CALFRAC WELL SERVICES

PILLARS OF HIGH PERFORMANCE

2012 ANNUAL REPORT

After exponential growth in 2010 and 2011, 2012 was a transitional year for Calfrac Well Services Ltd. Calfrac's positioning in unconventional oil and liquids-rich natural gas plays across North America delivered many operational successes. The Company maintained its leadership of the strong Canadian hydraulic fracturing market and navigated the challenges of weaker regional U.S. markets. Strong customer relationships, extensive contract coverage and cost management contributed to revenue growth and solid profitability. Internationally, Calfrac continued to build its platform for long-term growth, completing its first horizontal multi-stage fracturing jobs in Mexico and Russia. Safety performance was excellent. Calfrac exited 2012 a stronger company. Despite continuing challenges, Calfrac foresees growth opportunities in the year ahead.

POSITIONING

Calfrac's presence in six countries, and careful positioning within each market, mitigates the effects of downturns while providing a range of opportunities.

TECHNOLOGY

The fluid systems, equipment and processes for hydraulic fracturing are continually being advanced, providing practical solutions to meet customers' key objectives of productive oil and natural gas wells, safety and environmental management.

FINANCIAL DISCIPLINE

Conservative financial management with a core focus on balance sheet protection has served Calfrac and its shareholders well through the ups and downs of the service and supply business.

EXPERIENCE

Calfrac has experienced virtually every conceivable scenario in the field, in the lab and in the boardroom. From its beginnings, the Company was built for the long term. In September 2013, Calfrac will enter its 15th year of operations.

PEOPLE

Calfrac's superb team of approximately 3,700 people provide the skills, the heart and the drive behind the Company's long-term success.

Geographical diversification has two purposes: to place Calfrac in markets that hold opportunity for expansion of activities, revenue and profitability, and to mitigate the company-wide effects of volatility in any given market.

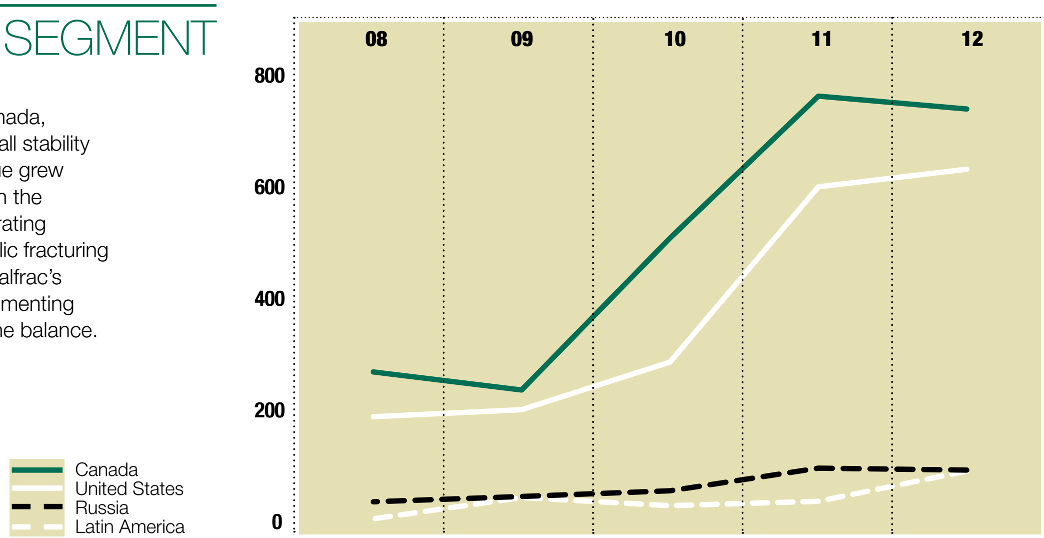
Opportunity – Calfrac's international positioning is based on the premise that current North American technologies will, over time, be applied to unlock unconventional supply basins around the world. The signs of this strengthened in 2012 – while recognizing that this remains a multi-year process. Within its key pressure-pumping markets of western Canada and the United States, where over 60 percent of the world's drilling rigs are based, Calfrac is positioned in multiple unconventional plays, including some of the most promising and technically challenging growth projects.

Risk management – Calfrac believes that geographical diversification reduces the risks associated with cyclical market pressures, and this was amply borne out in 2012. The Company experienced growth in Mexico and western Canada, new opportunities in Argentina, stable revenue and new opportunities in Russia, and weakness in Colombia and the United States. Recognizing that international operations carry additional risk, Calfrac limits its capital commitment and minimizes controllable risks. In North America, Calfrac is selectively positioned in regions that are generally less competitive, have barriers to entry and include a range of established and emerging oil-focused and liquids-rich gas plays.

POSITIONING = OPPORTUNITY

REVENUE BY SEGMENT
($ MILLIONS)

With continued strength in Canada, weakness in the U.S. and overall stability internationally, Calfrac's revenue grew moderately year-over-year, with the international component generating 14 percent of the total. Hydraulic fracturing accounted for 92 percent of Calfrac's revenue, with coiled tubing, cementing and other services providing the balance.



CALFRAC'S GLOBAL OPERATIONS

PROVING THE POINT

In November 2012, Calfrac performed its first multi-stage hydraulic fracturing job on a horizontal well in Mexico. This breakthrough event was followed by successive horizontal jobs in late 2012 and early 2013.

Calfrac is active in multiple de-risked as well as emerging unconventional plays, including plays levered to future growth in LNG exports.

Operations include a strong presence in the Marcellus gas shale and the oil-producing North Dakota Bakken, as well as participation in the emerging Utica and Niobrara plays.

After several years of measured activity with modest capital commitments, Calfrac deployed fracturing equipment into Argentina in late 2012 and expects to initiate fracturing operations in April 2013.

The customer's foremost question is: *How can we develop this reservoir as efficiently as possible within an overall framework of safe operations, regulatory compliance and careful environmental management?* Calfrac's mission is to provide the answers. The Company emphasizes practical, field-ready solutions, with a focus on the "D" in R&D – in other words, technologies that work in the field.

Advanced solutions in the areas of equipment, fluids and processes create competitive advantage. Combined with effective logistics and experienced crews, they enable Calfrac to bid for and win contracts in the most technically challenging unconventional reservoirs, such as the emerging Duvernay shale in Alberta (explored in detail on pages 16-17) and the Utica shale in the U.S. northeast.

Calfrac's technology effort in 2012 and 2013 is focusing on equipment that improves job execution, on specific fluid chemistries that help to optimize results in certain reservoirs, and on ever-higher performance in the areas of health, safety and environmental management. Calfrac is bringing a suite of efficiency-raising innovations to the market. They provide advantages to the customer and to the Company – its people and shareholders.

TECHNOLOGY = ADVANTAGE

Revolutionary Sandstorm system undergoing initial testing in the Grande Prairie, Alberta yard, 2012.

PROVING THE POINT

CleanTech, a fluid system developed by Calfrac, has been a success with customers, particularly in the Saskatchewan Bakken, where it is instrumental in successfully placing proppant while avoiding propagation of fractures out of the target reservoir.

Calfrac and a major customer are collaborating to demonstrate that hydraulic fracturing pumpers can be operated using a high ratio of natural gas, in pursuit of major environmental benefits and cost savings.

Breakthrough technology unique in the industry, Sandstorm is an enclosed proppant handling system that virtually eliminates dust yet is simpler, faster, more efficient and more cost-effective than competing systems.

HIGHLIGHTS

FINANCIAL

For the Years Ended December 31,	**2012**	2011	Change
(C$000s, except where otherwise noted)	**($)**	($)	(%)
Revenue	**1,595,216**	1,537,392	4
Operating income [1]	**257,013**	412,828	-38
EBITDA [1]	**264,471**	398,682	-34
Per share – basic	**5.97**	9.13	-35
Per share – diluted	**5.90**	8.98	-34
Net income attributable to shareholders of Calfrac	**97,146**	187,451	-48
Per share – basic	**2.19**	4.29	-49
Per share – diluted	**2.17**	4.22	-49
Capital expenditures	**279,017**	323,962	-14
Working capital (end of year)	**322,857**	398,526	-19
Total assets (end of year)	**1,524,821**	1,405,121	9
Total equity (end of year)	**780,759**	700,569	11
Market capitalization (end of year)	**1,127,776**	1,245,709	-9
Weighted average common shares outstanding (#)			
Diluted	**44,808**	44,393	1

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.

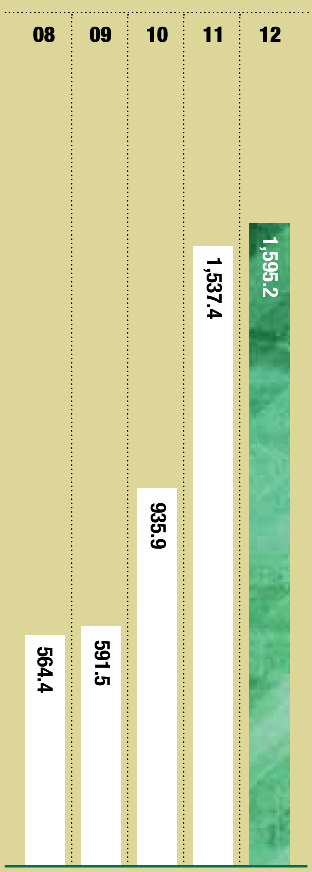
FINANCIAL DISCIPLINE = STRENGTH

OPERATING

As at December 31,	**2012**	2011	Change
			(%)
Pumping horsepower (000s)	**977**	719	36
Coiled tubing units (#)	**29**	29	0
Cementing units (#)	**26**	23	13

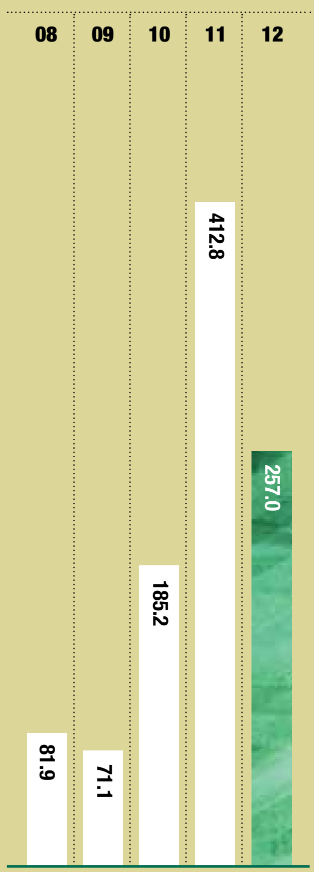
REVENUE
($ MILLIONS)

Calfrac's strong contractual relationships in Canada and the United States contributed to a 4 percent year-over-year revenue increase despite continued low natural gas prices in North America and high crude oil differentials in western Canada.



