CLERK'S STAMP

COURT FILE NUMBER	2001 - 08434
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
	IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44, as amended
	AND IN THE MATTER OF THE PROPOSED ARRANGEMENT OF 12178711 CANADA INC., CALFRAC WELL SERVICES LTD., CALFRAC (CANADA) INC., CALFRAC WELL SERVICES CORP. and CALFRAC HOLDINGS LP, by its General Partner CALFRAC (CANADA) INC.
APPLICANTS	12178711 CANADA INC., CALFRAC WELL SERVICES LTD., CALFRAC (CANADA) INC., CALFRAC WELL SERVICES CORP. and CALFRAC HOLDINGS LP, by its General Partner CALFRAC (CANADA) INC.
DOCUMENT	**AFFIDAVIT**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	BENNETT JONES LLP Barristers and Solicitors 4500, 855 – 2nd Street S.W. Calgary, Alberta T2P 4K7 Attention: Chris Simard/Kevin Zych/Michael Shakra Tel No.: 403-298-4485/416-777-5238/ 416-777-6236 Fax No.: 403-265-7219/416-862-6666 Client File No. 44609.111

AFFIDAVIT OF MICHAEL D. OLINEK

Sworn on October 2, 2020

I, Michael D. Olinek, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the Chief Financial Officer ("**CFO**") of Calfrac Well Services Ltd. ("**Calfrac**" or the "**Company**") and as such I have personal knowledge of the matters hereinafter deposed to, save where stated to be based on information and belief, in which case I do believe such information to be true. I am authorized to swear this Affidavit on behalf of Calfrac. Where I use capitalized terms but do not define them in the Affidavit, I intend them to bear their meanings as set out in the Affidavits of Ronald P. Mathison filed in this proceeding. All monetary references in this Affidavit are in Canadian dollars. All references to U.S. Dollar equivalents of Canadian Dollar amounts are based on an exchange rate of $1.00 = US$0.7309 as at June 29, 2020.

2. I have been employed by Calfrac since 2006, when I was hired as Corporate Controller. In 2011, I was promoted to the position of Vice-President of Finance and again promoted in 2016 to the position of CFO. I am a Chartered Professional Accountant, in good standing with the Institute of Chartered Professional Accountants of Alberta, and have worked professionally as a Chartered Professional Accountant since 1993.

Calfrac's Solvency after the Amended Recapitalization Transaction

3. Calfrac's practice is to report the financial results for the entire Calfrac Group on a consolidated basis. All my references in this Affidavit to the financial position of Calfrac therefore refer to the consolidated financial position of the entire Calfrac Group.

4. I am familiar with the terms and structure of the Amended Recapitalization Transaction, in particular the financial aspects thereof.

5. I am advised by Bennett Jones LLP, counsel to the Calfrac Entities, that it is a requirement under section 192(2) of the CBCA that the Calfrac Group, upon the completion of the Amended Recapitalization Transaction, not be insolvent such that: (i) it is able to pay its liabilities as they become due; and (ii) the realizable value of its assets is not less than the aggregate of its liabilities and stated capital in all classes of its shares.

6. The purpose of this Affidavit is to address these solvency requirements.

Post-Recapitalization Balance Sheet Solvency

7. After the completion of the Amended Recapitalization Transaction, the fair market value of Calfrac's assets will exceed the amount of its obligations, both due and accruing due. Attached as **Exhibit** "**1**" to this Affidavit is a true copy of the pro forma balance sheet of Calfrac that was included on page 78 in the Circular that was filed on August 21, 2020. Attached as **Exhibit** "**2**" to this Affidavit is a true copy of an updated pro forma balance sheet of Calfrac that was included on page 91 in the Material Change Report that was filed on September 25, 2020. These balance sheets show Calfrac's pro forma assets and liabilities after the completion of the Amended Recapitalization Transaction.

