

unconventional wisdom

third quarter interim report for the
three months and nine months ended September 30, 2009



Q3 Highlights

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|----------------------------------|---------|--------|---------------------------------|---------|--------|
| | 2009 | 2008 | Change | 2009 | 2008 | Change |
| <i>(000s, except per share and unit data)</i> | (\$) | (\$) | (%) | (\$) | (\$) | (%) |
| <i>(unaudited)</i> | | | | | | |
| Financial | | | | | | |
| Revenue | 133,261 | 151,650 | (12) | 418,376 | 391,933 | 7 |
| Operating income ⁽¹⁾ | 16,499 | 27,812 | (41) | 47,978 | 56,281 | (15) |
| Net income (loss) | 2,842 | 11,203 | (75) | (6,400) | 10,003 | (164) |
| Per share – basic | 0.08 | 0.30 | (73) | (0.17) | 0.27 | (163) |
| Per share – diluted | 0.08 | 0.30 | (73) | (0.17) | 0.27 | (163) |
| Funds provided by operations ⁽¹⁾ | 12,199 | 27,128 | (55) | 35,040 | 55,909 | (37) |
| Per share – basic | 0.32 | 0.72 | (56) | 0.93 | 1.48 | (37) |
| Per share – diluted | 0.32 | 0.72 | (56) | 0.93 | 1.48 | (37) |
| EBITDA ⁽¹⁾ | 15,112 | 26,983 | (44) | 45,397 | 57,216 | (21) |
| Per share – basic | 0.40 | 0.71 | (44) | 1.20 | 1.52 | (21) |
| Per share – diluted | 0.40 | 0.71 | (44) | 1.20 | 1.52 | (21) |
| Working capital (end of period) | 103,331 | 104,700 | (1) | 103,331 | 104,700 | (1) |
| Shareholders' equity (end of period) | 378,972 | 378,890 | – | 378,972 | 378,890 | – |
| Weighted average common shares outstanding (#) | | | | | | |
| Basic | 37,742 | 37,843 | – | 37,742 | 37,653 | – |
| Diluted | 37,742 | 37,853 | – | 37,742 | 37,681 | – |
| Operating (end of period) | | | | | | |
| Pumping horsepower (000s) | | | | 371 | 287 | 29 |
| Coiled tubing units (#) | | | | 18 | 18 | – |
| Cementing units (#) | | | | 21 | 18 | 17 |

⁽¹⁾ Refer to "Non-GAAP Measures" on page 8 for further information.

president's message

I am pleased to present Calfrac's operating and financial highlights for the three and nine months ended September 30, 2009 and discuss our prospects for the remainder of the year. During the third quarter, our Company:

- acquired the fracturing assets of a U.S. competitor, Pure Energy Services Ltd. ("Pure"), for a total purchase price of approximately \$44.5 million, including transaction costs;
- entered into a definitive agreement to acquire Century Oilfield Services Inc. ("Century") for \$90.0 million plus the assumption of approximately \$30.0 million in indebtedness and other liabilities on an aggregate net basis;
- negotiated an increase to the Company's credit facilities to \$170.0 million, which includes a \$35.0 million incremental facility available upon closing of the Century acquisition, with a syndicate of Canadian financial institutions;
- commenced cementing operations in the Chicontepec region of Mexico; and
- experienced strong levels of fracturing and coiled tubing activity in Western Siberia.

FINANCIAL HIGHLIGHTS

For the three months ended September 30, 2009, the Company recorded:

- revenue of \$133.3 million, a decrease of 12 percent from the third quarter of 2008;
- operating income of \$16.5 million versus \$27.8 million in the comparable period in 2008;
- net income of \$2.8 million or \$0.08 per share, including a foreign exchange loss before income taxes of \$1.8 million, compared to \$11.2 million or \$0.30 per share in the same period in 2008; and
- a \$5.5 million or \$0.15 per share future income tax recovery arising from a reversal of the increase in the deferred credit balance that was recorded in the first half of the year as the Company has adjusted its estimated tax position for the full year in Canada.

For the nine months ended September 30, 2009, the Company's results included:

- revenue of \$418.4 million, an increase of 7 percent from the comparable period of 2008;
- a net loss of \$6.4 million or \$0.17 per share, including a foreign exchange loss of \$3.9 million, compared to net income of \$10.0 million or \$0.27 per share in the same period in 2008;
- funds provided by operations of \$35.0 million or \$0.93 per share versus \$55.9 million or \$1.48 per share in the same quarter of 2008; and
- working capital of \$103.3 million and \$72.9 million of unutilized credit facilities at the end of the period.

Overall, Calfrac continues to benefit from its solid presence in several key North American unconventional resource plays, where drilling activity remains relatively strong and revenue per job is high, as well as the positive momentum achieved in its international markets.

OPERATIONAL HIGHLIGHTS

Canada

During the third quarter, fracturing and coiled tubing activity in western Canada continued to be concentrated in the unconventional natural gas resource plays of the Montney and Horn River basins located in northern Alberta and northeast British Columbia. The Company completed a large-scale operation working together with a major oil and natural gas company in the Horn River region as the general contractor as well as maintained steady activity in the Deep Basin under the terms of a take-or-pay contract. Calfrac also expanded its presence in the Bakken oil play in southeast Saskatchewan during the third quarter. However, shallow gas and coalbed methane fracturing activity levels remained relatively slow during the quarter as a result of the low natural gas price environment. A full quarter's benefit was realized from the cost rationalization measures undertaken early in the second quarter, which partially mitigated the financial impact of the drilling slowdown in western Canada.

United States

In August, Calfrac acquired the fracturing assets of a U.S. competitor for approximately \$44.5 million. This was a counter-cyclical acquisition deliberately undertaken during a period of lower activity levels and associated reduced asset valuations. This form of acquisition is in keeping with Calfrac's model for growth, which emphasizes organic growth during periods of higher asset pricing and cost effective acquisitions during periods of lower activity. This equipment had been deployed by the competitor in the Piceance Basin and it continued to operate in this basin as the Company experienced a resurgence in activity in this operating region during the latter part of the third quarter. Activity levels in the Denver Julesburg Basin also increased from the historical low levels experienced during the second quarter. In Arkansas, fracturing and cementing activity levels remained strong during the third quarter while competitive pricing pressures appear to have stabilized.

Russia

In Western Siberia, strong fracturing and coiled tubing activity levels resulted in strong financial performance from this geographic segment. However, Calfrac's reported Canadian dollar financial results were negatively impacted by an 18 percent decline in the value of the Russian rouble from the third quarter of 2008. The Company is currently preparing tenders for the 2010 annual contract bid process and is optimistic about Calfrac's prospects for the upcoming year.

Mexico

The Company's fracturing activity in the Chicontepec region increased significantly from the second quarter of 2009 due to the deployment of a second fracturing spread and the impact of a full quarter of operations offsetting a decline in fracturing activity in the Burgos field. The Company also deployed six cementing units from Canada into Mexico during the third quarter and early in the fourth quarter and commenced cementing operations in Chicontepec in mid-September.

Argentina

During the third quarter, activity in the Company's cementing operations in Argentina declined slightly from the record levels experienced in the previous three-month period, however, Calfrac continues to generate strong operating margins in this market. The Company employed a conservative approach in entering this new market during the second quarter of 2008 and continues to prudently evaluate and develop new market opportunities as the Argentina business environment evolves.

Corporate

On September 21, 2009, Calfrac announced that it had entered into a definitive agreement to pay \$90.0 million for all of the issued and outstanding common shares of Century Oilfield Services Inc. plus the assumption of approximately \$30.0 million in indebtedness and other liabilities on an aggregate net basis. This transaction is scheduled to close in mid-November 2009. This transaction would provide the Company with equipment built similar to Calfrac's specifications at a good valuation, a larger presence within the Montney, Horn River and Bakken unconventional resource plays and make Calfrac the largest Canadian fracturing service provider in terms of fracturing pumping capacity.

Also during the third quarter, Calfrac purchased the fracturing assets of a U.S. competitor, Pure Energy Services Ltd., for total consideration of approximately \$44.5 million and added approximately 45,000 of pumping horsepower. Pure Energy's equipment was manufactured to similar specifications as a majority of Calfrac's equipment fleet and averages less than three years old.

During the third quarter, and in conjunction with the two acquisitions discussed above, the Company negotiated an increase to its credit facilities from \$90.0 million to \$170.0 million with a consortium of Canadian financial institutions, including a \$35.0 million incremental facility available upon closing of the Centruy acquisition. The terms of the new covenant structure are more favourable than the previous facility, providing further flexibility to the Company.

OUTLOOK AND BUSINESS PROSPECTS

The global economic slowdown has reduced the demand for oil and natural gas which has led to a significant decline in drilling activity in Canada and the United States as well as increased price competition for oilfield services. North American natural gas prices are anticipated to remain at lower levels over the short term. The Company has thoroughly realigned its cost structure through significant workforce reductions in Canada and the United States, wage and retirement contribution rollbacks as well as cuts to discretionary operating expenses. The Company also suspended primary cementing operations in the Canadian market during April and redeployed six cementing units into Mexico during the third quarter and early in the fourth quarter. These measures have contributed to maintaining the Company's strong financial condition as we enter the fourth quarter. Working capital as at September 30, 2009 was approximately \$103.3 million.

Fracturing and coiled tubing activity levels in Canada are expected to improve in the fourth quarter and into 2010. Oil and natural gas drilling and completion activity is anticipated to be focused in the unconventional resource plays of northwest Alberta, northeast British Columbia and southeast Saskatchewan. With the closing of the acquisition of Century, Calfrac will have a larger presence in the fracturing and coiled tubing markets in Canada.