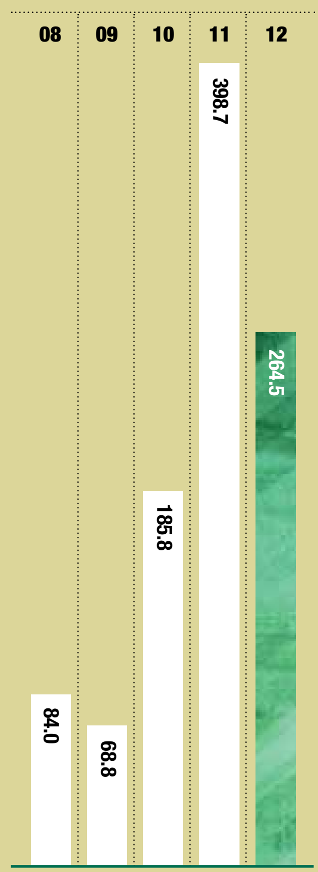
OPERATING INCOME
($ MILLIONS)

Declining well completion activity in North America created pricing pressures in the second half of the year, especially in the United States. Combined with cost inflation for certain commodities, such as guar, this resulted in operating income declining by 38 percent in 2012 from the record achieved in 2011.



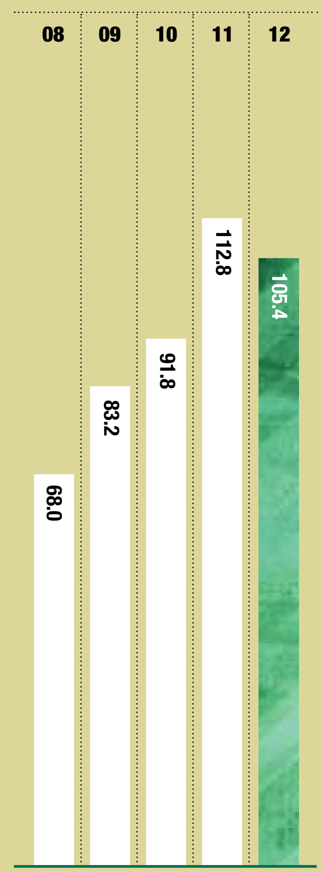
EBITDA
($ MILLIONS)

Calfrac recorded EBITDA of $264.5 million in 2012. In February 2012, the Company increased its semi-annual dividend from $0.10 per share to $0.50 per share. In December 2012, the Company approved the payment of a quarterly dividend of $0.25 per share beginning in 2013.



REVENUE PER FRACTURING TREATMENT
($000s)

Pricing pressure in North America resulted in a 7 percent decrease in Calfrac's average revenue per fracturing treatment.



LETTER TO SHAREHOLDERS

Calfrac owes its continuing success to its five pillars of performance: people, technology, experience, positioning and financial discipline. Each contributed greatly in a year that was operationally very successful and financially mixed, with growth in some markets and weakness in others.

EXPERIENCE = LEADERSHIP

The five pillars have supported building strong customer relationships that provide steady work in a competitive market that is challenging some fracturing providers, particularly in the United States. These relationships are coupled with geographical positioning in some of North America's most dynamic and economic unconventional oil and natural gas plays. The overall result was a year that included continued growth in Calfrac's operations, excellent safety performance, record revenue of $1.6 billion, lower but still solid profitability and strong financial positioning entering 2013.

The five pillars go back to how we started the Company in 1999. We knew our success would depend on gaining these strengths – plus being market-selective and customer-selective. We wanted a business that could go on indefinitely, so we assembled the critical pieces from day one. Lasting customer relationships have been critical, and depended on developing the ability to perform consistently in all places and operating conditions. A large proportion of our work today occurs through long-term, minimum commitment contracts, key to maintaining solid financial results during weaker market periods. The revenue side is complemented by financial discipline, which must include reassessing assumptions and adjusting spending and the Company's cost structure in light of evolving dynamics. While we are quite optimistic about the year ahead, financial discipline drove our decision in February to reduce 2013 capital spending.

2012 in Review

Western Canada and the United States are Calfrac's two largest markets, and both experienced weakness in 2012, especially the United States. Overcapacity in the North American hydraulic fracturing sector's pumping horsepower, continued low natural gas prices and some weakness in crude oil pricing, placed pressure on service pricing. Field prices fell slightly in western Canada and considerably more in many U.S. markets. The producing sector's shift into liquids-rich natural gas and crude oil projects from dry (non-liquids-bearing) natural gas areas accelerated, reducing activity in certain areas as drilling and completions equipment was redeployed.

On the positive side, 2012 saw the extension of a multi-year trend of more horizontal wells – now an estimated 58 percent of wells drilled in western Canada – longer horizontal legs and greater focus on the well completions process. This dynamic favours providers like Calfrac which have modern and well-maintained equipment fleets, sophisticated fluid systems and expertise needed to succeed in complex and variable reservoirs. Completing today's wells accounts for up to 60 percent of their total cost, with fracturing the major well completions expenditure. Horizontal wells today routinely receive 15-20 fracturing stages – and up to 50 in a few cases. That is Calfrac's core business, and the North American pressure pumping market, which broke $10 billion in revenue only in 2005, grew to over $40 billion in 2011 and an estimated $47 billion in 2012.

In 2012, Calfrac benefited greatly from its philosophy of evaluating and positioning itself in selected basins with the right amount of equipment, and building customer relationships. The high proportion of long-term contracts – about 65 percent of Canadian revenue and 60 percent of U.S. revenue – combined with our success in challenging plays where activity continued to grow limited the negatives and made 2012 a good year.

Internationally, we observed strengthening signs of a long-term shift toward applying the technologies used with such stunning success across North America. We are well-positioned to benefit. In Latin America, we performed our first multi-stage fracturing job in Mexico and began deploying our first fracturing fleet to Argentina. In Russia, we performed our first multi-stage fracturing job in September and by the end of January 2013 had completed over one-dozen horizontal jobs.

Western Canada

Earlier concerns that western Canada was an old, tired basin with little opportunity for growth have been proven spectacularly wrong by the emergence of multiple unconventional plays. Calfrac moved early to position itself and today we are a leading service provider in the Bakken, Montney, Cardium, Viking, Duvernay and other plays. On any given day, Calfrac might be working on wells from 700 metres to 6,000 metres in total length – a huge range in pumping pressure and volume. Our technology, people and equipment make us competitive everywhere, and smoothly redeployable.

As a play becomes technically de-risked, customers focus on maximizing economics through efficiencies. These include larger pads with up to 20 wells each, 24-hour operations, modifications to equipment and completions programs, and levering long-term contracts with commodity suppliers. Calfrac is contributing in every way it can, and has earned some exclusive customer relationships. Many of our customers are not driven solely by price, but have a broad view of value. Calfrac offers a complete value proposition by excelling in areas such as service quality, safety track record, environmental management, and equipment and fluid system technologies. Our full value package assures the customer of a top-quality job and reduces their risks.

Gaining better access to world markets is a strategic priority for producers. The planned natural gas liquefaction and export terminals at Kitimat, B.C. and Prince Rupert are seen as a way to lift natural gas netbacks. The Government of Canada's recent approval of foreign investments in the energy sector should help other interested players also work toward that goal. This should spur natural gas development, make the sector more sustainable and increase the basin's attractiveness. The wide-ranging international interest in western Canada signals growing acceptance of the scale and economics of the region's unconventional plays.

For these reasons we foresee continued strong activity in western Canada over the short and longer terms. As the core areas of the more established plays are proven, producers push out into a larger geographical "halo" of reservoir that is not as geologically ideal but is made economic through efficiencies learned in the core area. This is already happening in the Cardium and Montney plays. We have aligned ourselves with producers who are leading the growth of and activity in several of these plays.

The enormous emerging Duvernay shale play of west central Alberta is particularly exciting. I'm proud to report that Calfrac is to date one of the most active fracturing providers in the Duvernay's highly liquids-rich Kaybob region. Developing this deep resource, where wells are often 5,000 metres in total length and receive up to 2,500 tonnes of proppant, is very completions-intensive. Some financial analysts calculate that if the industry increased activity to 100 Duvernay wells per year – less than 1 percent of western Canada's well-count – it would require nearly 15 percent of the Canadian hydraulic fracturing fleet. Calfrac maintains strong relationships with multiple active Duvernay developers, and we anticipate much higher Duvernay activity in 2013.

United States

Some estimates hold that the U.S. hydraulic fracturing sector added 8 million horsepower from 2010 through 2012. Overcapacity and producers' rapid shift from dry gas-focused to oil-focused drilling substantially drove down the price band for well completion services, with some competitors seemingly choosing to operate below cost. Calfrac's early entry into key plays and large base of contract revenue eased these effects somewhat.