8. The differences between the pro forma balance sheet in **Exhibit** "**1**" and the updated pro forma balance sheet in **Exhibit** "**2**" are:

(a) In accordance with the Amended Recapitalization Transaction, the Company will complete a New 1.5 Lien Term Loan offering, in an aggregate principal amount that will not exceed $10.0 million, as disclosed in Note 5 of the updated pro forma balance sheet in **Exhibit** "**2**". The proceeds from the New 1.5 Lien Term Loans will be used to partially repay the amounts owed under the Credit Facility.

(b) Pursuant to the Amended Recapitalization Transaction, the Company will issue two warrants for each Common Share outstanding, exercisable at a price of $0.05 per Common Share for a term of three years. The fair value of the warrants issued was $30.8 million, and was estimated using a Black-Scholes pricing model, which is an accepted option or warrant pricing model under International Financial Reporting Standards ("**IFRS**"). The Black-Scholes pricing model takes into account the following factors:

(i) the exercise price of the warrant;

(ii) the life or term of the warrant;

(iii) the current price of the underlying shares (in this case, the closing share price of the Common Shares of $0.145 on September 24, 2020);

(iv) the expected volatility of the share price;

(v) the dividends expected on the shares (in this case, not applicable); and

(vi) the risk-free interest rate for the life of the warrant.

These warrants are recognized as an expense associated with the extinguishment of the Senior Unsecured Notes, which is reflected in the pro forma balance sheet in **Exhibit** "**2**".

(c) In the pro forma balance sheet in **Exhibit** "**2**", the total estimated transaction costs were updated and reallocated between the Senior Unsecured Notes, the issuance of the New 1.5 Lien Notes and the issuance of the New 1.5 Lien Term Loans. Additionally, $13.3 million of transaction costs associated with the extinguishment of the Senior Unsecured Notes were recognized as a charge to retained earnings. In the pro forma balance sheet in **Exhibit** "**1**", the transaction costs associated with the extinguishment of the Senior Unsecured Notes were recognized as share issuance costs in connection with the shares issued to the Senior Unsecured Noteholders. This change in accounting treatment was based on additional information and further discussions with the Company's auditors and is in accordance with applicable accounting standards under IFRS.

(d) The closing trading price of Calfrac's common shares on the Toronto Stock Exchange on September 10, 2020 was $0.155 per share as referenced in the pro forma balance sheet in **Exhibit** "**1**", and was $0.145 per common share on September 24, 2020 as referenced in the pro forma balance sheet in **Exhibit** "**2**". The closing trading price is used in the estimate of the fair value for accounting purposes of the Calfrac Common Shares to be issued pursuant to the Amended Recapitalization Transaction.

9. As can be seen from **Exhibit** "**2**", after the conclusion of the Amended Recapitalization Transaction, the fair value of Calfrac's assets will exceed the amount of its obligations, both due and accruing due, by approximately $558.1 million. In addition, the fair value of Calfrac's assets will exceed the aggregate of its liabilities and stated capital in all classes of

its shares. As part of the Amended Recapitalization Transaction, the stated capital account for all classes of Calfrac's shares will be reduced, if necessary.

Post-Recapitalization Cash Flow Solvency

10. The Amended Recapitalization Transaction will improve the Calfrac Group's financial strength and reduce its financial risk by retiring approximately $561.8 million of its outstanding debt and reducing annualized cash interest by approximately $52.7 million.

11. After the completion of the Amended Recapitalization Transaction, Calfrac will be able to meet its obligations as they generally become due, including for the following reasons:

(a) the Amended Restructuring Transaction will result in improved liquidity through the issuance of $60.0 million aggregate principal amount of New 1.5 Lien Notes and the issuance of New 1.5 Lien Term Loans that will not exceed an aggregate principal amount of $10.0 million, which will be used to reduce the borrowings under the Credit Agreement by approximately $41.0 million. Liquidity will also be improved as the Amended Recapitalization Transaction will relieve the Calfrac Group from the obligation to pay the cash interest obligations in respect of the Senior Unsecured Notes, as accrued unpaid interest will be settled and extinguished pursuant to the Plan of Arrangement. Further, the New 1.5 Lien Notes and 1.5 Lien Term Loans provide that interest may be paid by increasing the principal amount of the outstanding New 1.5 Lien Notes and New 1.5 Lien Term Loans (payment in kind, or "PIK"), in lieu of paying cash interest. As a result of the Amended Recapitalization Transaction, the Company’s annualized cash interest expense will be reduced by approximately $52.7 million;

