquired all of the issued and outstanding common shares of Century, a privately held fracturing services company operating in Western Canada. Under the terms of the agreement, the purchase price of $90.0 million consisted of approximately $13.5 million of cash plus 5,144,344 common shares of the Company with an agreed value of $76.5 million. For accounting purposes, the shares issuable in the transaction have a fair value of approximately $82.2 million based on the weighted average price of the Company's shares for the three trading days preceding and the three trading days following the date of the announcement of the agreement. The fair value of the share consideration for accounting purposes is calculated on a different basis than the agreed value and results in a higher recorded purchase price. Including transaction costs, the total consideration was $100.9 million for accounting purposes.

Additionally, net cash used for investing activities was impacted by the net change in non-cash working capital from the purchase of capital assets.

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the first six months of 2010 was a gain of $1.9 million versus a loss of $3.5 million during the same period of 2009. These gains and losses relate to cash and cash equivalents held by the Company in a foreign currency.

With its strong working capital position, 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 2010 and beyond.

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 July 31, 2010, there were 43,069,790 common shares issued and outstanding, and 2,998,175 options to purchase common shares.

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.

Greek Legal Proceedings

As described in note 12 to the interim unaudited consolidated financial statements for the three and six months ended June 30, 2010, 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. As these proceedings have yet to reach a status where the direction and financial consequences of the potential decisions can be determined with any reliability, management is unable to evaluate the Company's potential financial exposure to these legal proceedings at this time.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to the December 31, 2009 MD&A for a comprehensive discussion of the Critical Accounting Policies and Estimates.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policy adopted pursuant to the CICA Handbook in 2010.

RECENT ACCOUNTING PRONOUNCEMENTS

There are no new Canadian or United States accounting pronouncements that have been issued for the 2010 fiscal year.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that International Financial Reporting Standards (IFRS) would replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting on January 1, 2011, it has developed a project plan which includes the following key elements:

- determine appropriate changes to accounting policies and required amendments to financial disclosures;
- identify and implement changes in associated processes and information systems;
- comply with internal control requirements; and
- educate and train internal and external stakeholders.

Analysis of Differences Between IFRS and Canadian GAAP

The Company has completed its initial diagnostic phase and has made significant progress in analyzing accounting policy alternatives for the areas of greatest potential impact to the Company's consolidated financial statements or the greatest risk in terms of implementation complexity. This analysis includes assessing available exemptions under IFRS 1 First-time Adoption of International Financial Reporting Standards as well as any required system and process changes. The key areas where changes in accounting standards are expected to impact the Company's consolidated financial statements are described below. The standard-setting bodies that promulgate Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements in future years. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years. The differences described below are those existing based on Canadian GAAP and IFRS at June 30, 2010. At this stage, the full impact of adopting IFRS on the Company's consolidated financial statements is not reasonably determinable.

Most of the adjustments required upon transition to IFRS will be made retrospectively against opening retained earnings as at January 1, 2010, which is the first comparative balance sheet presented based on standards applicable at that time. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the date of transition, which is January 1, 2010.

Property, Plant and Equipment

International Accounting Standard (IAS) 16 Property, Plant and Equipment requires that each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item be depreciated separately. In addition, IAS 16 provides a choice between using a cost model and revaluation model to measure the value of property, plant and equipment after its initial recognition. The revaluation model does not exist under Canadian GAAP.

The Company has analyzed its significant components of property, plant and equipment, their respective useful lives and salvage values. The Company is in the process of determining the impact of componentization on the financial results of the Company and is creating a componentized model in its accounting system for use on transition to IFRS.

Foreign Currency Translation

The concepts of integrated and self-sustaining foreign operations as described under Canadian GAAP do not appear in IAS 21 The Effects of Changes in Foreign Exchange Rates. Instead, IAS 21 focuses primarily on identifying the functional currency of the reporting entity and each of its foreign operations. An entity's functional currency is the currency of the primary economic environment in which it operates.

Operations with a functional currency different from the reporting entity are translated in a method similar to self-sustaining foreign operations under Canadian GAAP (referred to as the "current rate method" in CICA Handbook Section 1651).