In the United States, fracturing and cementing activity in the Fayetteville shale play of Arkansas is expected to remain relatively strong throughout the remainder of 2009. While the Company experienced significant pricing pressure in this market earlier in 2009, Calfrac believes that pricing levels have stabilized. The addition of the fracturing assets acquired from Pure during the third quarter has allowed Calfrac to capitalize on the increase in completion activity in the Rocky Mountain region that has occurred in the last quarter. Calfrac believes that activity levels in this region will be reasonably strong throughout the remainder of the year. Early in the fourth quarter, the Company redeployed a large fracturing crew from the Rocky Mountain region to Pennsylvania as it commenced operations servicing the Marcellus shale play.

Calfrac recently deployed a sixth coiled tubing unit into Western Siberia and it is expected to be operational late in the fourth quarter of 2009. The annual contract tender process is currently underway in Russia and the Company is optimistic that its three fracturing spreads and six coiled tubing units will be highly utilized during 2010.

The Company commenced fracturing operations in Poza Rica, Mexico servicing the Chicontepec oil and natural gas field for Pemex during the second quarter and continued to diversify its pressure pumping operations in Mexico with the commencement of cementing operations during September. Calfrac's Mexican equipment fleet is currently comprised of three fracturing spreads and six cementing units. This expansion is anticipated to lead to higher levels of overall equipment utilization and to improve the financial performance of this geographic segment for the remainder of 2009 and into the future. Calfrac added a third cementing unit in Argentina during the third quarter of 2009. The Company's Latin America management team will continue to evaluate growth opportunities to broaden the scale of these operations in this market.

The Company has negotiated with its lenders to increase its credit facilities by \$80.0 million to \$170.0 million, including a \$35.0 million incremental facility available upon the closing of the Century acquisition. At September 30, 2009, Calfrac has utilized approximately \$62.1 million of these facilities with remaining borrowing capacity of approximately \$107.9 million, including a \$35.0 million incremental facility available upon closing of the Century acquisition, should it be required.

Overall, demand for pressure pumping services in North America over the short term remains unclear, however, Calfrac's long-term outlook for the pressure pumping industry remains strong. Calfrac has rationalized its cost structure and streamlined its operating efficiencies. Calfrac's geographical diversification continues to benefit the Company and it believes that the improving financial performance of its international segments can be extended. The Company will maintain its strong balance sheet and continue to execute on its strategy through these difficult market conditions. Calfrac believes that the strengths of its business model and its conservative approach to the current economic challenges leave it well-positioned to capitalize on future opportunities.

On behalf of the Board of Directors,



Douglas R. Ramsay

President & Chief Executive Officer

November 4, 2009

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 November 3, 2009 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 financial performance for the three and nine months ended September 30, 2009 and 2008 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2008. 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 8.

CALFRAC'S BUSINESS

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

The Company's reportable business segments are as follows:

- The Canadian segment is focused on the provision of fracturing and coiled tubing services to a diverse group of oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia and southern 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 135,000, 13 coiled tubing units and seven cementing units in Canada at September 30, 2009.
- The United States segment of the Company's business provides pressure pumping services from operating bases in Colorado and central Arkansas. 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 and the Denver Julesburg Basin of northeast Colorado and eastern Utah, as well as fracturing and cementing operations in the Fayetteville shale play of Arkansas. At September 30, 2009, the Company deployed approximately 182,000 hydraulic horsepower and operated five cementing units within the United States segment.
- The Company's Russian segment is focused on the provision of fracturing and coiled tubing services in Western Siberia. The Company operates under the terms of five annual contracts signed with two of Russia's largest oil and natural gas producers. At September 30, 2009, the Company operated five coiled tubing units and deployed approximately 27,000 hydraulic horsepower in Russia.
- The Latin America segment was created at the beginning of 2009 and 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 cyclic oil fracturing and cementing services in the Chicontepec field of central Mexico under the terms of a three-year contract which, unless renewed, will expire in October 2010. 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 27,000 hydraulic horsepower and nine cementing units at September 30, 2009.

CONSOLIDATED HIGHLIGHTS

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|----------------------------------|---------|--------|---------------------------------|---------|--------|
| | 2009 | 2008 | Change | 2009 | 2008 | Change |
| <i>(000s, except per share amounts)</i> | (\$) | (\$) | (%) | (\$) | (\$) | (%) |
| <i>(unaudited)</i> | | | | | | |
| Revenue | 133,261 | 151,650 | (12) | 418,376 | 391,933 | 7 |
| Operating income ⁽¹⁾ | 16,499 | 27,812 | (41) | 47,978 | 56,281 | (15) |
| Net income (loss) | 2,842 | 11,203 | (75) | (6,400) | 10,003 | (164) |
| Per share – basic | 0.08 | 0.30 | (73) | (0.17) | 0.27 | (163) |
| Per share – diluted | 0.08 | 0.30 | (73) | (0.17) | 0.27 | (163) |
| Funds provided by operations ⁽¹⁾ | 12,199 | 27,128 | (55) | 35,040 | 55,909 | (37) |
| Per share – basic | 0.32 | 0.72 | (56) | 0.93 | 1.48 | (37) |
| Per share – diluted | 0.32 | 0.72 | (56) | 0.93 | 1.48 | (37) |
| EBITDA ⁽¹⁾ | 15,112 | 26,983 | (44) | 45,397 | 57,216 | (21) |
| Per share – basic | 0.40 | 0.71 | (44) | 1.20 | 1.52 | (21) |
| Per share – diluted | 0.40 | 0.71 | (44) | 1.20 | 1.52 | (21) |
| Working capital, end of period | | | | 103,331 | 104,700 | (1) |
| Total assets, end of period | | | | 678,220 | 618,790 | 10 |
| Long-term debt, end of period | | | | 200,168 | 139,546 | 43 |
| Shareholders' equity, end of period | | | | 378,972 | 378,890 | – |

⁽¹⁾ Refer to "Non-GAAP Measures" on page 8 for further information.

2009 OVERVIEW

In the third quarter of 2009, the Company:

- generated revenue of \$133.3 million versus \$151.7 million in the third quarter of 2008;
- reported net income of \$2.8 million or \$0.08 per share, including a \$5.5 million future income tax recovery arising from a reversal of the increase in the deferred credit balance that was recorded in the first half of the year as the Company has adjusted its estimated tax position for the full year in Canada, compared to \$11.2 million or \$0.30 per share in the comparable 2008 period;
- announced the acquisition of Century Oilfield Services Inc. for \$90.0 million plus the assumption of approximately \$30.0 million in indebtedness and other liabilities on an aggregate net basis, the closing of which is to occur in mid-November 2009;
- acquired the fracturing assets of a U.S. competitor, Pure Energy Services Ltd., for a total purchase price of approximately \$44.5 million;
- negotiated an increase to the Company's credit facilities to \$170.0 million, including a \$35.0 million incremental facility available upon the closing of the Century acquisition for a period of approximately six months thereafter subject to extension at the lender's discretion, with a syndicate of Canadian financial institutions; and
- recorded a foreign exchange loss of \$1.8 million versus \$0.7 million in the comparable period of 2008.

For the nine months ended September 30, 2009 the Company:

- increased revenue by 7 percent to \$418.4 million from \$391.9 million in the comparative period in 2008;
- reported a net loss of \$6.4 million or \$0.17 per share compared to net income of \$10.0 million or \$0.27 per share in the comparable 2008 period;
- incurred capital expenditures of \$83.9 million, including the acquisition of Pure's fracturing assets, primarily to bolster the Company's fracturing equipment fleet;
- combined Calfrac's Mexico and Argentina operations under an experienced management team to form a new Latin America division;

- initiated cost reduction measures in Canada and the United States through workforce planning which resulted in restructuring costs of approximately \$1.5 million during the first nine months of 2009; and
- incurred a foreign exchange loss of \$3.9 million versus a foreign exchange gain of \$0.8 million in the comparable period of 2008.

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. These measures are further explained as follows:

Operating income (loss) is defined as net income (loss) plus depreciation, interest, equity share of net income from long-term investments, 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 Sept. 30, | | Nine Months Ended Sept. 30, | |
|--|------------------------------|--------|-----------------------------|--------|
| | 2009 | 2008 | 2009 | 2008 |
| (000s) | (\$) | (\$) | (\$) | (\$) |
| (unaudited) | | | | |
| Net income (loss) | 2,842 | 11,203 | (6,400) | 10,003 |
| Add back (deduct): | | | | |
| Depreciation | 15,448 | 12,773 | 45,563 | 36,868 |
| Interest, net | 3,763 | 2,692 | 10,951 | 8,072 |
| Equity share of net income from long-term investments | - | - | - | (122) |
| Foreign exchange losses (gains) | 1,807 | 704 | 3,902 | (805) |
| Loss (gain) on disposal of capital assets | (420) | 125 | (1,321) | (8) |
| Income taxes | (6,972) | 343 | (4,828) | 2,395 |
| Non-controlling interest | 31 | (28) | 111 | (122) |
| Operating income | 16,499 | 27,812 | 47,978 | 56,281 |

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 Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|------------------------------|---------|-----------------------------|--------|
| | 2009 | 2008 | 2009 | 2008 |
| (000s) | (\$) | (\$) | (\$) | (\$) |
| (unaudited) | | | | |
| Cash provided by (used in) operating activities | (11,721) | (1,830) | 25,290 | 27,124 |
| Add back: | | | | |
| Net change in non-cash operating assets and liabilities | 23,920 | 28,958 | 9,750 | 28,785 |
| Funds provided by operations | 12,199 | 27,128 | 35,040 | 55,909 |

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 Sept. 30, | | Nine Months Ended Sept. 30, | |
|--------------------------|------------------------------|--------|-----------------------------|--------|
| | 2009 | 2008 | 2009 | 2008 |
| (000s) | (\$) | (\$) | (\$) | (\$) |
| (unaudited) | | | | |
| Net income (loss) | 2,842 | 11,203 | (6,400) | 10,003 |
| Add back (deduct): | | | | |
| Depreciation | 15,448 | 12,773 | 45,563 | 36,868 |
| Interest, net | 3,763 | 2,692 | 10,951 | 8,072 |
| Income taxes | (6,972) | 343 | (4,828) | 2,395 |
| Non-controlling interest | 31 | (28) | 111 | (122) |
| EBITDA | 15,112 | 26,983 | 45,397 | 57,216 |