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Calfrac has strategically used the regionally fragmented nature of the U.S. market, with its geologically discrete basins, to reduce risks and maximize returns. We have avoided some of the traditionally active regions while seeking opportunities that offer:

- less overall competition, which limits pricing pressures during weaker periods;
- opportunities to apply our leading technology platform, which tends to be more sustained, higher-margin work;
- sustained growth potential in promising but often technically challenging reservoirs, which creates barriers to entry; and
- ultimately low per-unit capital costs for producers to bring new reserves on-stream, generating the economics needed for customers to continue drilling and completing wells throughout commodity price cycles.

Our goal is to attain a 15-50 percent market share in each play without "buying" work through low pricing. The Marcellus gas shale in the northeast and the Bakken oil shale in North Dakota met all these criteria, including highly motivated customers. Following extensive research, we entered each play with a critical mass of two to three fracturing crews plus other capabilities, and later opened regional facilities. Meanwhile, our previously established presence in the Fayetteville gas shale play in Arkansas continues to be anchored by a key long-term contract, while the U.S. Rocky Mountains region, where vertical dry gas drilling has fallen off sharply, is seeing several strong oil opportunities, such as the Niobrara shale.

With over 75 percent of the U.S. rig fleet focused on crude oil targets and only 400-450 rigs targeting natural gas, the producing sector's shift is largely complete. This is conducive to greater stability in the U.S. pressure pumping market.

Russia

Calfrac's operation includes a very strong coiled tubing business in which we are technology leaders and see opportunity for further growth. We also fracture vertical oil wells and had been keenly observing the gradual growth of horizontal drilling in Russia. In 2012, this trend began to accelerate as large international companies brought in associated new technologies. We were pleased to be selected to perform a number of multi-stage horizontal jobs beginning in September.

The pace of horizontal work has continued in early 2013 and we expect to see both a larger number of jobs and larger job sizes as our customers gain confidence with the horizontal approach and begin to drill longer-leg wells requiring more fracturing stages per well. We also are optimistic that our customers will begin applying current techniques to vertical gas wells in Russia. A further positive is that Calfrac's largest Russian customer has expanded through a recent acquisition. Our overall objective in Russia is to deliver consistent financial results through higher equipment utilization, continued cost control and revenue growth.

Mexico

Following a rebound in equipment utilization and financial performance in 2011, Calfrac experienced further improvement in 2012. This included two new contracts for fracturing services in the Burgos and Chicontepec fields, and our first multi-stage fracturing job was completed in November on a very challenging horizontal well. We expect multi-stage completions in Mexico to become more frequent in 2013.

Pemex, Mexico's state oil company, has observed the compelling economics of unconventional oil plays developed with current technologies in the U.S., and is aiming for improved economics in its fields. Calfrac has worked hard to nurture relations with Pemex and drilling contractors active in Mexico. We performed our second multi-stage horizontal job just before year-end and by late February of this year were at work on our third. Given the success of these three projects, we are anticipating accelerating horizontal work in both the Burgos and Chicontepec fields in 2013. We are also hopeful of having further tenders committed to Calfrac.

Argentina

Although Argentina poses political and economic risks, we believe it holds great potential to apply the proven North American drilling and vertical and horizontal completions model. Argentina has vast shale resources yet remains a net energy importer, with very little usable hydraulic pumping capacity in-country. Following four years of involvement that began with cementing services and expanded to coiled tubing and nitrogen, Calfrac recently deployed its first fracturing fleet to Argentina. Strengthening customer relationships, growing confidence and the commencement of shale drilling prompted the decision.

We expect to succeed in this market, as we have in other international markets, by "bringing the package": appropriate equipment, current technologies and well-trained people focused on service quality and safety. Calfrac's pumping horsepower landed in Argentina just before year-end, while the other equipment is being built in-country. This selected mix of equipment and people will enable us to provide either a high-horsepower spread for multi-stage horizontal shale fracturing, or two to three lower-horsepower spreads for vertical and/or conventional wells, as the market requires. We expect to commence our first fracturing job in April.

Colombia

Calfrac's early-stage business is based on its proven approach of limiting capital and human resources commitments by beginning with a modest cementing equipment deployment. In 2012, Colombia was still in the start-up phase, which became more challenging when producers reduced activity from over 75 active drilling rigs to about 40. Through this period Calfrac worked to gain customers' confidence, based on service quality and safety, and expanded its number of contracted customers. In the third quarter of 2012, we deployed two additional cementing units, bringing the total to six. We expect activity in Colombia to rebound through the upcoming year. Two of our cementing units are contracted with one of the largest operators in Colombia and we expect to further diversify our customer base in 2013. Our foremost goal this year is to sustain high equipment utilization. We see Colombia as a good prospect for fracturing work over the medium term.

Financial Performance

Despite revenue growth of 4 percent to $1.6 billion in 2012, pricing pressure and lower utilization in some regions drove year-over-year declines in EBITDA, operating income and net income. While this was disappointing, Calfrac's EBITDA outperformed many competitors. We also delivered top tier returns on equity, assets and capital employed.

We exited 2012 in an excellent financial position. The key metrics include total debt of $441 million, mainly in the form of a 10-year note due in 2020, a largely undrawn syndicated credit facility totalling $300 million, working capital of $323 million and reduced capital spending planned for 2013. The resulting flexibility enables us to weather further weakness, should that occur, pursue acquisition opportunities should we find the right strategic fit at the right price, or initiate a share buyback should that be accretive to shareholder value. Calfrac's dividend, which significantly increased last year, remains at a very sustainable level, with strong shareholder participation in the DRIP.

Calfrac's senior management team has navigated multiple economic and commodity price cycles, including three previous downturns. We have proactively managed the Company's cost structure and profited from the accompanying opportunities. The high level of inside ownership indicates the strong vested interest by management and directors in Calfrac's long-term success, and managing the financial dimension is a big part of that.

Exiting 2012, we evaluated all of the Company's SG&A and district operating costs, and set internal benchmarks for acceptable percentages of revenue. Our supply chain group has been working to increase logistics efficiency, reduce transportation costs for key commodities and renegotiate some supply contracts. Last year's quadrupling in the cost of guar gum (a fluid system additive) eroded margins, but we foresee lower guar prices in 2013 thanks to greater supply.

We are also achieving substantial improvements to equipment design that reduce specific environmental effects as well as our overall footprint.

Focus on People: Safety, Training and Environmental Protection

Calfrac's people are the most important of the Company's five pillars. Without them, nothing would happen. I would like to thank every one of the more than 3,700 members of the Calfrac team for another great job in 2012 on every level – service delivery, efficiency, safety and environmental management.

As Calfrac has grown we have devoted increasing time and resources to expanding and improving all of our systems and processes to ensure our people are trained to the peak of performance, are protected against and know how to avoid hazards, and operate with decreasing impact on the environment. Currently, we have a range of sophisticated and exciting initiatives underway that affect the entire company from the field-level recruit up to the executive suite. They include a stronger focus on occupational health, behaviour-based safety, hazard identifications, a new incident management system and a major update to our HSE management system, with a medium-term goal of zero reportable safety incidents.

Last year we implemented STOP, a standardized program developed by Dupont, that emphasizes risk evaluation and prevention of harm through personal observation and engagement by supervisors in the behaviour of individual workers. It was highly successful and contributed to driving down our key safety performance measure in 2012. We are implementing STOP worldwide this year.

Following rapid staffing-up in 2011 and the first half of 2012, our human resources focus has shifted to retention. This involves a combination of thorough employee training at training centres in Canada and the U.S., training and development initiatives for our supervisory, technical and managerial personnel, and competitive compensation in an environment of challenging and rewarding work. In 2012 we achieved a further reduction in staff turnover.

On the environment, our multi-year effort continued in helping customers reduce their need for freshwater through increased re-use of flowback fluids, use of non-potable sourced water, using wastewater such as effluent from coal operations and sewage treatment plants, and applying fracturing programs that require less water. Key is developing chemistries that maintain high performance with lower-quality fluids, and our technology team in Calgary works continuously on new solutions. We are also achieving substantial improvements to equipment design that reduce specific environmental effects as well as our overall footprint. We are keenly aware of the environmental focus on our industry. We are working to create more and better solutions, and have dedicated personnel to manage regulatory issues and communicate with stakeholders.

Market Conditions and Outlook

Calfrac will continue to rely upon its five pillars, with emphasis on financial discipline. After increasing the fracturing fleet to 977,000 horsepower exiting 2012, we do not plan to add significant horsepower in 2013. In February 2013, we announced a scaled-back 2013 capital program of $74 million focused on maintaining operational capacities. This program will fund selected strategic initiatives, including additional Sandstorm sand-handling systems and combined natural gas-diesel fuelled pumpers. Included in our 2013 capital expenditures is the Company's ongoing refurbishment program, in which selected pieces of older equipment are being stripped to the frame and reassembled with a mix of new and remanufactured parts and components. This results in next-to-new equipment for approximately 60 percent of replacement cost, a cost-effective and practical option when not all equipment is in the field.

Calfrac's outlook for 2013 activity is market-specific. We see good prospects for revenue growth in western Canada, a region with an overall healthy dynamic characterized by continued growth in key unconventional plays which, as mentioned, could begin to intensify this year through higher capital spending spurred by the LNG export initiatives.

We remain cautious on the U.S., which needs time to work through overcapacity. We foresee some competitors retiring older equipment, others "farming" idled units for spare parts, plus potential consolidation of the many small players. Calfrac's operational focus remains on improving cost-efficiencies, and the business development focus is on high-quality, higher-margin jobs. There should be growth in the Utica shale, a very well-positioned natural gas play moving to commercialization, and in the Niobrara oil shale play.

Internationally, we foresee continuing maturation in every market. The application of unconventional technology is clearly a multi-year process, which calls for measured expansion and prudent capital deployment. Any further new-country entries would follow Calfrac's proven approach of careful evaluation and growth through operational increments.