The Company has determined that the functional currency of each of its foreign subsidiaries is different from the parent company's. Therefore, Calfrac's foreign subsidiaries in Russia, Mexico and Argentina that are currently translated using the temporal method under Canadian GAAP will be required to translate using the current rate method beginning on January 1, 2010. The adoption of this standard may have a significant impact on the financial results of the Company, as gains and losses in translation for these foreign operations will now be deferred and included in the shareholders' equity section as accumulated other comprehensive income compared to being included in the statement of income under Canadian GAAP. The adoption of this standard is not expected to affect the foreign currency translation method of the Company's United States subsidiaries.

Impairment of Assets

Canadian GAAP uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values. IAS 36 Impairment of Assets uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This could result in provisions for impairment in cases where the carrying values of assets cannot be supported on a discounted cash flow basis under IFRS, but had previously been supported on an undiscounted cash flow basis under Canadian GAAP.

However, the extent of any new provisions for impairment might be partially offset by the requirements under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced or eliminated. The Company has analyzed its cash-generating units and is in the process of assessing its assets (property, plant and equipment and goodwill) for impairment as at January 1, 2010, which is required upon transition to IFRS.

IFRS 1

The Company is in the process of determining the accounting policy choices available under IFRS 1, relating to business combinations, share-based payments, property, plant & equipment and foreign currency translation.

Information Systems and Processes

An initial assessment of the potential impacts of adopting IFRS on the Company's information technology infrastructure is ongoing and any potential system or process issues are being analyzed concurrently with the analysis of GAAP differences. The testing and implementation of any required system or process changes are expected to be completed during the fourth quarter of 2010.

Training

The Company has commenced its IFRS training and expects to complete this training during the fourth quarter of 2010.

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 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 T2P 1E3, or at www.calfrac.com, or by facsimile at 403-266-7381.

OUTLOOK

Natural gas and crude oil prices have stabilized and exploration and development activity in Canada and the United States remains focused on horizontal wells incorporating multi-stage fracturing technology in unconventional resource plays. This industry trend is expected to increase overall utilization levels for the pressure pumping service industry during the remainder of 2010 and beyond.

Activity in the Horn River shale gas play of northeast British Columbia commenced in late June and is anticipated to be strong during the third quarter. In addition, activity in the Montney and Deep Basin plays continues to be very robust with a greater proportion of wells being drilled horizontally. The industry focus on developing unconventional natural gas and oil plays is expected to result in high levels of equipment utilization in Canada throughout the remainder of the year and continue to drive the financial performance of Calfrac's Canadian division. Activity in unconventional light oil plays, such as the Cardium, Viking and Bakken, is expected to continue to be very robust. This industry trend has led to significantly greater commodity-based diversification for the Company's Canadian operations.

Calfrac entered the Marcellus shale play of Pennsylvania during the fourth quarter of 2009 and the Company expects that the demand for pressure pumping services in this region will increase significantly throughout this year. The addition of a second large fracturing spread to serve the growing demand in this market is anticipated late in the fourth quarter. Fracturing and cementing activity in the Fayetteville shale play of Arkansas is expected to remain strong during 2010 due to high overall customer demand. Fracturing activity levels in the Rocky Mountain region of Colorado are expected to remain consistent with the first six months of 2010 although the continued development of the Niobrara oil shale play in northern Colorado provides a significant growth opportunity for this market. The improved pricing levels recently seen in the U.S. market are anticipated to drive strong operating margins during the remainder of the year.

Calfrac operates in Russia under the terms of eight annual contracts with two of that country's largest oil and natural gas companies and currently operates four fracturing spreads and six coiled tubing units in this oil-focused market. A fifth fracturing spread has been deployed into this market but will not commence operations until late in the fourth quarter of 2010. The Company expects activity to improve in the second half of the year as its customers focus on completing their 2010 programs, which is anticipated to lead to stronger financial performance during the second half of the year.

Fracturing activity in the Chicontepec oil and natural gas field of central Mexico is expected to remain relatively strong throughout 2010 but cementing activity levels are anticipated to decrease significantly from the second quarter as Pemex remains focused on well completions in this region. In the Burgos natural gas field of northern Mexico, activity levels are anticipated to be low as Pemex develops its onshore oil-producing areas such as the Chicontepec region. As a result, the Company has recently restructured its operations in Reynosa, has transferred some fracturing equipment to more active areas in the United States and is currently evaluating other growth opportunities in existing and new Latin America markets.