(b) Calfrac has recently agreed with the First Lien Lenders to revise the terms of the Credit Facility. It is expected that these amendments to Calfrac’s Credit Facility agreement will be implemented concurrently with the closing of the Amended Recapitalization Transaction. The significant amendments include:

(i) a full waiver of the Funded Debt to EBITDA covenant until the end of the second quarter of 2021 and an increase in this covenant’s threshold, to 4.5x and 3.5x, for the third and fourth quarters of 2021, respectively (which ensures that Calfrac will continue to have full access to the Credit Facility, despite the anticipated continuation of the current industry-wide downward pressure on revenue); and

(ii) a reduction of the total capacity of the Credit Facility from $375.0 million to $290.0 million, Calfrac's access to which is determined by a borrowing base calculation;

(c) on a pro forma basis after the conclusion of the Amended Recapitalization Transaction, Calfrac will have drawn approximately $129.0 million under the Credit Facility and utilized $0.9 million for letters of credit, leaving approximately $160.1 million in available credit, subject to a monthly borrowing base calculation, as determined using the previous month's results (which, at June 30, 2020 on a pro forma basis, resulted in available liquidity of $103.9 million); and

(d) on a pro forma basis as at June 30, 2020, the Company's working capital will increase by $27.3 million to $184.5 million as a result of the completion of the Amended Recapitalization Transaction.

12. As can be seen from Calfrac's most current operating forecast (the "**Current Forecast**"), a true copy of which is attached to this Affidavit as **Confidential Exhibit** "**3**" (because it is subject to the Confidentiality Order granted by the Court September 30, 2020), which assumes the completion of the Amended Recapitalization Transaction effective November 1, 2020, Calfrac expects to remain in compliance with all of its financial covenants under the amended Credit Agreement, and will have sufficient liquidity to fund its obligations through to the end of 2021.

13. The Current Forecast is relatively conservative, as it does not forecast a return to a "normalized" level of earnings over the cycle. The Current Forecast was built on a "ground up" basis by the Calfrac Group's respective divisional management teams, based upon expected customer completion plans in 2020 and assuming a slow, gradual improvement in commodity prices during 2021. The Current Forecast reflects a slow recovery in the

second half of 2020, as operations recover from the extremely low activity levels experienced in the second quarter in 2020. The recovery is expected to continue gradually through 2021 as commodity prices stabilize; however, customer spending, particularly in North America, is expected to remain within operating cash flows, with little to no growth capital in 2021. A return to mid-cycle earnings would require a much larger increase in customer activity, and additional fleet reactivations in North America, which would result in higher margins and operating income than what is contemplated in the Current Forecast for 2021. Operating income levels in 2021 for Calfrac's international operations are forecast at levels closer to mid-cycle norms, due to more relative certainty surrounding the planned completions programs of its customer base in those regions. The commodity price assumptions that formed the basis of the Current Forecast were derived from independent, third party pricing forecasts published by reputable financial analysts and energy forecasters.

14. As is apparent from page 5 of **Confidential Exhibit** "**3**", which is the page labeled "BORROWING BASE CALCULATION", Calfrac forecasts having substantial liquidity throughout the entire forecast period, to the end of 2021.

15. The Current Forecast runs to the end of 2021 and not further, because that is the normal span of time for such financial projections regularly performed by Calfrac. Given the volatility of and cyclical nature of global energy markets, it is virtually impossible to forecast for lengthier periods, with any level of certainty or predictability.