Even in our early days, when Calfrac was a fledgling operator with a tiny equipment fleet, we were thinking about the long term and preparing for future opportunities and challenges. Currently we have multiple initiatives underway, including step-changes in our equipment. The new Sandstorm technology – a unique system in the entire sector, developed to Calfrac's requirements by one of our largest and most trusted equipment suppliers – raises efficiency in placing high proppant tonnage while dramatically reducing silica dust, a jobsite health hazard and annoyance to surrounding landowners. Combined-fuel engines have been talked about for years, and I'm proud to report that Calfrac is working with a major customer to test pumping units that can work at high efficiency when fuelled with a high ratio of natural gas at the well site. Also very exciting is our work with a major customer to be certified under the American Petroleum Institute's Q2 standards. This state-of-the-art initiative will exceed ISO and cover all our equipment and processes, another step in building Calfrac's credibility with the world's most discerning energy producers.

I believe Calfrac offers a compelling investment proposition. We are strategically located in high-activity oil and natural gas basins. We have a high-quality customer base and a solid stream of contractual revenue. Our workforce and safety performance are excellent. The Company has a proven track record through difficult times, with strong capital discipline demonstrated by a competitive five-year return on capital employed. Our capital programs have been well-executed, complemented by profitable strategic acquisitions. Calfrac's stock includes a meaningful dividend yield, increased in early 2012 and now paid quarterly. We remain intently focused on our core business, which is levered through geographical diversification while avoiding vertical integration. Perhaps most powerfully, Calfrac sits amidst the energy sector's continued long-term movement into horizontal wells completed with multi-stage fracturing – our core business.

D.R. Ramsay

Doug Ramsay
Chief Executive Officer
February 25, 2013

OPERATIONS REVIEW

CANADA AND THE UNITED STATES: POSITIONED IN CAREFULLY SELECTED GROWTH MARKETS

The United States and western Canada are the world's two largest hydraulic fracturing markets, and generate approximately 85 percent of Calfrac's annual revenue.

The energy industry's intense focus on development of unconventional oil and liquids-rich gas producing reservoirs means that the large majority of wells are drilled horizontally, and virtually all of these require multi-stage hydraulic fracturing. With typically 2,000-2,200 drilling rigs active across North America, tens of thousands of horizontal wells are drilled each year, requiring hundreds of thousands of fracturing stages.

In 2012 Calfrac again experienced generally high rates of activity across its North American operations, but market conditions were more challenging than in the previous two years. The first half was very strong in western Canada, but months of decade-low natural gas prices and high regional oil price differentials dampened activity even in some unconventional plays, resulting in moderate pricing pressure in the second half. Calfrac's strong contract position and customer base mitigated the impact of these factors. In the United States, the industry's refocusing from dry to liquids-rich gas and oil producing areas disrupted activity in some markets and caused more severe pricing pressure as equipment being redeployed from dry gas areas flooded several of the liquids-rich gas and oil plays.

Calfrac's competitive advantages helped it deliver solid overall results in North America. The Company's technical proficiency enables it to be a leader in some of North America's most technically challenging but resource-rich plays, which also tend to be strong revenue generators. In western Canada, Calfrac operates across the basin. In the United States, Calfrac's approach is to avoid overly competitive basins and instead make a strong commitment of equipment, personnel and infrastructure to carefully selected plays that have barriers to entry, large resource-in-place and a promising long-term growth profile.

In both markets, Calfrac cultivates long-term customer relationships. Longer-term contractual commitments represented approximately 60 percent of the Company's 2012 North American revenue. The original term of these contracts range from two to three years, and they currently have an average term of over 14 months. The Company foresees general stability in western Canada in the first half of 2013, followed by a potential uptick in the second half. In the U.S., Calfrac anticipates a continuing challenged market due to an oversupply of equipment in the first half, followed by gradual strengthening in the second half and into 2014.

MONTNEY

Following the industry's shift from the dry to the liquids-rich gas and oil-producing Montney areas, producers are moving from delineation into an intensive development mode, with larger multi-well pads and longer horizontal legs. This step-change in the play's maturity should mean a step-up in well completions activity.

CARDIUM AND VIKING

These are maturing, mainstream oil and liquids-rich gas producing plays. Driving for even better economics, producers are moving from oil-based to high-rate slickwater and hybrid fractures. This creates demand for larger fracturing fleets with higher horsepower and pumping rates.

BAKKEN

Producers continue to develop the core play while moving outward geographically and geologically, adding formations such as the Three Forks and Sanish. This area features very long horizontal legs with a high number of fracturing stages.

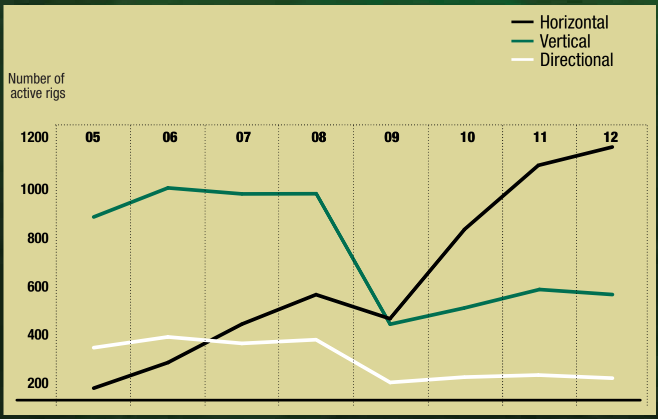
UTICA SHALE

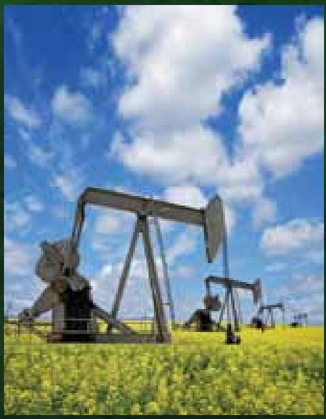
Highly complementary to Calfrac's positioning in the Marcellus shale, the Utica shale is gaining momentum. With very large resource-in-place but the usual early-stage technical risks, the Utica is at a similar life-cycle stage to Alberta's Duvernay shale, with arguably even better well results.

EMERGING PLAYS

Uintah unconventional, Mississippi Lime, Beaverhill Lake.

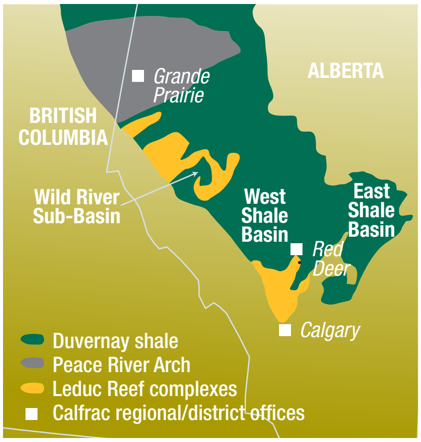
U.S. RIG ACTIVITY TRENDS





Source: Baker Hughes North America Rotary Rig Count

CASE STUDY: UNLOCKING THE DUVERNAY SHALE



With its world-class resource-in-place, high natural gas liquids content and promising drilling results, the Duvernay shale is among North America's most exciting unconventional plays.

Well completions in the Duvernay demand large fracturing spreads with high pumping horsepower, fluid and proppant volumes – and everything available in the service provider's toolkit. Thanks to key producers committing major capital, and service providers applying their best technology and personnel, the Duvernay is moving quickly towards full-fledged development.

The Duvernay is a Devonian marine shale underlying about 100,000 square km of west-central and northwest Alberta. It is the source rock for carbonate reefs that run through the shale and were developed in past decades with prolific results. The shale is often 60-70 metres thick and rich in organic carbon. About 7,500 square km form a "wet gas window" holding natural gas liquids.

How Calfrac is Adding Value in the Duvernay

Entering 2013, Calfrac had fractured over a dozen horizontal Duvernay wells, focusing on the "wet gas window" in the greater Kaybob region. The Company expects to more than double this number in 2013. In addition to providing excellent equipment and fluid systems, crews able to sustain 24-hour operations, and a thorough logistics program, Calfrac is working to add value to the well completions process across-the-board:

Hybrid fracturing treatments – Aiming for maximal natural gas liquids recovery, hybrid treatments typically begin with slickwater to create a complex fracture network far from the wellbore, followed by a cross-linked gel that maximizes proppant placement for near-wellbore conductivity, optimizing reservoir contact area and deliverability.

The "toe" fracture – The first fracturing stage at the end of a well's horizontal leg can contact a much larger reservoir area than other stages. Achieving long fractures in the toe demands time and attention, but the customer's reward is higher deliverability and greater reserves.

Achieving full pumping rates quickly – Important to success in the Duvernay is minimizing the time from formation breakdown to achievement of the desired treatment rate. In reservoir areas with high carbonate content, an initial "acid soak" can cut this time by nearly 75 percent. Once the near-wellbore geometries are taken care of, propagation into the reservoir is not as difficult.

Encouraging cased-hole completions – Open-hole completions using packer systems are often preferred due to speed and lower cost, and are successful in numerous plays. But in the Duvernay, the more expensive cased-hole completion approach has been superior to date, with further technological improvements expected.

Advancing knowledge – Calfrac specialists study the results of each job in detail to fine-tune future treatments, while respecting customers' confidentiality.

One feature of the Duvernay is that producers are attempting to optimize per-well results very early in the exploration-delineation-development cycle. Calfrac's goal is not only to help deliver successful wells, but to achieve across-the-board efficiency gains.

Well completions in the Duvernay shale require major commitments of equipment, material and personnel.

At 2,800-4,000 metres' depth and over-pressured, the same factors present both a gigantic resource-in-place – estimated at 443 tcf of natural gas and 73 billion barrels of oil and liquids – and formidable challenges. While the Duvernay's porosity is good, it is very "tight rock", i.e., resistant to allowing oil or gas to flow. As producers began considering the Duvernay, it was clear hydraulic fracturing would be crucial to successful development. Fortunately, the Duvernay's high quartz and low clay content make it amenable to fracturing.