FINANCIAL OVERVIEW – THREE MONTHS ENDED SEPTEMBER 30, 2009 VERSUS 2008

Canada

| Three Months Ended September 30, | 2009 | 2008 | Change |
|--|--------|--------|--------|
| (000s, except operational information) | (\$) | (\$) | (%) |
| (unaudited) | | | |
| Revenue | 45,463 | 75,294 | (40) |
| Expenses | | | |
| Operating | 37,221 | 55,542 | (33) |
| Selling, General and Administrative (SG&A) | 2,152 | 3,064 | (30) |
| | 39,373 | 58,606 | (33) |
| Operating income ⁽¹⁾ | 6,090 | 16,688 | (64) |
| Operating income (%) | 13.4% | 22.2% | (40) |
| Fracturing revenue per job (\$) | 83,910 | 68,966 | 22 |
| Number of fracturing jobs | 496 | 915 | (46) |
| Coiled tubing revenue per job (\$) | 14,784 | 11,384 | 30 |
| Number of coiled tubing jobs | 260 | 738 | (65) |

⁽¹⁾ Refer to "Non-GAAP Measures" on page 8 for further information.

Revenue

Revenue from Calfrac's Canadian operations during the third quarter of 2009 was \$45.5 million versus \$75.3 million in the comparable three-month period of 2008. The 40 percent decrease in revenue was primarily due to lower fracturing and coiled tubing activity and the impact of suspending cementing operations in Canada during the second quarter of 2009 offset partially by the completion of larger jobs in the unconventional resource plays located in northern Alberta and northeast British Columbia.

Operating Expenses

Operating expenses in Canada decreased by 33 percent to \$37.2 million during the third quarter of 2009 from \$55.5 million in the same period of 2008. The decrease in Canadian operating expenses was mainly due to lower overall fracturing and coiled tubing activity levels combined with lower personnel costs as a result of the impact of restructuring initiatives undertaken during the second quarter of 2009.

SG&A Expenses

SG&A expenses for Calfrac's Canadian operations during the third quarter of 2009 decreased from the corresponding period in 2008 by 30 percent to \$2.2 million primarily due to lower compensation expenses.

United States

| Three Months Ended September 30, | 2009 | 2008 | Change |
|---|--------|--------|--------|
| (000s, except operational and exchange rate information) (unaudited) | (\$) | (\$) | (%) |
| Revenue | 52,524 | 54,568 | (4) |
| Expenses | | | |
| Operating | 45,257 | 38,985 | 16 |
| SG&A | 1,585 | 2,184 | (27) |
| | 46,842 | 41,169 | 14 |
| Operating income ⁽¹⁾ | 5,682 | 13,399 | (58) |
| Operating income (%) | 10.8% | 24.6% | (56) |
| Fracturing revenue per job (\$) | 56,313 | 59,197 | (5) |
| Number of fracturing jobs | 883 | 859 | 3 |
| Cementing revenue per job (\$) | 18,786 | 13,869 | 35 |
| Number of cementing jobs | 149 | 268 | (44) |
| Cdn\$/US\$ average exchange rate ⁽²⁾ | 1.0976 | 1.0416 | 5 |

(1) Refer to "Non-GAAP Measures" on page 8 for further information.

(2) Source: Bank of Canada.

Revenue

Revenue from Calfrac's United States operations decreased during the third quarter of 2009 to \$52.5 million from \$54.6 million in the comparable quarter of 2008. The decrease in United States revenue was due primarily to lower fracturing activity levels in the Rocky Mountain region, lower cementing activity levels and competitive pricing pressures, offset partially by the appreciation in the value of the United States dollar, higher fracturing activity levels and job sizes in Arkansas and the completion of larger cementing jobs.

Operating Expenses

Operating expenses in the United States were \$45.3 million for the third quarter of 2009, an increase of 16 percent from the comparative period in 2008 primarily due to the impact of the higher value of the United States dollar, increased usage of proppant resulting from the completion of larger fracturing jobs in Arkansas and higher equipment repair expenses.

SG&A Expenses

SG&A expenses in the United States during the third quarter of 2009 decreased by 27 percent from the comparable period in 2008 to \$1.6 million primarily due to lower personnel expenses, offset partially by the appreciation in the value of the United States dollar.

Russia

| Three Months Ended September 30, | 2009 | 2008 | Change |
|---|-------------|-------------|------------|
| <i>(000s, except operational and exchange rate information)</i> | <i>(\$)</i> | <i>(\$)</i> | <i>(%)</i> |
| <i>(unaudited)</i> | | | |
| Revenue | 17,774 | 15,197 | 17 |
| Expenses | | | |
| Operating | 10,735 | 10,561 | 2 |
| SG&A | 888 | 1,061 | (16) |
| | 11,623 | 11,622 | - |
| Operating income ⁽¹⁾ | 6,151 | 3,575 | 72 |
| Operating income (%) | 34.6% | 23.5% | 47 |
| Fracturing revenue per job (\$) | 74,572 | 123,721 | (40) |
| Number of fracturing jobs | 147 | 64 | 130 |
| Coiled tubing revenue per job (\$) | 45,112 | 59,665 | (24) |
| Number of coiled tubing jobs | 151 | 122 | 24 |
| Cdn\$/rouble average exchange rate ⁽²⁾ | 0.0350 | 0.0429 | (18) |

(1) Refer to "Non-GAAP Measures" on page 8 for further information.

(2) Source: Bank of Canada.

Revenue

During the third quarter of 2009, the Company's revenue from Russian operations increased by 17 percent to \$17.8 million from \$15.2 million in the corresponding three-month period of 2008 mainly due to higher fracturing and coiled tubing activity levels being partially offset by smaller job sizes, lower annual contract pricing and the depreciation of the Russian rouble by 18 percent versus the Canadian dollar.

Operating Expenses

Operating expenses in Russia in the third quarter of 2009 were \$10.7 million compared to \$10.6 million in the corresponding period of 2008. The increase in operating expenses was primarily due to the higher revenue base and equipment utilization offset partially by the depreciation in the Russian rouble against the Canadian dollar.

SG&A Expenses

SG&A expenses in Russia were \$0.9 million for the three-month period ended September 30, 2009 versus \$1.1 million in the same quarter of 2008. The decrease was primarily due to the depreciation of the Russian rouble.

Latin America

| Three Months Ended September 30, | 2009 | 2008 | Change |
|---|--------|---------|--------|
| (000s, except operational and exchange rate information) | (\$) | (\$) | (%) |
| (unaudited) | | | |
| Revenue | 17,500 | 6,591 | 166 |
| Expenses | | | |
| Operating | 14,328 | 7,454 | 92 |
| SG&A | 617 | 252 | 145 |
| | 14,945 | 7,706 | 94 |
| Operating income (loss) ⁽¹⁾ | 2,555 | (1,115) | 329 |
| Operating income (loss) (%) | 14.6% | -16.9% | 186 |
| Cdn\$/Mexican peso average exchange rate ⁽²⁾ | 0.0828 | 0.1009 | (18) |
| Cdn\$/Argentine peso average exchange rate ⁽²⁾ | 0.2846 | 0.3376 | (16) |

(1) Refer to "Non-GAAP Measures" on page 8 for further information.

(2) Source: Bank of Canada.

Revenue

Calfrac's Latin America operations generated total revenue of \$17.5 million during the third quarter of 2009 versus \$6.6 million in the comparable three-month period in 2008. For the three months ended September 30, 2009 and 2008, revenue generated through subcontractors was \$3.2 million and \$2.1 million, respectively. The increase in revenue was primarily due to higher fracturing activity with the expansion of the Company's fracturing operations into the Chicontepec region during the second quarter, the completion of larger jobs in Mexico, higher cementing activity levels and larger job sizes in Argentina, combined with the commencement of cementing operations in Mexico during the third quarter of 2009, offset partially by the appreciation of the Canadian dollar versus the Mexican and Argentine peso.

Operating Expenses

Operating expenses in Latin America for the three months ended September 30, 2009 increased by 92 percent from the comparative period in 2008 to \$14.3 million. This increase was primarily due to higher fracturing activity and higher product costs related to the completion of more and larger fracturing jobs in Mexico, costs related to the start-up and commencement of cementing operations in Mexico during the third quarter of 2009, combined with incremental expenses related to higher activity levels and cementing job sizes in Argentina.

SG&A Expenses

SG&A expenses in Latin America increased to \$0.6 million from \$0.3 million in the comparable quarter of 2008 primarily due to the Company's expanded scale of operations in Mexico and Argentina.

Corporate

| Three Months Ended September 30, | 2009 | 2008 | Change |
|----------------------------------|---------|---------|--------|
| (000s) | (\$) | (\$) | (%) |
| (unaudited) | | | |
| Expenses | | | |
| Operating | 488 | 686 | (29) |
| SG&A | 3,491 | 4,049 | (14) |
| | 3,979 | 4,735 | (16) |
| Operating loss ⁽¹⁾ | (3,979) | (4,735) | 16 |

(1) Refer to "Non-GAAP Measures" on page 8 for further information.

Operating Expenses

Operating expenses primarily relate to manufacturing and R&D personnel located in the Corporate headquarters who directly support the Company's global field operations. The 29 percent decrease in Corporate operating expenses from the third quarter of 2008 is mainly due to lower compensation expenses as a result of a decrease in the number of personnel supporting the Company's operations and the impact of cost-saving initiatives implemented during the second quarter of 2009.