The Company has deployed a coiled tubing unit to Argentina and it is expected to become operational in September 2010. This new service line will augment the cementing and acidizing operations, which are anticipated to be relatively active throughout the remainder of the year.

In June, Calfrac announced a $60 million increase to its 2010 capital program for a revised total of $176 million, including carryforward capital. The increase is primarily related to construction of a large fracturing spread for Calfrac's U.S. operations, supported by a recently executed long-term minimum commitment contract with CNX Gas Company (CONSOL Energy) relating to the Marcellus shale basin. Delivery of the spread is expected late in the fourth quarter of 2010. The incremental capital will add 55,000 horsepower to Calfrac's fracturing fleet, bringing its total pressure pumping capacity to approximately 585,000 hydraulic horsepower upon culmination of the 2010 capital program. The balance of the increase in capital will be used to strengthen Calfrac's infrastructure as the Company bolsters its presence in the Marcellus shale play in the U.S. and the unconventional plays in northern Alberta and northeast British Columbia in Canada. It is expected that approximately $25 million of the expanded 2010 capital program will be expended in 2011. The increased capital will be funded from cash flow and existing credit facilities.

On May 11, 2010, the Company announced the election of Kevin Baker and Lorne Gartner to its board of directors. Mr. Baker was most recently President and Chief Executive Officer of Century Oilfield Services Inc., and brings to the Calfrac board valuable industry experience backed by over 38 years of corporate legal experience. Mr. Gartner is an independent businessman with a strong financial and banking background, who most recently was managing director of Royal Bank of Canada Capital Markets.

The outlook for the North American pressure pumping services industry is anticipated to remain strong over the long term due primarily to the expected growth of unconventional natural gas and oil plays, which remain profitable at relatively low commodity prices. The Company continues to focus on maintaining a competitive cost structure and improving operating efficiencies. Calfrac will continue to capitalize on future growth opportunities in existing and new markets while using a conservative financial approach in order to maintain a strong balance sheet and overall financial flexibility.

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 future capital expenditures, future financial resources, future oil and natural gas well activity, future costs or potential liabilities, outcome of specific events, trends in the oil and natural gas industry and the Company's growth prospects including, without limitation, its international growth strategy and prospects. 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 assumptions related to commodity pricing, North American drilling activity and the expectation that access to capital will continue to be restricted for many of Calfrac's customers. 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; sourcing, pricing and availability of raw materials, component 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 risks and uncertainties may be found in the Company's most recently filed Annual Information Form.

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 FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As at	**June 30, 2010**	December 31, 2009
(000s) (unaudited)	**($)**	($)
ASSETS		
Current assets		
Cash and cash equivalents	**25,483**	25,070
Accounts receivable	**143,958**	135,775
Income taxes recoverable	**1,688**	1,780
Inventory	**57,335**	44,297
Prepaid expenses and deposits	**11,039**	6,746
	239,503	213,668
Capital assets	**580,422**	579,233
Goodwill (note 4)	**12,582**	10,523
Future income taxes	**39,762**	37,466
	872,269	840,890
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**88,250**	82,212
Current portion of long-term debt (note 5)	**10,417**	1,996
Current portion of capital lease obligations (note 6)	**1,255**	1,217
	99,922	85,425
Long-term debt (note 5)	**277,986**	267,351
Capital lease obligations (note 6)	**3,172**	3,808
Other long-term liabilities	**1,128**	1,227
Future income taxes	**23,152**	20,474
Deferred credit	**–**	2,505
Non-controlling interest	**163**	168
	405,523	380,958
Shareholders' equity		
Capital stock (note 7)	**253,859**	251,282
Contributed surplus (note 8)	**13,075**	10,808
Retained earnings	**203,109**	202,083
Accumulated other comprehensive loss	**(3,297)**	(4,241)
	466,746	459,932
	872,269	840,890

