

# **CALFRAC WELL SERVICES LTD.**

## **OPEN LETTER TO STAKEHOLDERS**

To cut through the noise and confusion of the misleading statements being made by Wilks Brothers, we are writing this letter to explain to our stakeholders, in clear and concise terms, why the Amended Recapitalization Transaction should be approved. This open letter will provide clarity to Calfrac stakeholders on the rationale behind the decisions made by the Calfrac Board of Directors.

We are limiting this letter to the two most important points:

- 1. There are two executable outcomes available for Calfrac stakeholders, the Amended Recapitalization Transaction and the original Recapitalization Transaction. The Amended Recapitalization Transaction is clearly the better outcome for Shareholders, and is contractually supported by the holders of 78% of Calfrac's Unsecured Notes;**
- 2. The cash and warrants offered to Shareholders under the Amended Recapitalization Transaction provide real value, and the opportunity for Shareholders to participate in a recovery of Calfrac's business in more normal industry conditions.**

Below are our observations and rationale on each of these points:

- 1. The best outcome available for Shareholders is the Amended Recapitalization Transaction.** The Amended Recapitalization Transaction provides \$0.15 per share cash (subject to possible proration) and two warrants for each Calfrac share held. Each Shareholder will receive the warrants regardless of whether that Shareholder elects cash or to retain their shares. The Amended Recapitalization Transaction is actionable and provides certainty but will only be completed if the requisite majority of Shareholders VOTE FOR at the October 16 meeting of Calfrac Shareholders. The alternate outcome, if sufficient Shareholder support is not received, is that the original Recapitalization Transaction, without cash or warrants to Shareholders, will be implemented through CCAA. This alternate path is worse for Shareholders, and it does not require a Shareholder vote, or

Second Lien Noteholder approval, as suggested by Wilks Brothers. The matter of Second Lien Approval has already been litigated in the courts. Either the Amended Recapitalization Transaction or the original Recapitalization Transaction will happen; there is no other executable option.

**Why are the Wilks Brothers proposals not executable?** Unsecured Noteholders are owed US\$431.8 million, plus accrued interest. Without Unsecured Noteholder support, there can be no recapitalization of the Company. The fact that holders of 78% of the Unsecured Notes have contractually agreed to vote in favour of the Amended Recapitalization Transaction, and are explicitly unwilling to support the Wilks Brothers proposals, means that the only two recapitalization options that can be executed are the Amended Recapitalization Transaction (with Shareholder support) or the original Recapitalization Transaction (in CCAA, without Shareholder support).

**What about the purported \$0.18 per share cash takeover bid from Wilks Brothers?** If Shareholders do not support the Amended Recapitalization Transaction, then the original Recapitalization Transaction will still proceed under CCAA. The Board of Directors believes that the consideration of \$0.15 per share cash, plus the warrants, is a better outcome for Shareholders, and entails dramatically less risk than relying on a highly uncertain path to completion for the Wilks Brothers takeover bid. Put simply, in a CCAA outcome, any new transaction that emerges with Unsecured Noteholder support would very likely be worse for Shareholders than the \$0.15 per share cash plus two warrants. The best choice is to VOTE FOR the Amended Recapitalization Transaction, and for Shareholders to elect cash or shares, plus warrants.

- 2. The cash and warrants offered to Shareholders under the Amended Recapitalization Transaction provide real value and the opportunity for Shareholders to participate in a recovery of Calfrac's business in more normal industry conditions.**

The Amended Recapitalization Transaction provides Shareholders with the ability to realize the current market trading price of their Shares in cash

(subject to possible proration) if they so elect, as well as continuing to participate in a recovery of Calfrac's business through ownership of the warrants. If Calfrac returns to its historical average enterprise value during the last decade prior to 2020, the warrants provided to Shareholders under the Amended Recapitalization Transaction would be worth \$0.26 to \$0.71 per share (based on an enterprise value range of \$1.1 to \$2.2 billion). Even at half of the bottom end of this range, at \$550 million enterprise value, the warrants would deliver \$0.05 per share of value to Shareholders. The warrants, combined with the cash consideration, are superior to the Wilks Brothers takeover bid. It is intended that the warrants be listed creating a market should a Shareholder wish to monetize the warrants. The Calfrac Board of Directors has worked hard to deliver value for our Shareholders in an extremely difficult environment, and Shareholders should be clear that VOTING FOR is the only path to achieve the value available under the Amended Recapitalization Transaction.