SG&A Expenses

For the three months ended September 30, 2009, Corporate SG&A expenses decreased by 14 percent from the comparable 2008 period to \$3.5 million, mainly due to lower compensation expenses resulting from cost-saving measures implemented early in the second quarter of 2009, offset partially by higher stock-based compensation expenses.

Interest and Depreciation Expenses

The Company's net interest expense of \$3.8 million for the third quarter of 2009 represented an increase of \$1.1 million from \$2.7 million in the comparable period of 2008. This increase was primarily due to higher reported interest expense related to the Company's unsecured senior notes resulting from the appreciation in the value of the United States dollar and additional interest expense related to the \$59.1 million drawdown on the Company's credit facilities.

For the three months ended September 30, 2009, depreciation expense increased by 21 percent to \$15.4 million from \$12.8 million in the corresponding quarter of 2008, mainly as a result of the Company's acquisition of fracturing assets from Pure, a larger fleet of equipment operating in North America and the appreciation in the value of the United States dollar.

Foreign Exchange Losses or Gains

The Company incurred a foreign exchange loss of \$1.8 million during the third quarter of 2009 versus \$0.7 million in the comparative three-month period of 2008. Foreign exchange gains and losses arise primarily from the translation of Calfrac's international operations in Russia, Mexico and Argentina using the temporal method. On a quarter-over-quarter basis, the change in foreign exchange losses or gains was mainly due to the impact of the appreciation of the Canadian dollar on foreign assets denominated in United States dollars, Russian roubles, Mexican pesos or Argentine pesos.

Income Tax Expenses

The Company recorded an income tax recovery of \$7.0 million during the third quarter of 2009 compared to income tax expense of \$0.3 million in the comparable period of 2008. The effective income tax rate for the three months ended September 30, 2009 was 170 percent compared to an effective tax rate of 3 percent in the same quarter of 2008. The decrease in total income tax expense was primarily due to pre-tax losses in Canada and the United States offset partially by higher profitability in Russia, Mexico and Argentina. During the third quarter, the increase in the deferred credit balance that was recorded in the first half of the year was reversed as the Company has adjusted its estimated tax position for the full year in Canada. This resulted in an additional future income tax recovery of \$5.5 million for the three months ended September 30, 2009.

Summary of Quarterly Results

| Three Months Ended | Dec. 31, 2007 | Mar. 31, 2008 | June 30, 2008 | Sept. 30, 2008 | Dec. 31, 2008 | Mar. 31, 2009 | June 30, 2009 | Sept. 30, 2009 |
|---|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|
| <i>(000s, except per share and unit data)</i> <i>(unaudited)</i> | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) |
| Financial | | | | | | | | |
| Revenue | 114,450 | 145,627 | 94,657 | 151,650 | 172,430 | 180,388 | 104,727 | 133,261 |
| Operating income (loss) ⁽¹⁾ | 19,872 | 29,477 | (1,008) | 27,812 | 25,658 | 27,427 | 4,052 | 16,499 |
| Net income (loss) | 3,653 | 14,269 | (15,469) | 11,203 | 7,861 | 5,528 | (14,770) | 2,842 |
| Per share – basic | 0.10 | 0.38 | (0.41) | 0.30 | 0.21 | 0.15 | (0.39) | 0.08 |
| Per share – diluted | 0.10 | 0.38 | (0.41) | 0.30 | 0.21 | 0.15 | (0.39) | 0.08 |
| Funds provided by operations ⁽¹⁾ | 19,582 | 28,790 | (9) | 27,128 | 24,838 | 22,713 | 128 | 12,199 |
| Per share – basic | 0.53 | 0.77 | – | 0.72 | 0.66 | 0.60 | – | 0.32 |
| Per share – diluted | 0.53 | 0.77 | – | 0.72 | 0.66 | 0.60 | – | 0.32 |
| EBITDA ⁽¹⁾ | 18,790 | 31,047 | (813) | 26,983 | 26,740 | 25,945 | 4,340 | 15,112 |
| Per share – basic | 0.51 | 0.83 | (0.02) | 0.71 | 0.71 | 0.69 | 0.11 | 0.40 |
| Per share – diluted | 0.51 | 0.83 | (0.02) | 0.71 | 0.71 | 0.69 | 0.11 | 0.40 |
| Capital expenditures | 12,101 | 14,820 | 19,341 | 18,414 | 32,233 | 15,857 | 9,862 | 58,212 |
| Working capital (end of period) | 92,156 | 111,989 | 94,056 | 104,700 | 100,575 | 129,532 | 111,864 | 103,331 |
| Shareholders' equity (end of period) | 350,915 | 377,056 | 364,068 | 378,890 | 393,476 | 402,537 | 380,515 | 378,972 |
| Operating (end of period) | | | | | | | | |
| Pumping horsepower (000s) | N/A | 232 | 255 | 287 | 287 | 303 | 319 | 371 |
| Coiled tubing units (#) | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Cementing units (#) | 16 | 17 | 17 | 18 | 18 | 20 | 20 | 21 |

⁽¹⁾ Refer to "Non-GAAP Measures" on page 8 for further information.

N/A – Not Available

FINANCIAL OVERVIEW – NINE MONTHS ENDED SEPTEMBER 30, 2009 VERSUS 2008

Canada

| Nine Months Ended September 30, | 2009 | 2008 | Change |
|---|---------|---------|--------|
| <i>(000s, except operational information)</i> <i>(unaudited)</i> | (\$) | (\$) | (%) |
| Revenue | 157,067 | 190,610 | (18) |
| Expenses | | | |
| Operating | 135,870 | 154,458 | (12) |
| SG&A | 7,090 | 7,672 | (8) |
| | 142,960 | 162,130 | (12) |
| Operating income ⁽¹⁾ | 14,107 | 28,480 | (50) |
| Operating income (%) | 9.0% | 14.9% | (40) |
| Fracturing revenue per job (\$) | 90,515 | 62,276 | 45 |
| Number of fracturing jobs | 1,504 | 2,530 | (41) |
| Coiled tubing revenue per job (\$) | 18,226 | 9,711 | 88 |
| Number of coiled tubing jobs | 952 | 2,049 | (54) |

⁽¹⁾ Refer to "Non-GAAP Measures" on page 8 for further information.

Revenue

Revenue from Calfrac's Canadian operations during the first nine months of 2009 decreased by 18 percent to \$157.1 million from \$190.6 million in the comparable period of 2008. The decrease in revenue was due primarily to lower fracturing and coiled tubing activity combined with the impact of suspending the Company's primary cementing operations in April 2009

offset partially by an increase in the proportion of larger jobs completed in the unconventional resource plays located in northwest Alberta and northeast British Columbia.

Operating Expenses

Operating expenses in Canada were \$135.9 million during the first nine months of 2009 versus \$154.5 million in the same period of 2008. The decrease in Canadian operating expenses was mainly due to lower activity levels and the impact of cost rationalization measures offset by an increase in equipment repair expenses and \$1.5 million of restructuring costs.

SG&A Expenses

SG&A expenses for Calfrac's Canadian operations were \$7.1 million during the first nine months of 2009, a decrease of 8 percent from the corresponding period of 2008 due primarily to lower personnel costs.

United States

| Nine Months Ended September 30, | 2009 | 2008 | Change |
|---|----------------|----------------|---------------|
| <i>(000s, except operational and exchange rate information)</i> | (\$) | (\$) | (%) |
| <i>(unaudited)</i> | | | |
| Revenue | 164,020 | 137,210 | 20 |
| Expenses | | | |
| Operating | 136,212 | 96,222 | 42 |
| SG&A | 5,319 | 5,957 | (11) |
| | 141,531 | 102,179 | 39 |
| Operating income ⁽¹⁾ | 22,489 | 35,031 | (36) |
| Operating income (%) | 13.7% | 25.5% | (46) |
| Fracturing revenue per job (\$) | 76,899 | 60,834 | 26 |
| Number of fracturing jobs | 1,973 | 2,139 | (8) |
| Cementing revenue per job (\$) | 19,998 | 13,296 | 50 |
| Number of cementing jobs | 615 | 533 | 15 |
| Cdn\$/US\$ average exchange rate ⁽²⁾ | 1.1694 | 1.0180 | 15 |

(1) Refer to "Non-GAAP Measures" on page 8 for further information.

(2) Source: Bank of Canada.

Revenue

Revenue from Calfrac's United States operations increased during the first nine months of 2009 to \$164.0 million from \$137.2 million in the comparable period of 2008. The increase in revenue was primarily due to the impact of the 15 percent appreciation in the value of the United States dollar versus the Canadian dollar, an increase in the number of larger fracturing jobs completed in Arkansas combined with the completion of more and larger cementing jobs offset partially by competitive pricing pressures and lower fracturing activity in the Rocky Mountain region.

Operating Expenses

Operating expenses in the United States were \$136.2 million for the first nine months of 2009, an increase of 42 percent from the comparative period in 2008 primarily due to the impact of the appreciation of the United States dollar against the Canadian dollar, increased usage of proppant and higher equipment repair expenses resulting from the completion of larger fracturing jobs as well as higher operating costs related to the increased scale and activity levels of the Company's cementing operations in Arkansas.

SG&A Expenses

SG&A expenses in the United States during the first nine months of 2009 decreased by 11 percent from the comparable period in 2008 to \$5.3 million primarily due to lower compensation expenses, offset partially by the appreciation of the United States dollar.