Contingencies (note 12)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
(000s, except per share data)	**($)**	($)	**($)**	($)
(unaudited)				
Revenue	**164,849**	104,727	**391,972**	285,115
Expenses				
Operating	**138,314**	92,029	**313,041**	234,973
Selling, general and administrative	**11,628**	8,646	**25,116**	18,663
Depreciation	**19,206**	15,187	**38,768**	30,115
Interest, net	**6,179**	3,500	**12,332**	7,188
Foreign exchange losses	**4,094**	541	**1,955**	2,095
Gain on disposal of capital assets	**(1,163)**	(829)	**(983)**	(901)
	178,258	119,074	**390,229**	292,133
Income (loss) before income taxes and non-controlling interest	**(13,409)**	(14,347)	**1,743**	(7,018)
Income taxes				
Current	**623**	827	**1,034**	1,461
Future	**(3,542)**	(445)	**(2,465)**	683
	(2,919)	382	**(1,431)**	2,144
Income (loss) before non-controlling interest	**(10,490)**	(14,729)	**3,174**	(9,162)
Non-controlling interest	**(33)**	41	**(5)**	80
Net income (loss) for the period	**(10,457)**	(14,770)	**3,179**	(9,242)
Retained earnings, beginning of period	**215,719**	217,180	**202,083**	211,652
Dividends	**(2,153)**	(1,887)	**(2,153)**	(1,887)
Retained earnings, end of period	**203,109**	200,523	**203,109**	200,523
Earnings (loss) per share				
Basic	**(0.24)**	(0.39)	**0.07**	(0.24)
Diluted	**(0.24)**	(0.39)	**0.07**	(0.24)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
Net income (loss) for the period	**(10,457)**	(14,770)	**3,179**	(9,242)
Other comprehensive income				
Change in foreign currency translation adjustment	**2,924**	(6,132)	**944**	(3,574)
Comprehensive income (loss)	**(7,533)**	(20,902)	**4,123**	(12,816)
Accumulated other comprehensive income (loss), beginning of period	**(6,221)**	8,272	**(4,241)**	5,714
Other comprehensive income (loss) for the period	**2,924**	(6,132)	**944**	(3,574)
Accumulated other comprehensive income (loss), end of period	**(3,297)**	2,140	**(3,297)**	2,140

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
(unaudited)				
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net income (loss) for the period	**(10,457)**	(14,770)	**3,179**	(9,242)
Items not involving cash				
Depreciation	**19,206**	15,187	**38,768**	30,115
Amortization of debt issue costs and debt discount	**698**	177	**1,390**	364
Stock-based compensation	**1,450**	767	**2,787**	1,742
Gain on disposal of capital assets	**(1,163)**	(829)	**(983)**	(901)
Future income taxes (recovery)	**(3,542)**	(445)	**(2,465)**	683
Non-controlling interest	**(33)**	41	**(5)**	80
	6,159	128	**42,671**	22,841
Net change in non-cash operating assets and liabilities	**16,112**	22,898	**(20,474)**	14,170
	22,271	23,026	**22,197**	37,011
FINANCING ACTIVITIES				
Bank loan proceeds	**–**	–	**–**	5,000
Issuance of long-term debt	**(59)**	–	**14,930**	20,000
Bank loan repayments	**–**	–	**–**	(10,000)
Long-term debt repayments	**(188)**	–	**(376)**	–
Capital lease obligation repayments	**(302)**	–	**(599)**	–
Net proceeds on issuance of common shares	**264**	–	**2,057**	–
Dividends	**(2,153)**	(1,887)	**(2,153)**	(1,887)
	(2,438)	(1,887)	**13,859**	13,113
INVESTING ACTIVITIES				
Purchase of capital assets	**(26,825)**	(9,862)	**(41,763)**	(25,719)
Proceeds on disposal of capital assets	**4,736**	1,143	**4,936**	1,174
Acquisitions (note 4)	**143**	–	**(2,059)**	–
Net change in non-cash working capital from purchase of capital assets	**2,054**	(1,975)	**1,338**	(8,441)
	(19,892)	(10,694)	**(37,548)**	(32,986)
Effect of exchange rate changes on cash and cash equivalents	**5,866**	(5,588)	**1,905**	(3,506)
Increase in cash and cash equivalents	**5,807**	4,857	**413**	13,632
Cash and cash equivalents, beginning of period	**19,676**	45,267	**25,070**	36,492
Cash and cash equivalents, end of period	**25,483**	50,124	**25,483**	50,124

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2010
(figures in text and tables are in 000s except share data and certain other exceptions as indicated) (unaudited)

1. BASIS OF PRESENTATION

The interim financial statements of Calfrac Well Services Ltd. (the “Company”) do not conform in all respects to the requirements of generally accepted accounting principles (GAAP) for annual financial statements. The interim financial statements should be read in conjunction with the most recent annual financial statements.