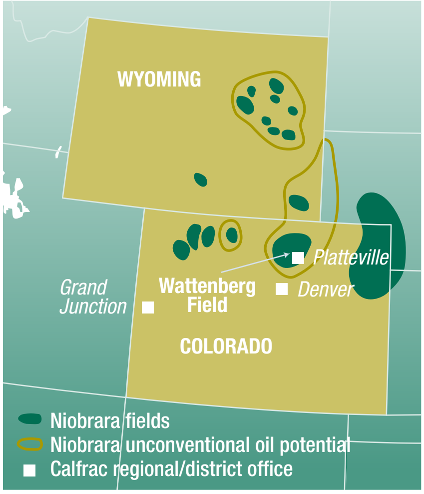
As shale play development around North America accelerated, many of western Canada's largest players also began acquiring Duvernay rights, with land sales exceeding $4.5 billion over several years. After initial vertical testing, horizontal drilling began in 2010 and reports soon came out of $15-$20 million wells with 1,600-1,800 metre horizontal legs, 15 fracturing stages, 2,400 tonnes of proppant and 150,000 barrels of fluid. Reported initial gas deliverability did not always seem impressive, but the high liquids content, especially of condensate – typically 100 bbls per mmcf of raw gas and sometimes much higher – was very attractive.

Calfrac performed its first horizontal Duvernay fracturing job in March 2011. The pumping requirements of about 40,000 hhp per well are very high, and involve among the highest pressures Calfrac delivers anywhere. By the end of 2012, approximately 120 Duvernay horizontal wells had been drilled or licensed and the earliest wells had been on-production for 15 months.

Financial analysts are generally bullish on the Duvernay's economics. An approximate middle case holds that with average per-well costs of $10-12 million, initial productivity of 3-4 mmcf per day, 100 bbls of liquids per mmcf of raw gas, and 5 bcf of reserves, the Duvernay would break even at $3 per mcf natural gas and US$65 per barrel WTI oil. At US$90 per barrel WTI, such a well would have a net present value of nearly $8 million. The Duvernay's apparent richness has already allowed some land-holders to monetize their investment by selling lands, converting to joint ventures or being acquired.

The Duvernay play entered 2013 with estimates of $1 billion to be spent this year on development – possibly 100 horizontal wells. While many producers continue to test the resource's extent and variability through widely spaced single wells, some are reportedly shifting to multi-well pads – signalling growing confidence. The faster pace is also very positive for fracturing providers. Full development of the Duvernay could tie up 300,000-400,000 hhp, 15-20 percent of the fracturing sector's combined capacity in western Canada.

CASE STUDY: **PURSUING OPPORTUNITY IN THE NIOBRARA SHALE'S WATTENBERG FIELD**



The Wattenberg field in northeast Colorado is an interesting example of how persistence and innovation can unlock a reservoir that initially seems resistant even to horizontal drilling and multi-stage fracturing. Calfrac is among the relatively few fracturing providers in the Wattenberg and foresees growth potential as activity in the field accelerates dramatically. The Niobrara and other unconventional plays appear to be reviving activity across the wider Rocky Mountains region, where low natural gas prices had dampened historically intense development.

The Niobrara Formation is a Late Cretaceous-aged succession of inter-bedded shale, marl and chalk. It is present in at least eight geological basins in the U.S. mountain states. The Niobrara yielded modest success through vertical development in the 1980s, particularly in the Wattenberg area. Traditional methods could be applied to "sweet spots" offering near-conventional permeability. But producers eventually ran out of suitable pool area.

Initial attempts to redevelop the Wattenberg in the mid-2000s encountered technical challenges, high per-well costs and insufficient productivity. The Niobrara reservoir offers good porosity and its estimated original-resource-in-place of approximately 30 million boe per section of land is superior to the extremely successful North Dakota Bakken play. But the Niobrara proved to have higher than average water saturation, high clay content, which complicates fracturing, faulting, which makes both accurate drilling and hydraulic fracturing a challenge, and significant variability. It was anything but a blanket resource play amenable to a "manufacturing" approach.

By applying every available technical means, producers began to generate solutions. State-of-the-art seismic helped to identify natural fracture "swarms". Careful well orientation optimized propagation of hydraulic fractures. A relatively high level of natural gas content, which producers

How Calfrac Adds Value in the Niobrara

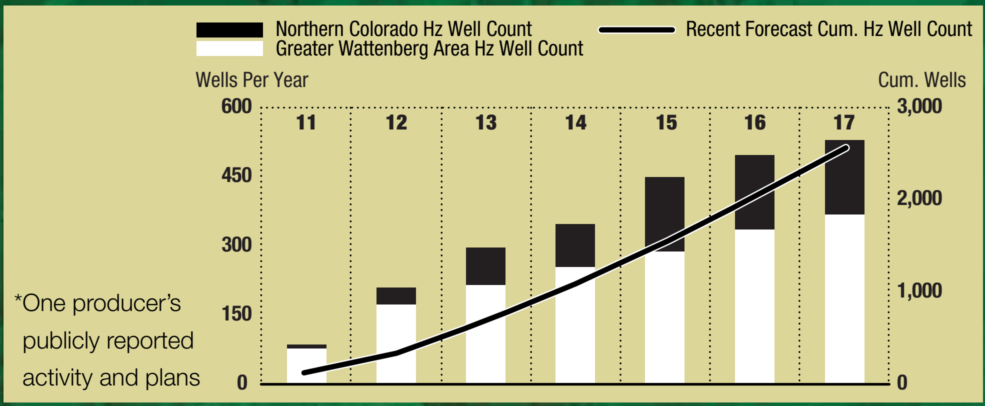
Strong regional presence – Calfrac has been active in Colorado since 2002 and today operates two field operations centres, a training centre, a regional office, a team of highly experienced operators and supervisors, and a critical mass of modern equipment including three fracturing spreads with nearly 100,000 hydraulic horsepower.

Proven methods – Calfrac can support producers' drive for greater efficiency. The Company has deep experience at long-duration deployments on multi-well pad sites requiring massive horsepower and proppant volumes, with 24-hour operations. Calfrac can add further value through industry-leading solutions like its Sandstorm enclosed proppant handling system.

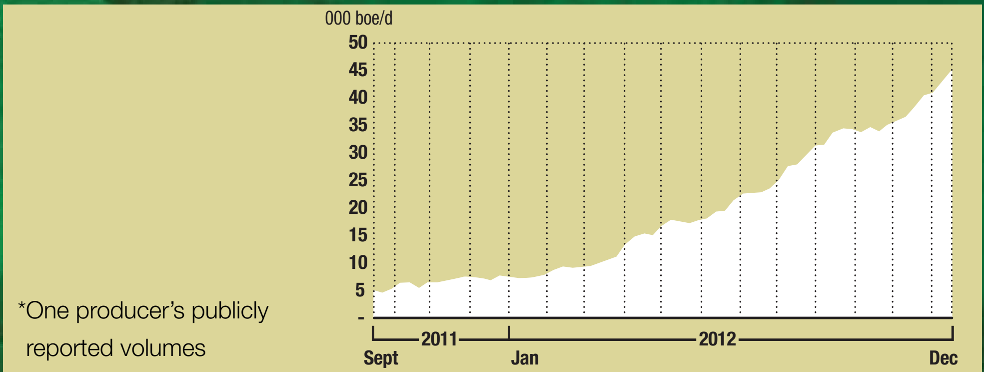
Leading fluid systems – Calfrac's application of cross-linked gel has been highly successful in the Wattenberg. The Company can also meet producers' desire for hybrid treatments, in which the fracture is initiated using friction-reduced slickwater, then switched to a gelled system to achieve wide fractures with high sand concentration. Calfrac's innovative green chemistry formulations meet producers' need for improved environmental management.

Moving the needle – Calfrac is supporting the trend of extended-reach laterals – up to 10,000 feet in length – by being able to perform up to 40 fracturing stages on tighter stage spacing, something not every competitor can do. When successful this approach means higher per-well costs but lower costs per unit of production and reserves added.

HORIZONTAL WELLS IN THE NIOBRARA*



WATTENBERG HORIZONTAL PRODUCTION*



usually seek to minimize, was found to help mobilize oil towards the wellbore. EOG Resources, Inc.'s "Jake" well is considered the play's breakthrough, coming on-production in April 2010 at over 1,500 boe per day.

Over the following two years, more than 20 area producers worked to technically unlock and de-risk the Niobrara in the greater Wattenberg area. The prevailing model of typically 4,500-foot lateral legs, 8-15 fracturing stages and approximately 90 tonnes of proppant per stage yielded reasonable but not stunning results. Many wells came on-stream at no more than 300 boe per day, with moderate estimated reserves. In late 2012, however, producers began publicly reporting much better results, thanks to more fracturing stages, tighter stage spacing and other innovations. Results now included 30-day initial productivity of 500-900 boe per day or even greater, reserves of over 500,000 boe per well, and all-in well costs much lower than in the Bakken and Eagle Ford.

Activity has been accelerating further in 2013. Several producers claim to have multi-year inventories in the thousands of horizontal well locations across the greater Wattenberg area. Producers are reporting plans to run multiple rigs, to drill hundreds of longer-leg wells per year, to develop up to four stacked Niobrara intervals with separate horizontal wells from common pads, and other innovations such as centralized fluid handling and production processing. For fracturing providers, such approaches create opportunity for the use of a high-efficiency manufacturing approach to well completions that would significantly improve the economics per unit of production and reserves added.

Calfrac performed its first multi-stage fracture of a Wattenberg horizontal well in 2010, having previously done many vertical jobs in the area. Calfrac has remained a successful competitor through a period in which several providers entered the Wattenberg and departed again. By late 2012 Calfrac had fractured dozens of horizontal Wattenberg wells. In a play featuring many producers in different size classes, Calfrac sees strong opportunity to play a growing role in the Niobrara's evolution.