Russia

| Nine Months Ended September 30, | 2009 | 2008 | Change |
|---|-------------|-------------|---------------|
| <i>(000s, except operational and exchange rate information)</i> | <i>(\$)</i> | <i>(\$)</i> | <i>(%)</i> |
| <i>(unaudited)</i> | | | |
| Revenue | 51,932 | 45,131 | 15 |
| Expenses | | | |
| Operating | 33,364 | 34,037 | (2) |
| SG&A | 2,648 | 2,780 | (5) |
| | 36,012 | 36,817 | (2) |
| Operating income ⁽¹⁾ | 15,920 | 8,314 | 91 |
| Operating income (%) | 30.7% | 18.4% | 67 |
| Fracturing revenue per job (\$) | 75,430 | 133,541 | (44) |
| Number of fracturing jobs | 438 | 185 | 137 |
| Coiled tubing revenue per job (\$) | 45,418 | 62,086 | (27) |
| Number of coiled tubing jobs | 416 | 329 | 26 |
| Cdn\$/rouble average exchange rate ⁽²⁾ | 0.0360 | 0.0424 | (15) |

(1) Refer to "Non-GAAP Measures" on page 8 for further information.

(2) Source: Bank of Canada.

Revenue

During the first nine months of 2009, the Company's revenue from Russian operations increased by 15 percent to \$51.9 million from \$45.1 million in the corresponding nine-month period of 2008. Total revenue during the first nine months of 2009 was higher than in the comparative nine-month period in 2008 primarily due to higher fracturing and coiled tubing activity being partially offset by smaller job sizes, lower annual contract pricing and the depreciation of the Russian rouble by 15 percent against the Canadian dollar.

Operating Expenses

Operating expenses in Russia in the first nine months of 2009 were \$33.4 million compared to \$34.0 million in the corresponding period of 2008. The decrease in operating expenses was primarily due to the depreciation in the Russian rouble against the Canadian dollar, offset partially by higher fracturing and coiled tubing activity.

SG&A Expenses

SG&A expenses in Russia were \$2.6 million for the nine-month period ended September 30, 2009 versus \$2.8 million in the same period of 2008. The slight decrease in SG&A expenses was primarily due to the depreciation of the Russian rouble, offset partially by higher occupancy costs.

Latin America

| Nine Months Ended September 30, | 2009 | 2008 | Change |
|---|--------|---------|--------|
| (000s, except operational and exchange rate information) (unaudited) | (\$) | (\$) | (%) |
| Revenue | 45,357 | 18,982 | 139 |
| Expenses | | | |
| Operating | 35,658 | 20,860 | 71 |
| SG&A | 1,685 | 594 | 184 |
| | 37,343 | 21,454 | 74 |
| Operating income (loss) ⁽¹⁾ | 8,014 | (2,472) | 424 |
| Operating income (loss) (%) | 17.7% | -13.0% | 236 |
| Cdn\$/Mexican peso average exchange rate ⁽²⁾ | 0.0857 | 0.0969 | (12) |
| Cdn\$/Argentine peso average exchange rate ⁽²⁾ | 0.3124 | 0.3237 | (3) |

(1) Refer to "Non-GAAP Measures" on page 8 for further information.

(2) Source: Bank of Canada.

Revenue

Calfrac's Latin America operations generated total revenue of \$45.4 million during the first nine months of 2009 versus \$19.0 million in the comparable nine-month period in 2008. For the nine months ended September 30, 2009 and 2008, revenue generated through subcontractors was \$9.3 million and \$7.2 million, respectively. The increase in revenue was primarily due to higher fracturing activity and larger job sizes in Mexico, higher cementing activity in Argentina as these operations commenced during the second quarter of 2008 and the commencement of cementing operations in Mexico during the third quarter of 2009 offset partially by the 12 percent decline in the Mexican peso versus the Canadian dollar.

Operating Expenses

Operating expenses in Latin America for the nine months ended September 30, 2009 increased by 71 percent from the comparative period in 2008 to \$35.7 million. This increase was primarily due to a higher revenue base from a full quarter of fracturing operations in the Chicontepec region plus increased product costs in Mexico related to the completion of larger fracturing jobs, incremental expenses related to the Company's operations in Argentina which began during the second quarter of 2008 combined with start-up and incremental operating expenses related to the commencement of cementing operations in Mexico during the third quarter of 2009. These factors were partially offset by the depreciation of the Mexican peso.

SG&A Expenses

SG&A expenses in Latin America increased by \$1.1 million from the comparable period of 2008 to \$1.7 million in the first nine months of 2009 primarily due to the Company's expanded scale of operations in Mexico and Argentina, offset partially by the depreciation of the Mexican peso against the Canadian dollar.

Corporate

| Nine Months Ended September 30, (000s) (unaudited) | 2009 (\$) | 2008 (\$) | Change (%) |
|--|--------------|--------------|---------------|
| Expenses | | | |
| Operating | 1,898 | 1,774 | 7 |
| SG&A | 10,654 | 11,298 | (6) |
| Operating loss ⁽¹⁾ | (12,552) | (13,072) | 4 |

(1) Refer to "Non-GAAP Measures" on page 8 for further information.

Operating Expenses

Operating expenses primarily relate to manufacturing and R&D personnel located in the Corporate headquarters who directly support the Company's global field operations. The 7 percent increase in Corporate operating expenses from the first nine months of 2008 is mainly due to an increase in the number of personnel directly supporting the Company's broader scale of operations.

SG&A Expenses

For the nine months ended September 30, 2009, Corporate SG&A expenses decreased by 6 percent to \$10.7 million, mainly due to lower compensation expenses arising from restructuring initiatives implemented early in the second quarter, offset slightly by higher stock-based compensation expenses.

Interest and Depreciation Expenses

The Company's net interest expense of \$11.0 million for the first nine months of 2009 represented an increase of \$2.9 million from \$8.1 million in the comparable period of 2008. This increase was primarily due to higher reported interest expense related to the Company's unsecured senior notes resulting from the appreciation in the value of the United States dollar and additional interest expense related to the drawdown on the Company's revolving term credit facilities.

For the nine months ended September 30, 2009, depreciation expense increased by 24 percent to \$45.6 million from \$36.9 million in the corresponding period of 2008, mainly as a result of the Company's larger fleet of equipment operating in North America, the acquisition of fracturing assets from Pure and the appreciation in the value of the United States dollar.

Foreign Exchange Losses or Gains

The Company incurred a foreign exchange loss of \$3.9 million during the first nine months of 2009 versus a foreign exchange gain of \$0.8 million in the comparative nine-month period of 2008. Foreign exchange gains and losses arise primarily from the translation of Calfrac's international operations in Russia, Mexico and Argentina using the temporal method. The change from a foreign exchange gain to a loss was mainly due to the appreciation of the Canadian dollar on foreign assets denominated in United States dollars, Russian roubles, Mexican pesos or Argentine pesos.

Income Tax Expenses

The Company recorded an income tax recovery of \$4.8 million during the first nine months of 2009 versus income tax expense of \$2.4 million during the comparable period of 2008. The effective income tax rate for the nine months ended September 30, 2009 was 43 percent compared to an effective tax rate of 20 percent in the same period of 2008. The change in the effective income tax rate period-over-period is due to the change in the mix of taxable earnings and losses incurred in

the countries in which the Company operates and the differing rates of income tax attributable to those earnings and losses. In addition, Canadian losses for 2009 are being recovered at full statutory rates, however, the provision for income taxes on Canadian income in 2008 was tax affected at a significantly lower effective rate due to the offsetting impact of drawing down the deferred credit.

Liquidity and Capital Resources

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|--|------------------------------|----------|-----------------------------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| (000s) | (\$) | (\$) | (\$) | (\$) |
| <i>(unaudited)</i> | | | | |
| Cash provided by (used in): | | | | |
| Operating activities | (11,721) | (1,830) | 25,290 | 27,124 |
| Financing activities | 32,483 | 216 | 45,596 | 6,991 |
| Investing activities | (56,080) | (20,012) | (89,066) | (53,899) |
| Effect of exchange rate changes on cash and cash equivalents | (4,184) | 1,851 | (7,690) | 3,421 |
| Decrease in cash and cash equivalents | (39,502) | (19,775) | (25,870) | (16,363) |

Operating Activities

The Company's cash flow from operating activities for the nine months ended September 30, 2009 was \$25.3 million versus \$27.1 million in the comparable period in 2008. The change was primarily due to a \$19.0 million net change in non-cash working capital that was more than offset by a \$20.9 million reduction in funds provided by operations (refer to "Non-GAAP Measures" on page 8). At September 30, 2009, Calfrac's working capital was approximately \$103.3 million, a decrease of 1 percent from September 30, 2008. The Company reviewed its quarter-end accounts receivable balance in detail and determined that a provision for doubtful accounts receivable totalling \$1.0 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 for the first nine months of 2009 was \$45.6 million compared to \$7.0 million in the comparable period of 2008 as the Company drew \$59.1 million on its revolving term credit facility, repaid \$15.0 million on its operating line of credit and assumed a \$3.3 million mortgage as a result of the acquisition of Pure's fracturing assets during the first nine months of 2009. In addition, Calfrac received proceeds of \$8.9 million from the issuance of common shares during the first nine months of 2008 and no such amounts in the same period of 2009.

In February 2007, Calfrac completed a private placement of senior unsecured notes for an aggregate principal amount of US\$135.0 million. These notes are due on February 15, 2015 and bear interest at 7.75 percent per annum.

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. It consists of an operating facility of \$10.0 million, a syndicated facility of \$125.0 million and an incremental facility of \$35.0 million, which is available upon closing of the Century acquisition for a period of approximately six months thereafter subject to extension at the lender's discretion. The terms of the renewed credit facility are based upon parameters of certain bank covenants and range from prime plus 1 percent to prime plus 1.75 percent. As of September 30, 2009, the Company had drawn \$62.1 million on its syndicated facility, leaving a further \$107.9 million in immediately available credit, including a \$35.0 million incremental facility available upon the closing of the Century acquisition for a period of approximately six months thereafter, should these funds be required.

At September 30, 2009, the Company had cash and cash equivalents of \$10.6 million. A portion of these funds was invested in short-term investments, which consisted primarily of an overnight money market fund and is not exposed to any liquidity issues.