2. SEASONALITY OF OPERATIONS

The Company’s Canadian business is seasonal in nature. The lowest activity levels are typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up and access to wellsites in Canada is reduced.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements.

(b) In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As a result, the Company will be required to report its results in accordance with IFRS beginning in 2011. The Company has developed a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information. The impact of IFRS on the Company’s consolidated financial statements is not reasonably determinable at this time.

4. GOODWILL

In March 2010, the Company acquired a non-controlling interest in one of its subsidiaries for $2,059. The agreement required an immediate cash payment of $1,527 as well as a second cash payment to be made in 2011, which is based upon a formula incorporating the earnings generated by the subsidiary during 2010, subject to a minimum payment. The second cash payment is currently estimated to be approximately $532. The acquisition was accounted for as a step acquisition and the consideration paid has been assigned to goodwill as the fair value of the subsidiary’s tangible assets, net of liabilities, was nominal.

5. LONG-TERM DEBT

As at	June 30, 2010	December 31, 2009
(000s)	($)	($)
US$235,000 senior unsecured notes, due February 15, 2015, bearing interest at 7.75%, payable semi-annually	**250,181**	246,985
Less: unamortized debt issue costs and unamortized debt discount	**(10,770)**	(11,768)
	239,411	235,217
$165,000 extendible revolving term loan facility currently bearing interest at the Canadian prime rate plus 1%, secured by the Canadian and U.S. assets of the Company	**39,699**	24,699
Less: unamortized debt issue costs	**(926)**	(1,128)
	38,773	23,571
Mortgage obligations maturing between June 2012 and April 2013 bearing interest at rates ranging from 4.94% to 6.69%, repayable $69 per month principal and interest, secured by certain real property	**7,173**	7,379
US$2,861 mortgage maturing May 16, 2018 bearing interest at U.S. prime less 1%, repayable US$35 per month principal and interest, secured by certain real property	**3,046**	3,180
	288,403	269,347
Less: current portion of long-term debt	**(10,417)**	(1,996)
	277,986	267,351

The fair value of the senior unsecured notes based on the closing market price at June 30, 2010 was $241,425 (December 31, 2009 – $239,575). The carrying value of the revolving credit facility approximates its fair value due to its variable interest rate and first priority security position. The carrying values of the mortgage obligations approximate their fair values as the interest rates are not significantly different from current mortgage rates for similar loans.

The interest rate on the term revolving facility is based upon the parameters of certain bank covenants, and ranges from prime plus 1% to prime plus 1.75%. The facility is repayable in seven equal quarterly principal instalments of $1,985 commencing December 31, 2010 plus a final payment of $25,805 on September 28, 2012, assuming the facility is not extended. The term and commencement of principal repayments under the facility may be extended by one year on each anniversary at the request of the Company and acceptance by the lenders. The Company also has the ability to prepay principal without penalty.

The Company also has an extendible operating loan facility which includes overdraft protection in the amount of $10,000. The interest rate is based upon the parameters of certain bank covenants and ranges from prime plus 1 percent to prime plus 1.75 percent. Drawdowns under this facility are repayable on September 28, 2012, assuming the facility is not extended. The term and commencement of principal repayments may be extended by one year on each anniversary at the request of the Company and acceptance of the lender. The operating facility is secured by the Canadian and U.S. assets of the Company.