Correction to Calculations in the Mathison Affidavit No. 1

16. I wish to draw to the Court's attention a calculation error in the Mathison Affidavit No. 1. At paragraph 143 of the Mathison Affidavit No. 1, it was stated that based on the Calfrac Group's most recent audited financial statements as at December 31, 2019, Calfrac's stated capital was $0.37 billion. At paragraph 144 of the Mathison Affidavit No. 1, it was stated that based on the Calfrac Group's unaudited financial statements as at March 31, 2020, stated capital was $0.24 billion. Both these amounts were incorrectly calculated, because they were calculated using the total equity value reflected on the Calfrac Group's balance sheet. Stated capital, properly calculated, is the amount equal to the cash consideration (or

equivalent fair value of property or past services) received by a corporation in exchange for the issuance of shares (which can be reduced by redemptions or repurchases). Based on the December 31, 2019 audited financial statements, the correct calculation of stated capital was \$0.52 billion as at December 31, 2019. Based on the March 31, 2020 unaudited financial statements, the correct calculation of stated capital was \$0.52 billion as at March 31, 2020. Based on the most recent unaudited financial statements of the Calfrac Group as at June 30, 2020, stated capital remained at \$0.52 billion.

17. I swear this my Affidavit in support of the Calfrac Entities' application for a Final Order approving the Arrangement, and for no other or improper purpose.

SWORN BEFORE ME in the City of Calgary, in the Province of Alberta, this 2nd day of October, 2020.	))))))))	
A Commissioner for Oaths in and for the Province of Alberta		MICHAEL D. OLINEK

DENISE H. BRUNSDON
Barrister & Solicitor

THIS IS **EXHIBIT "1"** REFERRED TO IN THE AFFIDAVIT OF MICHAEL D. OLINEK SWORN THE 2ND DAY OF OCTOBER, 2020.

~~CHRIS SIMARD~~ Denise Brunsdon
NOTARY PUBLIC IN AND FOR THE PROVINCE OF ALBERTA

DENISE H. BRUNSDON
Barrister & Solicitor

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

The following unaudited pro forma balance sheet is presented for illustrative purposes only to show the effect of the Recapitalization Transaction on Calfrac's capital structure. It is not necessarily indicative of the operating or financial results that would have occurred had the Recapitalization Transaction occurred on the dates presented in the unaudited pro forma balance sheet shown below, or of the results expected in future periods.

Calfrac Well Services Ltd.
Unaudited Pro Forma Balance Sheet
as at June 30, 2020
(in thousands of dollars)

CONSOLIDATED BALANCE SHEET

	Note	Unaudited as at June 30, 2020	Adjustment for Recapitalization Transaction	Pro Forma as at June 30, 2020
		($)	*($)*	*($)*
ASSETS				
Current assets				
Cash and cash equivalents		87,920		87,920
Accounts receivable		71,535		71,535
Income taxes recoverable		4,632		4,632
Inventories		92,568		92,568
Prepaid expenses and deposits		22,373		22,373
		279,028	-	279,028
Non-current assets				
Property, plant and equipment		707,242		707,242
Right-of-use assets		32,548		32,548
Total assets		1,018,818	-	1,018,818
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	5	110,132	(27,342)	82,790
Current portion of lease obligations		11,731		11,731
		121,863	(27,342)	94,521
Non-current liabilities				
Long-term debt				
First lien credit facility	2	170,000	(41,000)	129,000
Less: unamortized debt issuance costs		(1,178)		(1,178)
Second lien senior notes (US$120,000)		164,184		164,184
Less: unamortized debt issuance costs		(4,760)		(4,760)
Senior unsecured notes (US$431,818)	3	590,813	(590,813)	-
Less: unamortized debt issuance costs	3	(8,479)	8,479	-
New convertible 1.5 lien notes	4	-	55,127	55,127
Less: unamortized debt issuance costs	4, 6	-	(6,699)	(6,699)
		910,580	(574,906)	335,674
Lease obligations		20,570		20,570
Total liabilities		1,053,013	(602,248)	450,765
Capital stock	3	510,510	246,353	756,863
Equity portion of new convertible 1.5 lien notes	4, 6	-	5,781	5,781
Contributed surplus		43,544		43,544
Loan receivable for purchase of common shares		(2,500)		(2,500)
Accumulated deficit	2, 3, 5	(585,306)	350,114	(235,192)
Accumulated other comprehensive income		(443)		(443)
Total equity		(34,195)	602,248	568,053
Total liabilities and equity		1,018,818	-	1,018,818