The Company pays semi-annual dividends to shareholders of \$0.05 per common share at the discretion of the Board of Directors, which qualify as “eligible dividends” as defined by the Canada Revenue Agency. These dividends are funded by funds provided by operations and totalled \$1.9 million in each of the first nine months of 2009 and 2008.

Investing Activities

For the first nine months of 2009, Calfrac’s net cash used for investing activities was \$89.1 million versus \$53.9 million for the same period of 2008. Capital expenditures were \$83.9 million in the first nine months of 2009 compared to \$52.6 million in the same period of 2008. Capital expenditures in 2009 included the acquisition of fracturing assets of Pure during the third quarter of 2009 for \$42.3 million and the remaining capital expenditures were primarily related to increasing the pumping capacity of the Company’s fracturing equipment fleet throughout North America.

On January 11, 2008, the Company acquired the remaining 70 percent of the common shares of ChemErgy Ltd. that it did not previously own for aggregate consideration of approximately \$6.6 million. The purchase price was satisfied through the payment to the vendors of approximately \$4.8 million in cash, the transfer of real property at a value of approximately \$0.5 million and the issuance of 71,581 common shares of the Company with a value of approximately \$1.3 million.

On January 4, 2008, the Company acquired all the shares of 1368303 Alberta Ltd. from a Canadian competitor for cash and share consideration totalling approximately \$2.7 million. The Company issued 78,579 common shares with a value of approximately \$1.3 million in conjunction with the acquisition, in addition to approximately \$1.4 million of cash. All of the consideration paid was assigned to capital assets, as the acquired company had no assets or liabilities other than fracturing equipment.

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 nine months of 2009 was a loss of \$7.7 million versus a gain of \$3.4 million during the same period of 2008. These gains 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 2009 and beyond.

Proposed Acquisition

On September 20, 2009, the Company and Century entered into a definitive agreement pursuant to which the Company will acquire 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 will consist of approximately \$13.5 million of cash plus up to 5,144,695 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 days following the date 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 estimated transaction costs, the total consideration will be approximately \$99.5 million for accounting purposes. If approved by the shareholders of Century, the acquisition is expected to close on or after November 10, 2009.

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 10 percent of the Company's issued and outstanding common shares. As at October 31, 2009, there were 37,742,186 common shares issued and outstanding, and 2,537,978 options to purchase common shares.

Contractual Obligations and Contingencies

Calfrac has various contractual obligations related to the leasing of vehicles, equipment and facilities as well as raw material purchase commitments.

Greek Legal Proceedings

As described in note 10 to the interim consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amount 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 its potential exposure to these legal proceedings at this time.

Changes in Accounting Policies

The following change in accounting policy was adopted pursuant to the Canadian Institute of Chartered Accountants (CICA) Handbook on January 1, 2009:

Goodwill and Intangible Assets

Section 3064 Goodwill and Intangible Assets replaces the previous Section 3062 and establishes standards for the recognition, measurement, presentation and disclosure of intangible assets and goodwill subsequent to its initial recognition. The adoption of Section 3064 has not had an impact on the Company's consolidated financial statements, as the provisions relating to goodwill are unchanged from the previous standard and the Company has no recognizable intangible assets.

Critical Accounting Policies and Estimates

This MD&A is based on the Company's consolidated financial statements for the year ended December 31, 2008, which were prepared in accordance with Canadian GAAP. Management is required to make assumptions, judgments and estimates in the application of GAAP. Calfrac's significant accounting policies are described in note 2 to the annual consolidated financial statements for the year ended December 31, 2008 and are referenced in note 3 to the unaudited consolidated financial statements for the three and nine months ended September 30, 2009. The preparation of the consolidated financial statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses

and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. Anticipating future events involves uncertainty and, consequently, the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired or the environment in which the Company operates changes. The following accounting policies and practices involve the use of estimates that have a significant impact on the Company's financial results.

Allowance for Doubtful Accounts Receivable

The Company performs ongoing credit evaluations of its customers and grants credit based upon a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. In situations where the creditworthiness of a customer is uncertain, services are provided on receipt of cash in advance or services are declined. Calfrac's management believes that the provision for doubtful accounts is adequate.

Depreciation

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

Financial Instruments

The Company follows CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, which establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related-party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-for-trading”, “available-for-sale”, “held-to-maturity”, “loans and receivables” or “other financial liabilities” as defined by the standard.

Cash equivalents are designated as “held-for-trading” and are measured at fair value. Accounts receivable are designated as “loans and receivables” and are carried at amortized cost. Accounts payable and accrued liabilities are designated as “other financial liabilities” and are carried at amortized cost. Bank loans and long-term debt are designated as “other financial liabilities” and are carried at amortized cost using the effective interest rate method. The financing costs associated with the Company's US\$135.0 million private placement of senior unsecured notes on February 13, 2007 are included in the amortized cost of the debt. These costs and the costs related to the recent renewal of the Company's credit facilities are amortized to interest expense over the term of the debt.

Goodwill

Goodwill represents an excess of the purchase price over the fair value of net assets acquired. The Company assesses goodwill at least on an annual basis. Goodwill is allocated to reporting segments and any potential goodwill impairment is identified by comparing the carrying value of a reporting segment with its fair value. If any potential impairment is indicated, then it is quantified by comparing the carrying value of goodwill to its fair value. The offset would be charged to the Consolidated Statement of Operations and Retained Earnings as goodwill impairment.

Income Taxes

The Company follows the liability method of accounting for income taxes, which evaluates the differences between the financial statement treatment and tax treatment of certain transactions, assets and liabilities. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. Estimates of the Company's future taxable income have been considered in assessing the utilization of available tax losses. Calfrac's business is complex and the calculation of income taxes involves many complex factors as well as the Company's interpretation of relevant tax legislation and regulations. Calfrac's management believes that the income tax provision is adequate.

Revenue Recognition

Revenue is recognized for services upon completion and for products upon delivery.

Stock-Based Compensation

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

The Company also grants deferred stock units to independent members of its Board of Directors which vest one year from the grant date and are settled at the option of the Company either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred stock units is recognized equally over the one-year vesting period, based on the current market price of the Company's shares.

The Company grants performance stock units to the Company's most senior officers who are not included in the stock option plan. The amount of the grants earned is linked to corporate performance and the grants vest one year from the date of grant. As with the deferred stock units, performance stock units are settled at the option of the Company either in cash or in Company shares purchased on the open market.

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

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 September 30, 2009 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 January 2006, the CICA Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards (IFRS) will 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 in 2011, the Company 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.

The Company is currently analyzing accounting policy alternatives and identifying implementation options for the areas that have been identified as having the greatest potential impact to the Company's financial statements or the greatest risk in terms of complexity to implement. The areas identified to date include capital assets, impairment and foreign currency translation.

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 and 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

The global economic slowdown has reduced the demand for oil and natural gas which has led to a significant decline in drilling activity in Canada and the United States as well as increased price competition for oilfield services. North American natural gas prices are anticipated to remain at lower levels over the short term. The Company has thoroughly realigned its cost structure through significant workforce reductions in Canada and the United States, wage and retirement contribution rollbacks as well as cuts to discretionary operating expenses. The Company also suspended primary cementing operations in the Canadian market during April and redeployed six cementing units into Mexico during the third quarter and early in the fourth quarter. These measures have contributed to maintaining the Company's strong financial condition as we enter the fourth quarter. Working capital as at September 30, 2009 was approximately \$103.3 million.

Fracturing and coiled tubing activity levels in Canada are expected to improve in the fourth quarter and into 2010. Oil and natural gas drilling and completion activity is anticipated to be focused in the unconventional resource plays of northwest Alberta, northeast British Columbia and southeast Saskatchewan. With the closing of the acquisition of Century, Calfrac will have a larger presence in the fracturing and coiled tubing markets in Canada.

In the United States, fracturing and cementing activity in the Fayetteville shale play of Arkansas is expected to remain relatively strong throughout the remainder of 2009. While the Company experienced significant pricing pressure in this market earlier in 2009, Calfrac believes that pricing levels have stabilized. The addition of the fracturing assets acquired from Pure during the third quarter has allowed Calfrac to capitalize on the increase in completion activity in the Rocky Mountain region that has occurred in the last quarter. Calfrac believes that activity levels in this region will be reasonably strong throughout the remainder of the year. Early in the fourth quarter, the Company redeployed a large fracturing crew from the Rocky Mountain region to Pennsylvania as it commenced operations servicing the Marcellus shale play.

Calfrac recently deployed a sixth coiled tubing unit into Western Siberia and it is expected to be operational late in the fourth quarter of 2009. The annual contract tender process is currently underway in Russia and the Company is optimistic that its three fracturing spreads and six coiled tubing units will be highly utilized during 2010.

The Company commenced fracturing operations in Poza Rica, Mexico servicing the Chicontepec oil and natural gas field for Pemex during the second quarter and continued to diversify its pressure pumping operations in Mexico with the commencement of cementing operations during September. Calfrac's Mexican equipment fleet is currently comprised of three fracturing spreads and six cementing units. This expansion is anticipated to lead to higher levels of overall equipment utilization and to improve the financial performance of this geographic segment for the remainder of 2009 and into the future. Calfrac added a third cementing unit in Argentina during the third quarter of 2009. The Company's Latin America management team will continue to evaluate growth opportunities to broaden the scale of these operations in this market.

The Company has negotiated with its lenders to increase its credit facilities by \$80.0 million to \$170.0 million, including a \$35.0 million incremental facility available upon the closing of the Century acquisition. At September 30, 2009, Calfrac has utilized approximately \$62.1 million of these facilities with remaining borrowing capacity of approximately \$107.9 million, including a \$35.0 million incremental facility available upon closing of the Century acquisition, should it be required.