6. OBLIGATIONS UNDER CAPITAL LEASES

As at	June 30, 2010	December 31, 2009
(000s)	($)	($)
Capital lease contracts bearing interest at rates ranging from 5.68% to 6.58%, repayable $124 per month, secured by certain equipment	4,855	5,599
Less: interest portion of contractual payments	(428)	(574)
	4,427	5,025
Less: current portion of capital lease obligations	(1,255)	(1,217)
	3,172	3,808

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

7. CAPITAL STOCK

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

Continuity of Common Shares (year-to-date)	Shares	Amount
	(#)	($000s)
Balance, January 1	42,898,880	251,282
Issued upon exercise of stock options	155,010	2,577
Balance, June 30	43,053,890	253,859

The weighted average number of common shares outstanding for the six months ended June 30, 2010 was 43,017,353 basic and 43,398,101 diluted (six months ended June 30, 2009 – 37,741,561 basic and 37,741,561 diluted). The difference between basic and diluted shares for the six months ended June 30, 2010 is attributable to the dilutive effect of stock options issued by the Company as disclosed in note 9.

8. CONTRIBUTED SURPLUS

Continuity of Contributed Surplus (year-to-date)	2010
(000s)	($)
Balance, January 1	10,808
Stock options expensed	2,787
Stock options exercised	(520)
Balance, June 30	13,075

9. STOCK OPTIONS

Continuity of Stock Options (year-to-date)	2010		2009	
	Options	Average Exercise Price	Options	Average Exercise Price
	(#)	($)	(#)	($)
Balance, January 1	**2,508,143**	**16.70**	2,043,344	21.69
Granted during the period	**1,081,200**	**20.82**	847,500	8.41
Exercised for common shares	**(155,010)**	**13.27**	–	–
Forfeited	**(62,966)**	**20.16**	(102,006)	18.67
Expired	**(357,292)**	**23.71**	(35,000)	37.86
Balance, June 30	**3,014,075**	**17.45**	2,807,878	17.51

Stock options vest equally over three or four years and expire three-and-one-half or five years from the date of grant. The exercise price of outstanding options ranges from $8.35 to $29.79 with a weighted average remaining life of 3.56 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.

10. 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 defined as cash provided by operating activities before the net change in non-cash operating assets and liabilities as reflected in the consolidated statement of cash flows. The ratio of long-term debt to cash flow does not have any standardized meaning prescribed under GAAP and may not be comparable to similar measures used by other companies.

At June 30, 2010, the long-term debt to cash flow ratio was 3.9:1 (December 31, 2009 – 4.9:1) calculated on a 12-month trailing basis as follows:

As at	June 30, 2010	December 31, 2009
(000s)	($)	($)
Long-term debt (net of unamortized debt issue costs and debt discount) (note 5)	**288,403**	269,347
Cash flow	**74,450**	54,620
Long-term debt to cash flow ratio	**3.9:1**	4.9:1

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 have remained unchanged over the periods presented.

11. RELATED PARTY TRANSACTIONS

An entity controlled by a director of the Company provides ongoing real estate advisory services to the Company. The aggregate fees charged for such services following the election of said director on May 11, 2010 was $17, as measured at the exchange amount.

12. CONTINGENCIES

Greek Operations

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

In 1998, 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 gas operations in that country. Several groups of former employees have 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 $9,167 (6,846 euros) plus interest was 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 outside Greece where such an appeal is warranted. Counsel to NAPC has obtained a judicial order entitling NAPC to obtain certain employment information in respect of the plaintiffs which is required in order to assess the extent to which the plaintiffs have mitigated any damages which may otherwise be payable.

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 $47 (35 euros), plus interest. The appeal of this decision was heard on June 2, 2009, at which time an additional claim by the plaintiff seeking damages of $299 (223 euros), plus interest, was also heard. A decision in respect of the hearing has been rendered which accepted NAPC's appeal and rejected the additional claim of the plaintiff. Another one of the lawsuits seeking salaries in arrears of $171 (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 scheduled for September 22, 2009 was postponed until September 21, 2010. The remaining action, which is seeking salaries in arrears of approximately $588 (439 euros) plus interest, was scheduled to be heard before the Athens Court of First Instance on October 1, 2009, but was adjourned until November 18, 2011 as a result of the Greek elections.