1. Basis of Presentation

The unaudited pro forma balance of the Company was derived from the unaudited balance sheet of the Company as at June 30, 2020. The unaudited pro forma balance sheet is intended to represent the financial position of the Company at June 30, 2020 as if the Recapitalization Transaction, including the corporate and capital reorganization and distributions under the Plan of Arrangement as discussed in Note 2, below, had occurred.

Other than the aforementioned transactions, the unaudited pro forma balance sheet does not give effect to transactions occurring after June 30, 2020.

All references to U.S. Dollar equivalents of Canadian Dollar amounts are based on a U.S. Dollar/Canadian Dollar exchange rate of 0.7309 posted by the Bank of Canada as at June 29, 2020.

The Plan of Arrangement is subject to, among other things, approval by the Shareholders, Senior Unsecured Noteholders and the Court. If the Plan of Arrangement is approved, and all the various conditions required to implement the Recapitalization Transaction are met, the events and transactions will be accounted for on the basis of events and circumstances at the Effective Date. The unaudited pro forma balance sheet is based on currently available information and on certain assumptions that Management believes are reasonable under the circumstances. Some assumptions may not materialize and events and circumstances occurring subsequent to June 30, 2020 may be different from those assumed or anticipated, which may materially affect amounts disclosed in the unaudited pro forma balance sheet. Additionally, the unaudited pro forma balance sheet does not purport to represent what the Company's actual financial position will be upon completion of the Recapitalization Transaction or represent the fair value of the Company's assets or liabilities at the actual Effective Date.

2. The Plan of Arrangement

At June 30, 2020, the book value of the Company's existing Senior Unsecured Notes was US$431.8 million ($590.8 million) excluding debt issuance costs of $8.5 million. The unaudited pro forma balance sheet reflects the extinguishment of the existing Senior Unsecured Notes on the terms set forth in the Plan of Arrangement. At June 30, 2020, the Company had $170.0 million drawn on its existing bank credit facility excluding debt issuance costs of $1.2 million. The unaudited pro forma balance sheet reflects the repayment of a portion of the existing bank credit facility using the net proceeds from the New 1.5 Lien Notes.

3. Gain on the Extinguishment of the Senior Unsecured Notes

Pursuant to the Plan of Arrangement, the Senior Unsecured Notes will be exchanged for New Common Shares to the Senior Unsecured Noteholders.

In the unaudited pro forma balance sheet, the recapitalization of the Senior Unsecured Notes reflects the issuance of Common Shares valued at $259.6 million, net of estimated transaction costs of $13.2 million. Capital stock increased $259.6 million, which is the estimated fair value of shares issued to the Senior Unsecured Noteholders, with the $331.3 million difference between the book value of the Senior Unsecured Notes extinguished and fair value of the Common Shares issued being credited to retained earnings (accumulated deficit) as a gain on settlement of debt. The fair value was estimated by the Company taking into account the closing share price of the Common Shares of $0.155 on August 17, 2020. The actual New Common Shares price used to account for the Recapitalization Transaction will be determined using the share price on the Effective Date.

The retained earnings (accumulated deficit) impact was net of $8.5 million of debt issuance costs derecognized on the extinguishment of the Senior Unsecured Notes.

4. The New 1.5 Lien Notes

Pursuant to the Plan of Arrangement, the Company will conduct the New 1.5 Lien Note Offering, in an aggregate principal amount of $60.0 million.