**Does anyone believe that Wilks Brothers is acting altruistically for the Shareholders? Or is it more likely that it is acting in its own narrow self-interest? Let's look at its actions. Wilks Brothers remains a Wolf in Sheep's Clothing!**

Wilks Brothers had an opportunity to enter into a co-operative transaction with Calfrac and was repeatedly invited to do so. While feigning interest in collaborative discussions, Wilks Brothers concurrently bought up more than half of the Company's Second Lien Notes to try to gain leverage in negotiations, in an attempt to buy the U.S. assets of the Company at an unrealistic, low-ball price. The offers from Wilks Brothers did not consider the consequences to Calfrac's lenders and other stakeholders.

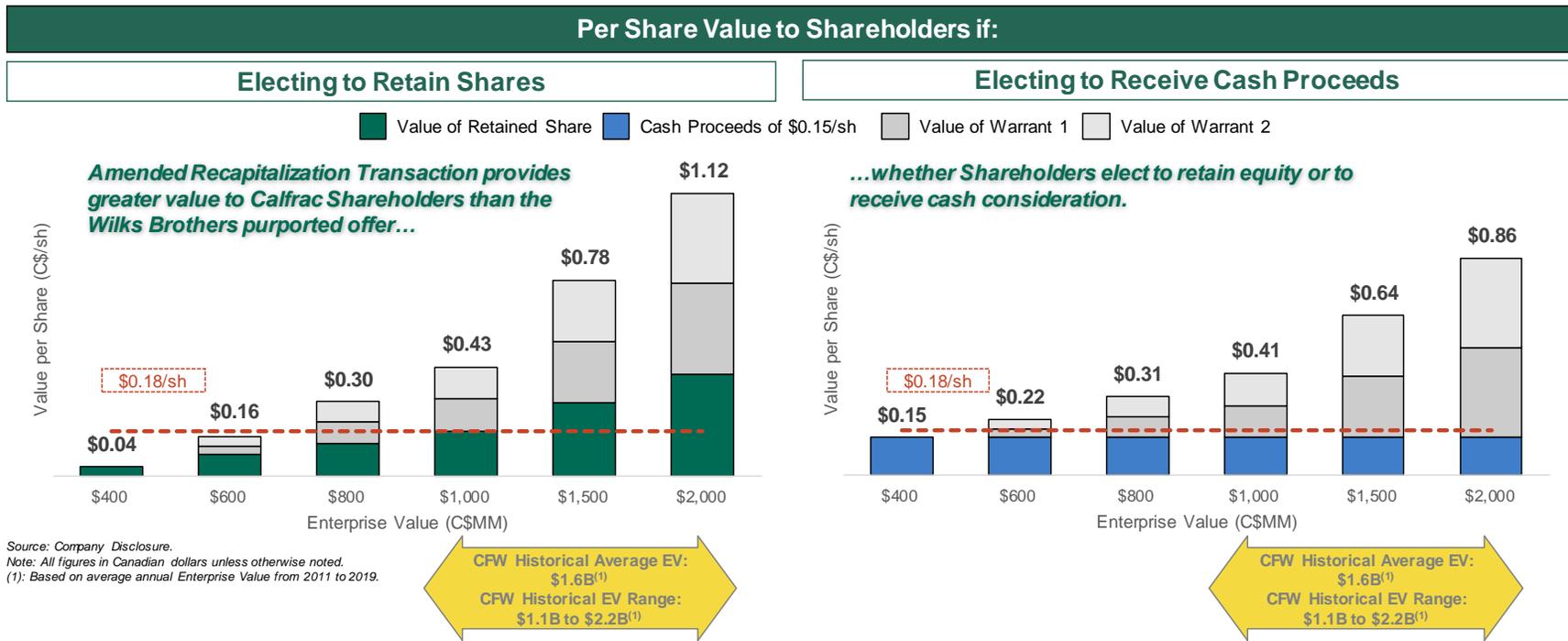
When these offers were rejected, and the Calfrac Board of Directors reached an agreement with other stakeholders on a more constructive solution, Wilks Brothers proceeded to litigate against the Company at every possible juncture. Wilks Brothers has tried in court, several times, to push Calfrac into insolvency. After failing in court to derail the transaction recommended by the Calfrac Board of Directors, Wilks Brothers initiated a takeover bid with multiple conditions. There is a high risk of the Wilks Brothers takeover bid never being completed, yet Wilks Brothers continues to ignore this reality to seek to have Shareholders

forego the improved consideration under the Amended Recapitalization Transaction. Wilks Brothers wishes to acquire, or at least control Calfrac, at a low-ball price. Litigation, and trying to push Calfrac into insolvency, are means to achieve this goal.

We trust these points clearly explain to Calfrac stakeholders the rationale behind the decisions and recommendations of the Calfrac Board of Directors, and we thank you for your support at the upcoming meetings to be held on October 16, 2020.