The Company has signed an agreement with a Greek exploration and production company pursuant to which it has agreed to assign approximately 90 percent of its entitlement under an offshore licence agreement for consideration including a full indemnity in respect of the Greek legal claims described above. The completion of the transactions contemplated by such agreement is subject to certain conditions precedent, the fulfillment of which is not in the Company's control.

The direction and financial consequences of the potential decisions in these actions cannot be determined at this time and, consequently, no provision has been recorded in these financial statements.

Potential Claim

The Company has a potential claim related to a contract the outcome of which is not reasonably determinable at this time. The amount of the claim on an after-tax basis is estimated to be approximately $2,300.

13. SEGMENTED INFORMATION

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

	Canada	Russia	United States	Latin America	Corporate	Consolidated
(000s)	($)	($)	($)	($)	($)	($)
Three Months Ended June 30, 2010						
Revenue	**52,183**	**18,046**	**77,687**	**16,933**	**–**	**164,849**
Operating income (loss)[1]	**1,500**	**1,649**	**18,870**	**(1,163)**	**(5,949)**	**14,907**
Segmented assets	**444,775**	**116,727**	**260,071**	**50,696**	**–**	**872,269**
Capital expenditures	**19,141**	**1,967**	**5,515**	**202**	**–**	**26,825**
Goodwill	**7,236**	**979**	**2,308**	**2,059**	**–**	**12,582**
Three Months Ended June 30, 2009						
Revenue	26,529	19,193	42,954	16,051	–	104,727
Operating income (loss)[1]	(1,320)	6,593	(433)	3,149	(3,937)	4,052
Segmented assets	267,928	106,641	240,777	31,556	–	646,902
Capital expenditures	2,586	1,077	5,796	403	–	9,862
Goodwill	7,236	979	2,308	–	–	10,523
Six Months Ended June 30, 2010						
Revenue	**185,814**	**35,622**	**133,719**	**36,817**	**–**	**391,972**
Operating income (loss)[1]	**40,925**	**2,306**	**22,957**	**413**	**(12,786)**	**53,815**
Segmented assets	**444,775**	**116,727**	**260,071**	**50,696**	**–**	**872,269**
Capital expenditures	**26,132**	**3,315**	**11,698**	**618**	**–**	**41,763**
Goodwill	**7,236**	**979**	**2,308**	**2,059**	**–**	**12,582**
Six Months Ended June 30, 2009						
Revenue	111,604	34,158	111,496	27,857	–	285,115
Operating income (loss)[1]	8,017	9,769	16,807	5,460	(8,574)	31,479
Segmented assets	267,928	106,641	240,777	31,556	–	646,902
Capital expenditures	12,392	1,436	10,790	1,101	–	25,719
Goodwill	7,236	979	2,308	–	–	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 capital assets, income taxes and non-controlling interest.

The following table sets forth consolidated revenue by service line:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
(000s)	**($)**	($)	**($)**	($)
Fracturing	**142,581**	84,997	**343,108**	237,789
Coiled tubing	**11,851**	10,967	**27,954**	25,589
Cementing	**4,915**	5,780	**10,085**	15,602
Other	**5,502**	2,983	**10,825**	6,135
	164,849	104,727	**391,972**	285,115

CORPORATE INFORMATION

BOARD OF DIRECTORS

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Fernando Aguilar (4)
President,
Geophysical Services
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CGG Veritas

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Baycor Capital Inc.

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

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

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

Douglas R. Ramsay
President &
Chief Executive Officer
Calfrac Well Services Ltd.

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

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OFFICERS

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Chief Operating Officer

F. Bruce Payne
President,
Canadian Division

John L. Grisdale
President,
United States Division

Robert L. Sutherland
President,
Russian Division

Laura A. Cillis
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Senior Vice President,
Corporate Development

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

Patrick Schneider
Vice President,
Operations,
United States Division

A. Scott Tuttle
Vice President,
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Michael D. Olinek
Corporate Controller

Matthew L. Mignault
Controller

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LEGAL COUNSEL

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Calgary, Alberta

STOCK EXCHANGE LISTING

Trading Symbol: CFW

OPERATING BASES

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Moscow – Regional Office
Khanty-Mansiysk
Noyabrsk

Argentina
Buenos Aires – Regional Office
Catriel

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:
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