The unaudited pro forma balance sheet reflects the issuance of the $60.0 million New 1.5 Lien Notes, which was separated into its debt and equity components of $55.1 million and $4.9 million, respectively. The total estimated cash transaction costs of the New 1.5 Lien Note Offering was $5.8 million, which was allocated to the debt and equity component as $5.3 million and $0.5 million, respectively. In addition, the $1.5 million commitment fee as disclosed in Note 6 was allocated to the debt and equity component as $1.4 million and $0.1 million, respectively. On initial recognition, the debt component was recorded at fair value and will subsequently be measured at amortized cost.

5. Accounts Payable and Accrued Liabilities

In the unaudited pro forma balance sheet, accounts payable and accrued liabilities were reduced by approximately $27.3 million of accrued interest on the Senior Unsecured Notes, which will be extinguished through the recapitalization of the Senior Unsecured Notes as a gain on the settlement of debt.

6. Commitment Letter

The New 1.5 Lien Notes will be backstopped by the Commitment Parties, who have each agreed to provide their respective Shortfall Commitment in respect of any Shortfall Amount following the Pro Rata Offering.

The Commitment Parties shall be entitled to an aggregate fee of $1.5 million in respect of their commitment to fund the Shortfall Amount, payable in Commitment Consideration Shares pursuant to the Plan of Arrangement. The transaction costs reflected in the pro forma balance sheet include any fees related to the Commitment Letter.

7. Transaction Costs

The estimated fees, costs and expenses payable by the Company in connection with the completion of the Recapitalization Transaction including, without limitation, financial advisory fees, filing fees, legal and accounting fees and printing and mailing costs are anticipated to be approximately $19.0 million. The total transaction costs were allocated to the New Common Shares issued in conjunction with the recapitalization of the Senior Unsecured Notes and the issuance of the New 1.5 Lien Notes as $13.2 million and $5.8 million, respectively.

PRICE RANGE AND TRADING VOLUME FOR THE EXISTING SHARES

The following table shows the intra-day high and low sale prices of, and trading volumes for, the Common Shares as reported on the TSX for the periods indicated:

2019	High ($)	Low ($)	Volume
June	$2.24	$1.69	8,197,818
July	$2.14	$1.65	4,312,899
August	$1.75	$1.32	7,810,787
September	$1.92	$1.50	4,133,300
October	$1.55	$1.10	4,018,397
November	$1.30	$0.81	3,944,783
December	$1.30	$0.78	6,509,370
2020	**High ($)**	**Low ($)**	**Volume**
January	$1.27	$0.93	2,518,339
February	$1.06	$0.62	1,560,263
March	$0.81	$0.13	8,841,399

THIS IS **EXHIBIT "2"** REFERRED TO IN THE AFFIDAVIT OF MICHAEL D. OLINEK SWORN THE 2ND DAY OF OCTOBER, 2020.

____

~~CHRIS SIMARD~~ / Denise Brunsdon
NOTARY PUBLIC IN AND FOR THE PROVINCE OF ALBERTA

DENISE H. BRUNSDON
Barrister & Solicitor

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

The following unaudited pro forma balance sheet is presented for illustrative purposes only to show the effect of the Recapitalization Transaction on Calfrac's capital structure. It is not necessarily indicative of the operating or financial results that would have occurred had the Recapitalization Transaction occurred on the dates presented in the unaudited pro forma balance sheet shown below, or of the results expected in future periods.

Calfrac Well Services Ltd.
Unaudited Pro Forma Balance Sheet
as at June 30, 2020
(in thousands of dollars)