Overall, demand for pressure pumping services in North America over the short term remains unclear, however, Calfrac's long-term outlook for the pressure pumping industry remains strong. Calfrac has rationalized its cost structure and streamlined its operating efficiencies. Calfrac's geographical diversification continues to benefit the Company and it believes that the improving financial performance of its international segments can be extended. The Company will maintain its strong balance sheet and continue to execute on its strategy through these difficult market conditions. Calfrac believes that the strengths of its business model and its conservative approach to the current economic challenges leave it well-positioned to capitalize on future opportunities.

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", "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, 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 under "Business Risks" above.

Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable securities laws.

Additional Information

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

Consolidated Balance Sheets

| As at | September 30, | December 31, |
|---|----------------|----------------|
| <i>(000s) (unaudited)</i> | 2009 | 2008 |
| | (\$) | (\$) |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 10,622 | 36,492 |
| Accounts receivable | 118,647 | 120,048 |
| Income taxes recoverable | 1,810 | 6,681 |
| Inventory | 37,545 | 41,123 |
| Prepaid expenses and deposits | 7,033 | 5,813 |
| | 175,657 | 210,157 |
| Capital assets | | |
| Goodwill | 473,656 | 459,874 |
| Future income taxes | 10,523 | 10,523 |
| | 18,384 | 11,218 |
| | 678,220 | 691,772 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 69,020 | 94,582 |
| Bank loan | - | 15,000 |
| Current portion of long-term debt (note 5) | 3,306 | - |
| | 72,326 | 109,582 |
| Long-term debt (note 5) | 200,168 | 159,899 |
| Other long-term liabilities | 1,282 | 1,368 |
| Future income taxes | 22,212 | 24,815 |
| Deferred credit | 3,105 | 2,588 |
| Non-controlling interest | 155 | 44 |
| | 299,248 | 298,296 |
| Shareholders' equity | | |
| Capital stock (note 6) | 168,813 | 168,813 |
| Contributed surplus (note 7) | 9,914 | 7,297 |
| Retained earnings | 203,365 | 211,652 |
| Accumulated other comprehensive income (loss) | (3,120) | 5,714 |
| | 378,972 | 393,476 |
| | 678,220 | 691,772 |

Contingencies (note 10)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations and Retained Earnings

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|------------------------------|---------|-----------------------------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| <i>(000s, except per share data) (unaudited)</i> | (\$) | (\$) | (\$) | (\$) |
| Revenue | 133,261 | 151,650 | 418,376 | 391,933 |
| Expenses | | | | |
| Operating | 108,028 | 113,229 | 343,001 | 307,349 |
| Selling, general and administrative | 8,734 | 10,609 | 27,397 | 28,303 |
| Depreciation | 15,448 | 12,773 | 45,563 | 36,868 |
| Interest, net | 3,763 | 2,692 | 10,951 | 8,072 |
| Equity share of income from long-term investments | - | - | - | (122) |
| Foreign exchange losses (gains) | 1,807 | 704 | 3,902 | (805) |
| Loss (gain) on disposal of capital assets | (420) | 125 | (1,321) | (8) |
| | 137,360 | 140,132 | 429,493 | 379,657 |
| Income (loss) before income taxes and non-controlling interest | (4,099) | 11,518 | (11,117) | 12,276 |
| Income taxes | | | | |
| Current | (227) | (1,426) | 1,234 | (3,848) |
| Future | (6,745) | 1,769 | (6,062) | 6,243 |
| | (6,972) | 343 | (4,828) | 2,395 |
| Income (loss) before non-controlling interest | 2,873 | 11,175 | (6,289) | 9,881 |
| Non-controlling interest | 31 | (28) | 111 | (122) |
| Net income (loss) for the period | 2,842 | 11,203 | (6,400) | 10,003 |
| Retained earnings, beginning of period | 200,523 | 194,947 | 211,652 | 198,039 |
| Dividends | - | - | (1,887) | (1,892) |
| Retained earnings, end of period | 203,365 | 206,150 | 203,365 | 206,150 |
| Income (loss) per share | | | | |
| Basic | 0.08 | 0.30 | (0.17) | 0.27 |
| Diluted | 0.08 | 0.30 | (0.17) | 0.27 |

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|------------------------------|---------|-----------------------------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| <i>(000s) (unaudited)</i> | (\$) | (\$) | (\$) | (\$) |
| Net income (loss) for the period | 2,842 | 11,203 | (6,400) | 10,003 |
| Other comprehensive income (loss) | | | | |
| Change in foreign currency translation adjustment | (5,260) | 2,276 | (8,834) | 3,563 |
| Comprehensive income (loss) | (2,418) | 13,479 | (15,234) | 13,566 |
| Accumulated other comprehensive income (loss), beginning of period | 2,140 | (4,917) | 5,714 | (6,204) |
| Other comprehensive income (loss) for the period | (5,260) | 2,276 | (8,834) | 3,563 |
| Accumulated other comprehensive income (loss), end of period | (3,120) | (2,641) | (3,120) | (2,641) |

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|------------------------------|----------|-----------------------------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| (000s) (unaudited) | (\$) | (\$) | (\$) | (\$) |
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | |
| Net income (loss) for the period | 2,842 | 11,203 | (6,400) | 10,003 |
| Items not involving cash | | | | |
| Depreciation | 15,448 | 12,773 | 45,563 | 36,868 |
| Amortization of debt issue costs | 168 | 159 | 532 | 464 |
| Stock-based compensation | 875 | 1,127 | 2,617 | 2,583 |
| Equity share of income from long-term investments | - | - | - | (122) |
| Loss (gain) on disposal of capital assets | (420) | 125 | (1,321) | (8) |
| Future income taxes | (6,745) | 1,769 | (6,062) | 6,243 |
| Non-controlling interest | 31 | (28) | 111 | (122) |
| | 12,199 | 27,128 | 35,040 | 55,909 |
| Net change in non-cash operating assets and liabilities | (23,920) | (28,958) | (9,750) | (28,785) |
| | (11,721) | (1,830) | 25,290 | 27,124 |
| FINANCING ACTIVITIES | | | | |
| Bank loan proceeds | - | - | 5,000 | - |
| Issuance of long-term debt | 42,541 | - | 62,541 | - |
| Bank loan repayments | (10,000) | - | (20,000) | - |
| Long-term debt repayments | (58) | - | (58) | - |
| Net proceeds on issuance of common shares | - | 216 | - | 8,883 |
| Dividends | - | - | (1,887) | (1,892) |
| | 32,483 | 216 | 45,596 | 6,991 |
| INVESTING ACTIVITIES | | | | |
| Purchase of capital assets (note 4) | (58,212) | (18,414) | (83,931) | (52,574) |
| Proceeds on disposal of capital assets | 959 | 28 | 2,133 | 285 |
| Acquisitions, net of cash acquired | - | - | - | (6,117) |
| Long-term investments and other | - | 83 | - | 326 |
| Net change in non-cash working capital from purchase of capital assets | 1,173 | (1,709) | (7,268) | 4,181 |
| | (56,080) | (20,012) | (89,066) | (53,899) |
| Effect of exchange rate changes on cash and cash equivalents | (4,184) | 1,851 | (7,690) | 3,421 |
| Increase (decrease) in cash position | (39,502) | (19,775) | (25,870) | (16,363) |
| Cash and cash equivalents, beginning of period | 50,124 | 42,516 | 36,492 | 39,104 |
| Cash and cash equivalents, end of period | 10,622 | 22,741 | 10,622 | 22,741 |

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2009

(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 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, except for the adoption of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064 Goodwill and Intangible Assets. Section 3064 replaces the previous Section 3062 and establishes standards for the recognition, measurement, presentation and disclosure of intangible assets and goodwill subsequent to its initial recognition. The adoption of Section 3064 has not had an impact on the Company’s consolidated financial statements, as the provisions relating to goodwill are unchanged from the previous standard and the Company has no recognizable intangible assets.

(b) In 2006, the CICA Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards (IFRS) will 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 in 2011, the Company has developed its 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.

The Company is currently analysing accounting policy alternatives and identifying implementation options for the areas that have been identified as having the greatest potential impact to the Company’s financial statements or the greatest risk in terms of complexity to implement. The areas identified to date include capital assets, impairment and foreign currency translation.

4. ASSET ACQUISITION

On August 14, 2009, the Company purchased the fracturing assets of a competitor for \$44,513 including related transaction costs. The Company acquired \$42,252 of capital assets including fracturing equipment and certain real property, as well as \$2,261 of the vendor's parts and materials inventory. The purchase price was satisfied through payment of \$41,071 in cash and the assumption of long-term debt in the amount of \$3,442.

5. LONG-TERM DEBT

| As at (000s) | September 30, 2009 (\$) | December 31, 2008 (\$) |
|---|-------------------------------|------------------------------|
| US\$135,000 senior unsecured notes, due February 15, 2015 bearing interest at 7.75%, payable semi-annually | 144,545 | 164,430 |
| Less: unamortized debt issue costs | (3,496) | (4,531) |
| | 141,049 | 159,899 |
| \$125,000 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 | 59,099 | - |
| US\$3,107 mortgage bearing interest at U.S. prime less 1%, repayable \$35 per month principal and interest, secured by certain real property | 3,326 | - |
| | 203,474 | 159,899 |
| Less: current portion of long-term debt | (3,306) | - |
| | 200,168 | 159,899 |

The fair value of the senior unsecured notes based on the closing price at September 30, 2009 was \$140,035 (December 31, 2008 – \$77,282).

The interest rate on the term revolving facility is based upon the parameters of certain bank covenants, and range from prime plus 1% to prime plus 1.75%. The facility is repayable in 8 equal quarterly principal instalments of \$2,955 commencing September 30, 2010 plus a final payment of \$35,459 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.