LATIN AMERICA:
REBOUNDING ACTIVITY AND EMERGING OPPORTUNITIES IN HORIZONTAL COMPLETIONS

Calfrac's 2012 operations featured a strong rebound in activity, profitability and go-forward opportunity in Mexico, preparation to add a major service line in Argentina, and a defensive profile in Colombia.

Calfrac's fundamental international risk management approach has always been to enter a new market with a modest capital commitment, then steadily develop local resources – including in-country management and operating bases – win a customer base through high-quality service performance, and ramp up equipment and activities as warranted by customer demand, preferably on a contract basis.

In 2012, utilization and operating margins improved substantially in Mexico, Argentina provided stable revenue from cementing and coiled tubing services, while the Company's modest commitment of cementing equipment in Colombia limited the revenue impact of that market's downturn. Calfrac continues to anticipate long-term international opportunity to apply the drilling and completions techniques that have unlocked so many unconventional plays across North America. Entering 2013 the clarity of this trend is gradually improving, and Calfrac is well-positioned to play a role.

Mexico

Horizontal drilling is accelerating, albeit from a modest base, as Pemex becomes more aggressive about developing Mexico's onshore potential. In November 2012, Calfrac performed its first horizontal job on a well in Mexico, placing 16 fractures in a 3,735-metre horizontal well in the Burgos field. This was followed by a second job in December and a third in January 2013. Calfrac's 2013 contracts with Pemex for the Burgos and Poza Rica fields have been awarded. In late winter 2013, Calfrac plans to deploy its first two coiled tubing units to Mexico, diversifying its service offering, and also sees potential for further growth through additional tenders.

Argentina

Calfrac has succeeded in this market, despite country risk, by building a solid operating presence and customer relationships. Recognition of Argentina's immense unconventional resource potential is growing. Horizontal well completions will require more horsepower than traditional vertical completions, and there is little suitable horsepower in-country. With this in mind, Calfrac decided to deploy fracturing equipment to Argentina in 2012. The fleet's composition will enable it to provide multi-stage fracturing of one large unconventional well or two to three vertical wells at any given time. Calfrac's first conventional fracturing job is expected to commence in April 2013.

Colombia

Calfrac was attracted to Colombia by the country's investment-friendly political and fiscal climate, which has drawn numerous international producers. Overall activities in 2012 slowed due to pipeline and development constraints, and the number of active drilling rigs fell. Calfrac's initial focus on cementing activities, with a modest capital commitment, limited the financial effects. The Company foresees greater stability in 2013 and will monitor the market's evolution.

RUSSIA
STEADY WORK AND LONG-TERM OPPORTUNITY

Calfrac regional/ district office

Calfrac service area

Major basin/ unconventional play

Evolving into Horizontal Completions

Calfrac has been fracturing vertical wells in sandstone reservoirs at depths to 3,000 metres, intersecting pay zones of 5-30 metres' thickness, requiring typically one to three fracturing intervals per well. Operating efficiency is gained by drilling deviated wells from pads, with up to 15 wells per pad. Vertical wells continue to be productive and cost-effective in these reservoirs. Testing of horizontal drilling and completion picked up in 2012, and in September Calfrac performed its first multi-stage fracturing job in Russia. Several additional horizontal wells were completed by year-end, ranging from three to six fracturing stages per well, and there has been further work in early 2013.

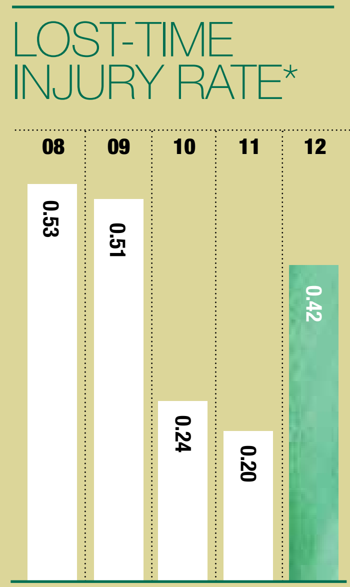
Active in the Russian market since 2005, Calfrac's operations are focused on fracturing and coiled tubing services for two major customers in three locations in Western Siberia.

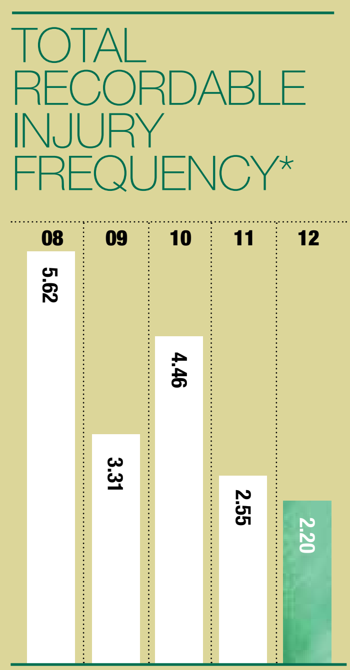
All current fracturing and coiled tubing work is oil-based. The level of activity is based on annual and multi-year contract tenders, typically awarded in late December or early January. Coiled tubing services are a significant part of Calfrac's service offering, focused on well clean-outs, nitrogen, acid treatments and similar requirements, and at the end of 2012 Calfrac had seven coiled tubing units deployed to Russia.

Calfrac has a solid understanding of the reservoir environment and is a well-regarded operator. The Company is serving customers' evolving requirements for a broader service offering that includes supplying proppant where necessary, as well as fracturing tubing and packers. This is not unusual in the international arena, where customers tend to favour working with a "one-stop-shop" offering vertically integrated services, and is part of Calfrac's value proposition.

Revenue in Russia was stable year-over-year in 2012 as Calfrac continued to work for its two large customers, with some decline in operating margins due to cost pressures, primarily guar and fuel expenses. Calfrac anticipates a similar environment in 2013, with increasing horizontal work potentially driving revenue growth as customers begin to drill longer-leg horizontal wells with a larger number of fracturing stages.

SAFETY, TRAINING, HEALTH AND SECURITY
CONTINUOUSLY IMPROVING OUR SYSTEMS AND PROCESSES





* Canada and U.S. operating statistics only

Safety

With the overall goal of reaching zero recordable safety incidents company-wide, Calfrac is updating its health, safety and environment (HSE) management system, its incident management system and its method for instilling a culture of safety improvement in its employees. Calfrac is proud of its strong safety performance and its people's pro-safety attitude. Safety is reflected in Calfrac's corporate values of placing people first. It is also part of the service offering and value proposition for customers, who expect the highest commitment to safety from service providers. But the Company is intent on doing even better. Ongoing initiatives include:

HSE management system

The previous Calfrac Management System served the Company well for many years. The current update is aimed at meeting two sets of global standards, OHSAS 18001 Occupational Health & Safety, and ISO 14001 environmental management system requirements, suitable to a large international service provider working for some of the world's largest energy producers. The plan centres on a detailed five-year roadmap and is the corporate HSE team's core focus. As of early 2013 the corporate guidance document, which articulates requirements, was complete. The various procedure documents are under development, with a goal of having all procedures implemented by the end of 2013.

Behaviour-based safety (BBS) and hazard identification (HazIDs)

BBS focuses on the human causes of and solutions to safety incidents, complementing the past emphasis on equipment and procedures. In 2012 Calfrac adopted the DuPont STOP task observation program as a way of guiding and shaping behaviour.

STOP is based on direct observation by supervisors of at-risk behaviour on the job-site, followed by personal intervention aimed at having the individual in question voluntarily change their behaviour. The goal is to prevent future safety incidents. Following training of key managers, supervisors were trained in observation and correction methods. STOP was implemented in fall 2012 and adoption by supervisors and employees has been very enthusiastic. Calfrac considers STOP one of its key programs to move towards zero incidents.

The HazIDs program, in which employees are empowered to evaluate hazards on the job-site and suggest corrective modifications to equipment or operations, has been hugely successful. Through early 2013 employees had provided numerous reports and suggestions over the previous 12 months. The program includes a management commitment to answer every report. Industry research demonstrates a direct correlation between a threshold number of reports generated per employee per year, and a reduction in injuries.

Calfrac Incident Management System (CIMS)

CIMS is quickly becoming the software backbone of Calfrac's HSE and quality management processes. CIMS is built around a very large database with customized software that enables Calfrac to report, compile, track, evaluate and statistically analyze health, safety, environment, security and service quality incidents. CIMS will be expanded past its original focus to include labour hours, sustainability issues and regulatory compliance.

CIMS is a powerful management and productivity-enhancing tool. It dramatically reduces previous spreadsheet-based reporting, and includes features such as automated to-do lists for recurring tasks. CIMS is complemented by a more rigorous incident investigation process that involves the senior management team in reviewing incidents and adopting corrective measures, and looks beyond the event itself, examining whether process improvements could reduce risks of recurrence.

Measuring safety performance

In 2012, Calfrac delivered continued strong performance in the two key industry safety indicators, the TRIF and LTIR (see graphs on the facing page). The TRIF declined further, reflecting fewer reportable incidents across North America, driven by the HazID program. The LTIR's uptick reflected a small number of additional injuries requiring time away from work. Calfrac continues to outperform its peer group average in both measures. The Company has aggressive safety performance goals for 2013 to drive progress towards zero. Calfrac has also implemented forward-looking or "leading" safety performance indicators, such as tracking the number of safety incidents versus the number of HazID reports, and the comparison between instances of observed safe and unsafe behaviour. Such trends provide insight into future safety performance.

Training

Calfrac's longstanding focus on thorough training of all new employees is manifested in the Company's Orientation and Training Schools (OaTS) at Calgary, Alberta, Grande Prairie, Alberta and Louisville, Colorado. The 15-day OaTS program covers critical aspects of working at Calfrac, including safety training and realistic equipment training on a combination of working equipment and sophisticated new simulators. The new Louisville school has been a major success. Recruits are flown in from all over the U.S., and the recently expanded school graduated 405 field operations employees in 2012, with a total of 722 employees attending some type of training class during the year.