CONSOLIDATED BALANCE SHEET

	Note	Unaudited as at June 30, 2020	Adjustment for Recapitalization Transaction	Pro Forma as at June 30, 2020
		($)	*($)*	*($)*
ASSETS				
Current assets				
Cash and cash equivalents		87,920	-	87,920
Accounts receivable		71,535		71,535
Income taxes recoverable		4,632		4,632
Inventories		92,568		92,568
Prepaid expenses and deposits		22,373		22,373
		279,028	-	279,028
Non-current assets				
Property, plant and equipment		707,242		707,242
Right-of-use assets		32,548		32,548
Total assets		1,018,818	-	1,018,818
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	7	110,132	(27,342)	82,790
Current portion of lease obligations		11,731		11,731
		121,863	(27,342)	94,521
Non-current liabilities				
Long-term debt				
First lien credit facility	2	170,000	(41,000)	129,000
Less: unamortized debt issuance costs		(1,178)		(1,178)
Second lien senior notes (US$120,000)		164,184		164,184
Less: unamortized debt issuance costs		(4,760)		(4,760)
Senior unsecured notes (US$431,818)	3	590,813	(590,813)	-
Less: unamortized debt issuance costs	3	(8,479)	8,479	-
New 1.5 lien notes	4	-	55,127	55,127
Less: unamortized debt issuance costs	4, 8	-	(6,152)	(6,152)
New 1.5 lien term loans	5	-	10,000	10,000
Less: unamortized debt issuance costs	5	-	(546)	(546)
		910,580	(564,905)	345,675
Lease obligations		20,570		20,570
Total liabilities		1,053,013	(592,247)	460,766
Capital stock	3	510,510	9,093	519,603
Equity portion of new 1.5 lien notes	4, 7	-	5,829	5,829
Warrants	6		30,834	30,834
Contributed surplus		43,544	223,723	267,267
Loan receivable for purchase of common shares		(2,500)		(2,500)
Accumulated deficit	2, 3, 7	(585,306)	322,768	(262,538)
Accumulated other comprehensive income		(443)		(443)
Total equity		(34,195)	592,247	558,052
Total liabilities and equity		1,018,818	-	1,018,818

1. Basis of Presentation

The unaudited pro forma balance of the Company was derived from the unaudited balance sheet of the Company as at June 30, 2020. The unaudited pro forma balance sheet is intended to represent the financial position of the Company at June 30, 2020 as if the Amended Recapitalization Transaction, including the corporate and capital reorganization and distributions under the Plan of Arrangement as discussed in Note 2, below, had occurred.

Other than the aforementioned transactions, the unaudited pro forma balance sheet does not give effect to transactions occurring after June 30, 2020.

All references to U.S. Dollar equivalents of Canadian Dollar amounts are based on an exchange rate of $1.00 = US$0.7309 as at June 29, 2020.

The Plan of Arrangement is subject to, among other things, approval by the Shareholders, Senior Unsecured Noteholders and the Court. If the Plan of Arrangement is approved, and all the various conditions required to implement the Amended Recapitalization Transaction are met, the events and transactions will be accounted for on the basis of events and circumstances at the Effective Date. The unaudited pro forma balance sheet is based on currently available information and on certain assumptions that Management believes are reasonable under the circumstances. Some assumptions may not materialize and events and circumstances occurring subsequent to June 30, 2020 may be different from those assumed or anticipated, which may materially affect amounts disclosed in the unaudited pro forma balance sheet. Additionally, the unaudited pro forma balance sheet does not purport to represent what the Company's actual financial position will be upon completion of the Amended Recapitalization Transaction or represent the fair value of the Company's assets or liabilities at the actual Effective Date.

2. The Plan of Arrangement

At June 30, 2020, the book value of the Company's existing Senior Unsecured Notes was US$431.8 million ($590.8 million) excluding debt issuance costs of $8.5 million. The unaudited pro forma balance sheet reflects the extinguishment of the existing Senior Unsecured Notes on the terms set forth in the Plan of Arrangement. At June 30, 2020, the Company had $170.0 million drawn on its existing bank credit facility excluding debt issuance costs of $1.2 million. The unaudited pro forma balance sheet reflects the repayment of a portion of the existing bank credit facility using the net proceeds from the New 1.5 Lien Notes.

3. Gain on the Extinguishment of the Senior Unsecured Notes

Pursuant to the Plan of Arrangement, the Senior Unsecured Notes will be exchanged for New Common Shares to the Senior Unsecured Noteholders.