6. CAPITAL STOCK

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

| Continuity of Common Shares (year-to-date) | 2009 | | 2008 | |
|--|---------------|--------------------|---------------|--------------------|
| | Shares (#) | Amount (\$000s) | Shares (#) | Amount (\$000s) |
| Balance, January 1 | 37,741,561 | 168,813 | 37,201,872 | 155,254 |
| Issued upon exercise of stock options | - | - | 492,311 | 11,379 |
| Issued on acquisitions | - | - | 150,160 | 2,640 |
| Purchased under Normal Course Issuer Bid | - | - | - | - |
| Balance, September 30 | 37,741,561 | 168,813 | 37,844,343 | 169,273 |

The weighted average number of common shares outstanding for the nine months ended September 30, 2009 was 37,741,561 basic and 37,741,561 diluted (nine months ended September 30, 2008 – 37,653,459 basic and 37,681,393 diluted). The difference between basic and diluted shares for the nine months ended September 30, 2008 was attributable to the dilutive effect of

stock options issued by the Company and shares held in trust. All of the outstanding options disclosed in note 8 could be potentially dilutive in the future; however they were not included in the calculation of diluted shares for the nine months ended September 30, 2009, as they would have an anti-dilutive effect.

7. CONTRIBUTED SURPLUS

| Continuity of Contributed Surplus (year-to-date) | 2009 | 2008 |
|--|-------|---------|
| (000s) | (\$) | (\$) |
| Balance, January 1 | 7,297 | 6,025 |
| Stock options expensed | 2,617 | 2,583 |
| Stock options exercised | - | (2,496) |
| Balance, September 30 | 9,914 | 6,112 |

8. STOCK OPTIONS

| Continuity of Stock Options (year-to-date) | 2009 | | 2008 | |
|--|-----------|------------------------|-----------|------------------------|
| | Options | Average Exercise Price | Options | Average Exercise Price |
| | (#) | (\$) | (#) | (\$) |
| Balance, January 1 | 2,043,344 | 21.69 | 1,224,223 | 22.90 |
| Granted during the period | 852,500 | 8.45 | 1,328,000 | 19.91 |
| Exercised for common shares | - | - | (492,311) | 18.04 |
| Forfeited | (191,049) | 19.86 | (74,269) | 23.81 |
| Expired | (164,400) | 32.59 | - | - |
| Balance, September 30 | 2,540,395 | 16.68 | 1,985,643 | 22.07 |

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 3.30 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.

9. 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 September 30, 2009, the long-term debt to cash flow ratio was 3.40:1 (December 31, 2008 – 1.98:1) calculated on a 12-month trailing basis as follows:

| As at | September 30, 2009 | December 31, 2008 |
|---|-----------------------|----------------------|
| (000s) | (\$) | (\$) |
| Long-term debt (net of unamortized debt issue costs) (note 5) | 203,474 | 159,899 |
| Cash flow | 59,878 | 80,747 |
| Long-term debt to cash flow ratio | 3.40 | 1.98 |

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.

10. 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 \$10,672 (€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 of the Supreme Court of Greece's decision, and reinstated the award of the Athens Court of First Instance, which decision has been further appealed to the Supreme Court of Greece, and on November 3, 2009 was postponed until March 16, 2010. 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. NAPC intends to vigorously defend the appeal decision before the Supreme Court of Greece both in relation to the merits of the plaintiffs' case as well as in respect of the quantum of any damages which may be awarded. In the event that an adverse ruling is issued by the Supreme Court of Greece, NAPC and the Company intend to assess available rights of appeal to any other levels of court in any jurisdiction where such an appeal is warranted.

Several other smaller groups of former employees have filed similar cases in various courts in Greece. One of these cases was heard by the Athens Court of First Instance on January 18, 2007. By judgment rendered November 23, 2007, the plaintiff's allegations were partially accepted, and the plaintiff was awarded compensation for additional work of approximately

\$55 (€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 \$348 (€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 \$200 (€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 \$684 (€439 euros) plus interest, was scheduled to be heard before the Athens Court of First Instance on October 1, 2009, but was adjourned as a result of the recently held Greek elections. No date has been set for the adjourned hearing.

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.

11. COMPARATIVES

Certain comparatives have been reclassified to conform with the financial statement presentation adopted in the current period.

12. 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 Sept. 30, 2009 | | | | | | |
| Revenue | 45,463 | 17,774 | 52,524 | 17,500 | – | 133,261 |
| Operating income (loss) ⁽¹⁾ | 6,090 | 6,151 | 5,682 | 2,555 | (3,979) | 16,499 |
| Segmented assets | 279,055 | 102,802 | 249,103 | 47,260 | – | 678,220 |
| Capital expenditures | 11,317 | 1,699 | 44,099 | 1,097 | – | 58,212 |
| Goodwill | 7,236 | 979 | 2,308 | – | – | 10,523 |
| Three Months Ended Sept. 30, 2008 | | | | | | |
| Revenue | 75,294 | 15,197 | 54,568 | 6,591 | – | 151,650 |
| Operating income (loss) ⁽¹⁾ | 16,688 | 3,575 | 13,399 | (1,115) | (4,735) | 27,812 |
| Segmented assets | 272,741 | 107,577 | 217,492 | 20,980 | – | 618,790 |
| Capital expenditures | 6,133 | 861 | 10,961 | 459 | – | 18,414 |
| Goodwill | 7,236 | 979 | 2,308 | – | – | 10,523 |
| Nine Months Ended Sept. 30, 2009 | | | | | | |
| Revenue | 157,067 | 51,932 | 164,020 | 45,357 | – | 418,376 |
| Operating income (loss) ⁽¹⁾ | 14,107 | 15,920 | 22,489 | 8,014 | (12,552) | 47,978 |
| Segmented assets | 279,055 | 102,802 | 249,103 | 47,260 | – | 678,220 |
| Capital expenditures | 23,709 | 3,135 | 54,890 | 2,197 | – | 83,931 |
| Goodwill | 7,236 | 979 | 2,308 | – | – | 10,523 |
| Nine Months Ended Sept. 30, 2008 | | | | | | |
| Revenue | 190,610 | 45,131 | 137,210 | 18,982 | – | 391,933 |
| Operating income (loss) ⁽¹⁾ | 28,480 | 8,314 | 35,031 | (2,472) | (13,072) | 56,281 |
| Segmented assets | 272,741 | 107,577 | 217,492 | 20,980 | – | 618,790 |
| Capital expenditures | 17,243 | 1,747 | 30,305 | 3,279 | – | 52,574 |
| Goodwill | 7,236 | 979 | 2,308 | – | – | 10,523 |

⁽¹⁾ Operating income (loss) is defined as net income (loss) plus depreciation, interest, equity share of net income from long-term investments, 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 Sept. 30, | | Nine Months Ended Sept. 30, | |
|---------------------------|------------------------------|----------------|-----------------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| <i>(000s) (unaudited)</i> | (\$) | (\$) | (\$) | (\$) |
| Fracturing | 115,262 | 125,766 | 353,050 | 323,173 |
| Coiled tubing | 10,656 | 15,680 | 36,245 | 40,324 |
| Cementing | 4,151 | 8,105 | 19,754 | 21,250 |
| Other | 3,192 | 2,099 | 9,327 | 7,186 |
| | 133,261 | 151,650 | 418,376 | 391,933 |

13. PROPOSED ACQUISITION

On September 20, 2009, the Company and Century entered into a definitive agreement pursuant to which the Company will acquire 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 will consist of approximately \$13.5 million of cash plus up to 5,144,695 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 3 trading days preceding and the 3 trading days following the date of the agreement. Including estimated transaction costs, the total consideration will be approximately \$99.5 million for accounting purposes. If approved by the shareholders of Century, the acquisition is expected to close on or after November 10, 2009.

Corporate Information

BOARD OF DIRECTORS

Ronald P. Mathison, Chairman ⁽¹⁾⁽²⁾

President & Chief Executive Officer
Matco Investments Ltd.

James S. Blair ⁽³⁾⁽⁴⁾

President & Chief Executive Officer
Glenogle Energy Inc.

Gregory S. Fletcher ⁽¹⁾⁽²⁾

President
Sierra Energy Inc.

Martin A. Lambert ⁽³⁾⁽⁴⁾

Chief Executive Officer
Swan Hills Synfuels L.P.

R.T. (Tim) Swinton ⁽¹⁾⁽²⁾

Independent Businessman

Douglas R. Ramsay ⁽⁴⁾

President & Chief Executive Officer
Calfrac Well Services Ltd.

Fernando Aguilar

President for Americas
Geophysical Services
CGG Veritas

⁽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

HEAD OFFICE

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Website: www.calfrac.com

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

BANKERS

HSBC Bank Canada
Toronto-Dominion Bank
Calgary, Alberta

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

OFFICERS

Douglas R. Ramsay

President & Chief Executive Officer

Gordon A. Dibb

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

Senior Vice President, Finance &
Chief Financial Officer

Tom J. Medvedic

Senior Vice President,
Corporate Development

Dwight M. Bobier

Senior Vice President,
Technical Services

Stephen T. Dadge

Senior Vice President,
Corporate Services

Donald R. Battenfelder

Vice President, Operations,
Canadian Division

L. Lee Burleson

Vice President, Sales & Marketing,
United States Division

B. Mark Paslawski

Vice President, General Counsel
and Corporate Secretary

A. Scott Tuttle

Vice President,
Human Resources

Michael D. Olinek

Corporate Controller

Matthew L. Mignault

Controller

STOCK EXCHANGE LISTING

Trading Symbol: CFW

OPERATING BASES

Alberta, Canada

Calgary – Head Office
Calgary – Technology and
Training Centre
Edson
Grande Prairie
Medicine Hat
Red Deer

British Columbia, Canada

Dawson Creek
Fort Nelson

Colorado, United States

Denver – Regional Office
Grand Junction
Platteville

Arkansas, United States

Beebe

Mexico

Mexico City – Regional Office
Reynosa
Poza Rica

Russia

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:

**COMPUTERSHARE INVESTOR
SERVICES INC.**

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