The strong success of Calfrac's coiled tubing simulator, introduced in 2011, led the Company to investigate the feasibility of having a complete hydraulic fracturing simulator developed. This is being thoroughly evaluated in 2013. Simulators introduce trainees to critical processes in a controlled and completely safe setting. Simulation training is followed by hands-on training with real equipment.

Calfrac's competency project, launched in 2011 to systematically profile all job categories to create objective criteria for skills development and promotion, was focused initially on field operators. In 2012 the program was expanded to cover maintenance staff.

Calfrac also believes strongly in the continued education of its supervisory, technical and management personnel.

A new course for supervisors, teaching "soft" skills such as team-building and employee communication, was provided throughout 2012. A management skills training program at SAIT Polytechnic in Calgary is continuing, as is a formal development program for engineering staff. All HSE supervisors are required to complete an annual professional development program that continues to advance their capabilities. In addition, an executive development program for senior management at the University of Calgary is ongoing.

Health

Calfrac is implementing more thorough and sophisticated occupational health measures, including bringing occupational health nurses on-staff in Canada and the U.S. to drive various health and wellness programs. The Company has been conducting a series of occupational health studies focused on health exposures which may occur in its field operations. This began with a noise/hearing study, with improvements to hearing protection devices being implemented as a result.

Last year Calfrac undertook an analysis of silica dust exposure which confirmed that its policies and practices surrounding mandatory use of personal protective equipment for operators working in close proximity to dust generating equipment were well founded. Calfrac also improved its respiratory protection programs to include annual pulmonary testing and implemented engineered solutions that physically reduce the amount of dust at its operations. This process delivered dramatic progress. The industry leading new Sandstorm system encloses the proppant delivery process during fracturing operations, all-but eliminating this major source of silica dust. Current generation sand-equipment, meanwhile, has been re-engineered. Dust-generation at key points has been reduced through engineering modifications, including misting systems and equipment shrouding to suppress dust, plus vacuum systems that remove dust. All of these new initiatives are supplemented by the continued mandatory usage of appropriate personal protective equipment.

Security and Crisis Management

In 2012, Calfrac added a Security and Crisis Management supervisor to its corporate capability. The initial work focused on formalizing a facility security threat and risk assessment template that will be progressively implemented across all Calfrac operations, updated emergency and crisis management processes at the division and corporate levels, and a broad-based business continuity plan in the event of various contingencies.

Stakeholder Communication

Given the increased intensity of hydraulic fracturing completions over the past two years we understand and accept the microscope that our industry is under from a social and environmental perspective. We are committed to conducting our operations in an environmentally responsible and socially sustainable manner, and are determined to demonstrate this commitment throughout our operations.

In response to the increasingly negative public perception that is being promoted in part by the unbalanced and erroneous or inaccurate presentations of information, Calfrac has focused on providing factual information about the Company's operations and the overall hydraulic fracturing sector. The Company is working in three areas to communicate an accurate understanding of its business.

First, it is providing Calfrac employees with sound information to understand the Company's technologies, operations and physical footprint. The aim is to ensure that Calfrac's employees are well educated about the environmental impacts of our business. Informed employees are better able to respond to questions and challenges related to industry practices and impacts.

Second, Calfrac has dedicated resources to engaging with regulators in the jurisdictions where the Company operates. With the rapid pace of change in the industry, government-appointed regulators seek input from industry and other stakeholders. Calfrac works actively in the regulatory process with the goal of advancing effective regulations that protect the interests of all parties. Thorough, effective regulations that accommodate all parties' interests are an enabler for our business, and a prerequisite for sustainable growth.

Third, Calfrac is reaching out to stakeholders and the general public by participating in and supporting numerous industry associations and professional organizations, with a focus on ensuring that complete and accurate information about our industry is made available to the public. Calfrac's executive officers, managers and senior technical staff are personally active in national organizations in Canada, the United States and internationally, and as speakers at local events.

The overall goal is to increase public understanding of the wide-ranging work being done by Calfrac and its industry peers to control and minimize the environmental risks associated with applying hydraulic fracturing technologies. Readers interested in becoming better-informed can find extensive factual information in the Canadian Society for Unconventional Resources' Fact Sheets and Understanding Booklets, easily accessible on the society's website.

TECHNOLOGY
EQUIPMENT INNOVATIONS: GREATER EFFICIENCY, SAFETY AND ENVIRONMENTAL PROTECTION

Calfrac's Sandstorm system at work for the first time in Northeast B.C., October 12, 2012.

As fracturing jobs grow in length and duration, with enormous fluid and proppant needs and millions of dollars riding on individual wells, equipment ruggedness and reliability are ever-more important.

At the same time, customers expect greater efficiency, better safety and more complete downhole data – all at competitive pricing. Calfrac works continuously to meet these evolving requirements. The Company's planned \$271 million 2012 capital program was primarily directed at Calfrac's fracturing operations in Canada and the United States, adding numerous pieces of equipment and 217,000 hydraulic horsepower. The fleet totalled 977,000 horsepower at year-end. In 2013 the \$74 million capital program will focus on sustaining fleet capabilities while advancing strategic innovations.

With service quality and operator safety being its foremost objectives, Calfrac has been an equipment innovator since its founding. The Company seeks systems that are cost-effective, robust and reliable, with features that minimize hazards for its operators. Calfrac has also implemented numerous improvements to make its equipment cleaner, greener and with an overall smaller footprint. The Company works with key OEMs that are willing to meet Calfrac's customized requirements and, in some cases, to work jointly on designing and prototyping unique systems.

Sandstorm

This all-new proppant handling system achieves what Calfrac believes could be game-changing improvements to efficiency, environmental protection and occupational health. Unique in the global fracturing sector, the system was designed to Calfrac's requirements and consists of:

1. Covered, self-inclining **Gravity Boxes** (three to six in a set), each holding up to 250 tonnes of sand. They are wheel-mounted, rapidly deployable, light and simple, feeding high volumes of sand at a uniform rate.
2. The **Vector Belt**. A covered horizontal conveyor receives sand from the Gravity Boxes and conveys up to 20,000 pounds per minute to an inclined belt, which loads sand into the blender (where fluids, additives and proppant are combined). The Vector Belt is designed for ease of transport and layout.
3. The **HydraBear**, an automated, self-contained hydraulic power unit that tows the conveyors into place and powers the entire system with a single engine, versus multiple engines on traditional systems.
4. A sophisticated, integrated **control system** that can be run electronically or manually, either at the equipment, in the data van or remotely by computer. It provides detailed reporting and allows customers to save "menus" of particular proppant programs.

Sandstorm provides unprecedented speed, proppant volume and accuracy, mobility and speed of set-up and removal. The completely enclosed design virtually eliminates dust generated by proppant handling. Setting up a conventional sand plant for very large multi-well pad projects can require weeks, versus as little as a few hours for a six-box Sandstorm system. Yet Sandstorm is mechanically simpler and less costly than legacy systems, at the same time lowering the Company's environmental footprint. Each conventional sand handler, by contrast, requires a complex built-in mechanical/pneumatic system.

Calfrac worked closely with a key supplier plus internal experts and stakeholders in designing Sandstorm. The prototype was extensively tested in various settings, and performed flawlessly on its maiden deployment in 2012. Customers in Canada and the U.S. have been very pleased with Sandstorm's speed and efficiency. Its advantages have had a material impact on Calfrac's cost-competitiveness on large fracturing jobs. Multiple systems are under construction in 2013 and Calfrac foresees Sandstorm becoming its proppant handling mainstay on large fracturing jobs.

Operating and energy efficiencies are gained using the unique HydraBear system.

Dual-Fuel Fracturing Pumpers

It has long been a goal of producers to operate well-site equipment by tapping into some of the very gas that is the object of the whole drilling and completions process. The impurities in raw gas make this difficult, while new well sites were rarely tied into processing facilities. As well, diesel engines lost power when run on natural gas, reducing the performance of hydraulic pumps. Impressive advances in diesel engine fuel systems and the advent of pad drilling have begun to overcome these two main challenges. Current fuel systems enable natural gas content of 60-70 percent with virtually no compromise in power.

In late 2012, Calfrac entered into an agreement with a major customer to participate in a dual-fuel test program. Six fracturing pumpers were converted to dual-fuel over the winter. Once they are deployed to the field, they will be supplied with liquefied natural gas from off-site. The joint objective is to lower costs through the use of cheaper natural gas, reduce the overall footprint of activity by reducing trucking of diesel fuel, and cut carbon emissions thanks to cleaner-burning natural gas. As this process is perfected, producers hope to utilize their own sales gas from a field processing facility.

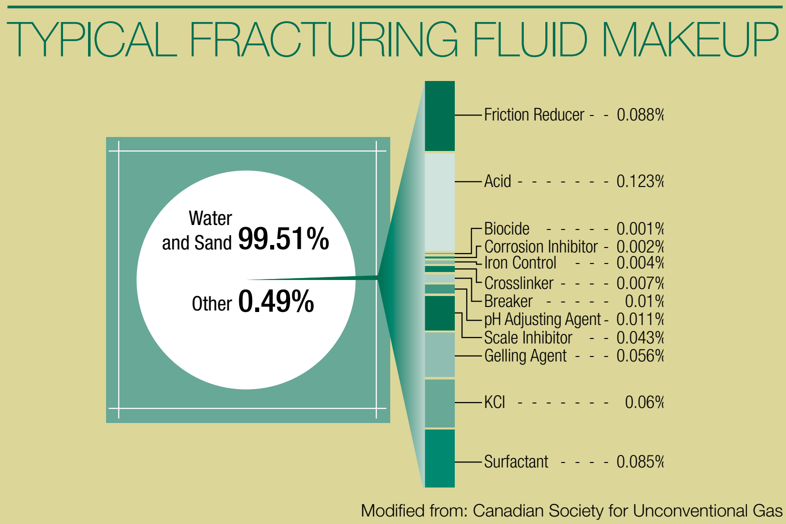
Other Innovations

Features on Calfrac's traditional sand-handling equipment have been re-engineered to better protect personnel. Calfrac is working to minimize "hot loading", or moving of sand from storage into conveyances while proppant is being placed. The use of "telebelts" and other sand conveyors allows sand to be moved mechanically instead of pneumatically, significantly reducing dust.