In the unaudited pro forma balance sheet, the recapitalization of the Senior Unsecured Notes reflects the issuance of Common Shares valued at $242.8 million, net of estimated transaction costs of $13.3 million. Capital stock increased $242.8 million, which is the estimated fair value of shares issued to the Senior Unsecured Noteholders, with the $348.0 million difference between the book value of the Senior Unsecured Notes extinguished and fair value of the Common Shares issued being credited to retained earnings (accumulated deficit) as a gain on settlement of debt. The fair value was estimated by the Company using the closing share price of the Common Shares of $0.145 on September 24, 2020. The actual New Common Shares price used to account for the Recapitalization Transaction will be determined using the share price on the Effective Date.

The retained earnings (accumulated deficit) impact was net of $8.5 million of debt issuance costs derecognized and $13.3 million of transaction costs associated with the extinguishment of the Senior Unsecured Notes.

4. The New 1.5 Lien Notes

Pursuant to the Plan of Arrangement, the Company will conduct the New 1.5 Lien Note Offering, in an aggregate principal amount of $60.0 million. The New 1.5 Lien Notes will be used to partially refinance the First Lien Credit Agreement.

The unaudited pro forma balance sheet reflects the issuance of the $60.0 million New 1.5 Lien Notes, which was separated into its debt and equity components of $55.1 million and $4.9 million, respectively. The total estimated cash transaction costs of the New 1.5 Lien Note Offering was $5.2 million, which was allocated to the debt and equity component as $4.8 million and $0.4 million, respectively. In addition, the $1.5 million commitment fee as disclosed in Note 8 was allocated to the debt and equity component as $1.4 million and $0.1 million, respectively. On initial recognition, the debt component was recorded at fair value and will subsequently be measured at amortized cost.

5. The New 1.5 Lien Term Loans

Pursuant to the Plan of Arrangement, the Company will borrow up to $10.0 million pursuant to the New 1.5 Lien Term Loans, as reflected in the unaudited pro forma balance sheet (which assumes the full $10.0 million is funded). The total estimated cash transaction costs of the New 1.5 Lien Term Loans was $0.5 million. The New 1.5 Lien Term Loans will be used to partially refinance the First Lien Credit Agreement and create availability for Calfrac to fund the Cash Election Amount. Capital stock was reduced by $233.7 million based on the weighted average historical price per share and $223.7 million was credited to contributed surplus.

6. Warrants

Pursuant to the Plan of Arrangement, the Company will issue two warrants for each Common Share outstanding, exercisable at a price of $0.05 per Common Share for a term of three years. The fair value of the warrants issued was $30.8 million, and was estimated using a Black-Scholes pricing model incorporating the closing share price of the Common Shares of $0.145 on September 24, 2020. These warrants were recognized as an expense associated with the extinguishment of the Senior Unsecured Notes.

7. Accounts Payable and Accrued Liabilities

In the unaudited pro forma balance sheet, accounts payable and accrued liabilities were reduced by approximately $27.3 million of accrued interest on the Senior Unsecured Notes, which will be extinguished through the recapitalization of the Senior Unsecured Notes as a gain on the settlement of debt.

8. Commitment Letter

The New 1.5 Lien Notes will be backstopped by the Commitment Parties, who have each agreed to provide their respective Shortfall Commitment in respect of any Shortfall Amount following the Pro Rata Offering.

The Commitment Parties shall be entitled to an aggregate fee of $1.5 million in respect of their commitment to fund the Shortfall Amount, payable in Commitment Consideration Shares pursuant to the Plan of Arrangement. The transaction costs reflected in the pro forma balance sheet include any fees related to the Commitment Letter.

9. Transaction Costs

The estimated fees, costs and expenses payable by the Company in connection with the completion of the Recapitalization Transaction including, without limitation, financial advisory fees, filing fees, legal and accounting fees and printing and mailing costs are anticipated to be approximately $19.0 million. The total transaction costs were allocated to the extinguishment of the Senior Unsecured Notes, the issuance of the New 1.5 Lien Notes and the issuance of the New 1.5 Lien Term Loans as $13.3 million, $5.2 million and $0.5 million, respectively.