# The Facts on Shareholder Value Received at Various TEVs

- Wilks Brothers’ proposal removes shareholders’ ability to participate in Calfrac upside in a recovery to industry conditions
- Wilks Brothers \$0.18 per share cash is materially below the value from the Amended Recapitalization Transaction in a recovery to industry conditions



**Shareholders and Senior Unsecured Noteholders should continue to VOTE FOR the Amended Recapitalization Transaction only on the White Management Proxy/VIF. DO NOT vote on the Wilks Brothers' Blue Proxy/VIF.**

**TAKE NO ACTION with respect to the Wilks Brothers hostile take-over bid and DO NOT TENDER your Shares to the Wilks Brothers Offer.**

**Any Shareholder that has already tendered to the Wilks Brothers Offer should WITHDRAW their Shares immediately and, if they wish to receive cash, avail themselves of the cash election under the Amended Recapitalization Transaction while still retaining their warrants.**

**Shareholders and Unsecured Noteholders are reminded that the meetings previously scheduled for September 29, 2020, have been postponed to October 16, 2020.**

**Any questions or requests for further information regarding voting at the meetings or revoking proxies should be directed to Kingsdale Advisors by: (i) telephone, toll free in North America at 1 (877) 659-1822 or at (416) 867-2272 outside North America, or (ii) e-mail to [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com).**

**Further details regarding the Special Committee's and Board's recommendation as well as a presentation providing information about the Amended Recapitalization Transaction are available in the Board's Directors' Circular available on Calfrac's SEDAR profile at [www.sedar.com](http://www.sedar.com) and on Calfrac's website at [www.calfrac.com](http://www.calfrac.com).**

**If you have any questions regarding the above, or related to the Amended Recapitalization Transaction, please contact Scott Treadwell, Vice President, Capital Markets and Strategy at (403) 266-6000.**

**Calfrac's common shares are publicly traded on the Toronto Stock Exchange under the trading symbol "CFW". Calfrac provides specialized oilfield services to exploration and production companies designed to increase the production of hydrocarbons from wells drilled throughout western Canada, the United States, Argentina and Russia.**

**All references to "\$" are to Canadian dollars, unless otherwise indicated.**

**This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this press release contains forward-looking statements and information relating to the completion of the proposed Amended Recapitalization Transaction; potential outcomes for Shareholders, including in the event that the Amended Recapitalization Transaction is approved or not and the possible consequences of a CCAA proceeding; the viability of the Wilks Brothers Offer; the potential motivations and intentions behind the Wilks Brothers actions; Calfrac's intentions to list the warrants for trading; the potential future value of the warrants; and Calfrac's expectations and intentions with respect to the foregoing.**

**These forward-looking statements and information are based on certain key expectations and assumptions made by Calfrac in light of its experience and perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances, including, but not limited to, the following: the Amended Recapitalization Transaction will be completed as proposed; the written statements of intention of the Consenting Noteholders; precedent decisions by Canadian securities regulators with respect to the scope of exemptive relief available under take-over bid legislation; economic and political environment in which Calfrac operates; Calfrac's expectations for its customers' capital budgets and geographical areas of focus; the effect unconventional oil and gas projects have had on supply and demand fundamentals for oil and natural gas; Calfrac's existing contracts and the status of current negotiations with key customers and suppliers; the effectiveness of cost reduction measures instituted by Calfrac; and the likelihood that the current tax and regulatory regime will remain substantially unchanged.**

***Although Calfrac believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information as Calfrac cannot give any assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with: Calfrac's ability to continue to manage the effect of the COVID-19 pandemic on its operations; actions taken by Wilks Brothers; decisions by Canadian securities regulators and/or the courts; default under the Company's credit facilities and/or the Company's senior secured notes due to a breach of covenants therein; failure to reach any additional agreements with the Company's lenders; the impact of events of defaults in respect of other material contracts of the Company, including but not limited to, cross-defaults resulting in acceleration of amounts payable thereunder or the termination of such agreements; failure of existing Shareholders and Unsecured Noteholders to vote in favour of the Amended Recapitalization Transaction; failure to receive any applicable regulatory approvals in respect of the Amended Recapitalization Transaction; global economic conditions; along with those risk and uncertainties identified under the heading "Risk Factors" and elsewhere in the Management Information Circular dated August 17, 2020, as supplemented by the Material Change Report dated September 25, 2020, and Company's annual information form dated March 10, 2020, each as filed on SEDAR at [www.sedar.com](http://www.sedar.com).***

***The forward-looking statements and information contained in this press release are made as of the date hereof and Calfrac does not undertake any obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. This press release is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent an exemption from registration under the Securities Act of 1933***

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