Calfrac has also designed and introduced proprietary control systems on its equipment, and is transitioning to Calfrac data acquisition and treatment monitoring systems in its data vans. Calfrac control systems also allow multiple pumpers to be operated remotely from the data van or "pump room". The customer's well-site supervisor is able to maintain communication with the "home office" throughout treatments, with customers monitoring the fracturing treatment in real-time. The new systems better reflect Calfrac's operating methods.

With changing customer demand requiring equipment to be redeployed among regions and countries, Calfrac worked with a key supplier to build a convertible frac pumper, on which axle configurations and other equipment features can be easily changed or adjusted to comply with various local vehicle regulations.

TECHNOLOGY
CONTINUOUS IMPROVEMENT IN FLUIDS, CHEMISTRIES, TECHNICAL CAPABILITIES AND ENVIRONMENTAL MANAGEMENT



Modified from: Canadian Society for Unconventional Gas

Technologies at Work

Challenge – Carbonate reservoirs require fracturing with acid. In oil-bearing carbonates, mixing acid with oil can create damaging sludge and emulsions.

Solution – Iterative compatibility testing of Calfrac's acid package, resulting in a special acid formulation, as well as improved treatment of flowback fluid.

Application – Some of the world's richest oil pools are found in carbonate rock such as limestone and dolomite. The Beaverhill Lake Formation, one of Alberta's most prolific historical light oil pools, is being revitalized through horizontal drilling and multi-stage fracturing using acid to dissolve conductive pathways through the rock. The highly variable reservoir demands technical excellence and a well-by-well approach. Calfrac's customized acid formulations are helping customers achieve productive Beaverhill Lake wells.

Calfrac's technology effort is focused on providing consistently high-performing, high-quality fluid systems and cements. They are backed by thorough development and analysis, enabling customers to achieve goals including conductivity of oil and natural gas from the reservoir into the wellbore, cost-effectiveness and environmental friendliness. Calfrac operates a Technology and Training Centre in Calgary, Alberta, which is its global technology and quality control headquarters, as well as a thoroughly equipped Technology and Training Center in Louisville, Colorado, plus a network of regional labs near major oil and natural gas plays.

Management Initiatives

A major management initiative is Calfrac's adoption of the American Petroleum Institute's API Q2, a quality management system of procedures and processes to foster continuous improvement in substantive capabilities, quality control and reporting. API Q2 is the most thorough standard covering the energy industry's service and supply sector. With work well underway by summer 2012, Calfrac's goal is to be ready for the required external audit at the end of 2013 and in early 2014 to become North America's first pressure pumping company to gain API Q2 certification. API Q2 will demonstrate the depth and strengths of Calfrac's capabilities, processes and materials and its ability to provide consistently high-quality and safe performance.

With public interest in hydraulic fracturing on the increase, Calfrac's environmental communications plan includes ongoing comprehensive disclosure of chemicals and materials

used in its operations, while protecting its key technologies. The Company has specialists focused on environmental communications with regulatory authorities and the public.

As with its safety performance, Calfrac's ultimate target is to achieve zero spills, with Company-specific objectives and tasks to drive continuous improvement. In 2013, the Calfrac Incident Management System's sustainability module is being expanded to encompass more environmental capabilities, including calculating carbon emissions from stationary sources. A new waste management program aims to better segregate waste categories and improve waste disposal.

New Capabilities

With customers routinely spending millions of dollars on drilling and completing wells in technically challenging reservoirs, Calfrac continues to advance its technologies that help optimize fluid systems through improved reservoir understanding. The new core flood system in the Calgary Technology and Training Centre enables Calfrac to subject reservoir core samples to various fluid options under simulated downhole pressure and temperature. Core flooding is applicable to virtually any reservoir type and is aimed at reducing the chances of reservoir damage and sub-optimal fracturing results.

Foam-based fluids are increasingly popular, but measuring foam viscosity is difficult, especially under wellbore pressure and temperature. Entering 2013, Calfrac was testing a foam rheometer that enables it to measure, rather than just model, the viscosity of foam in various heat and pressure scenarios. As with the core flood, the purpose is to understand all the effects that the complete cycle of fracturing operations has on the reservoir. Relatively small learning increments can have a material impact on a customer's well performance.

Calfrac also continued to add tools and upgrade equipment, including its friction flow-loop and scale-loop (or dynamic tube-block apparatus), to continue strengthening the labs' analytical capabilities. CleanTech™, a synthetic polymer water-based fluid, aims to reduce the chances of fractures propagating outside the target zone. It continues to be a stellar performer in the southeast Saskatchewan Bakken play, and interest is growing in other reservoirs across North America.

Wellbore construction continues to be an important area of concern, particularly in the U.S., to prevent migration of formation fluids or hydrocarbons into groundwater. Calfrac continues to offer customers sophisticated and appropriate cement blends, backed by a thorough testing process in the recently expanded Louisville, Colorado lab. Regional labs have also been expanded and a new regional lab has been opened in Williston, North Dakota to service the Bakken and other area plays.

Supporting Customers' Evolving Fluid Needs

Calfrac believes in thorough environmental stewardship as part of its corporate philosophy, and this includes supporting the producing sector's drive to maximize its use of non-potable water. Such forms of water have higher concentrations of impurities such as salt. The Company works continuously to provide fluid blends that overcome the technical challenges of lower-quality water, as well as fluids that reduce the volume of water required, while retaining high performance in the wellbore.

This is important to realizing the industry's goal of recycling flowback and produced water, as well as sourcing lower-quality makeup water. This can include treated municipal wastewater, acidic water from mine tailings, wastewater from industrial facilities, and non-potable produced water from approved underground formations. Calfrac has rolled out new and modified products, using its friction flow-loop to test new blends that incorporate lower-quality water under realistic conditions to ensure they perform as intended.

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 February 25, 2013 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the years ended December 31, 2012 and 2011 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2011.

Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used are included on pages 32 and 33.

CALFRAC'S BUSINESS

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

The Company's reportable business segments during the year ended December 31, 2012 were as follows:

- The Canadian segment is focused on the provision of fracturing and coiled tubing services to a diverse group of oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia, Saskatchewan and southwest Manitoba. The Company's customer base in Canada ranges from large multi-national public companies to small private companies. At December 31, 2012, Calfrac's Canadian operations had combined hydraulic horsepower of approximately 375,000, 21 coiled tubing units and one cementing unit converted to assist with coiled tubing operations.
- The United States segment provides pressure pumping services from operating bases in Colorado, Arkansas, Pennsylvania and North Dakota. The Company provides fracturing services to a number of oil and natural gas companies operating in the Bakken oil shale play in North Dakota, the Piceance Basin of western Colorado, the Uintah Basin of northeast Utah and the Denver-Julesburg Basin centred in eastern Colorado and extending into southeast Wyoming, including the Niobrara oil play of northern Colorado. Calfrac also provides fracturing and cementing services to customers operating in the Marcellus shale play in Pennsylvania and West Virginia, the Fayetteville shale play of Arkansas and the Utica Shale in Ohio. The Company had approximately 492,000 hydraulic horsepower and operated 12 cementing units in its United States segment at December 31, 2012.
- The Company's Russian segment provides fracturing and coiled tubing services in Western Siberia. During 2012, the Company operated under a mix of annual and multi-year agreements to provide services to two of Russia's largest oil producers. At December 31, 2012, the Company operated seven deep coiled tubing units and deployed approximately 45,000 hydraulic horsepower forming five fracturing spreads in Russia.
- The Latin America segment provides pressure pumping services from operating bases in Mexico, Argentina and Colombia. The Company provides fracturing and cementing services to Mexico's national oil company and other customers operating in the Burgos field of northern Mexico and the Chicontepec field of central Mexico. In Argentina, the Company provides cementing and coiled tubing services to locally operating oil and natural gas companies. In September 2011, Calfrac commenced cementing operations in Colombia. The Company had approximately 65,000 hydraulic horsepower forming four fracturing spreads, 13 cementing units and one coiled tubing unit in its Latin America segment at December 31, 2012.

CONSOLIDATED HIGHLIGHTS

Years Ended December 31,	**2012**	2011	Change
(C$000s, except per share amounts) (unaudited)	**($)**	($)	(%)
Revenue	**1,595,216**	1,537,392	4
Operating income [1]	**257,013**	412,828	(38)
EBITDA [1]	**264,471**	398,682	(34)
Per share – basic	**5.97**	9.13	(35)
Per share – diluted	**5.90**	8.98	(34)
Net income attributable to the shareholders of Calfrac	**97,146**	187,451	(48)
Per share – basic	**2.19**	4.29	(49)
Per share – diluted	**2.17**	4.22	(49)
Working capital, end of period	**322,857**	398,526	(19)
Total assets, end of period	**1,524,821**	1,405,121	9
Long-term debt, end of period	**441,018**	450,545	(2)
Total equity, end of period	**780,759**	700,569	11

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.

2012 OVERVIEW

In 2012, the Company:

- increased revenue by 4 percent to $1.6 billion from $1.5 billion in 2011, driven by strong growth in the Company's Latin America division;
- reported operating income of $257.0 million versus $412.8 million in 2011, a decrease of 38 percent, mainly as a result of lower volumes of work in Canada combined with competitive pricing pressures and higher product costs in Canada and the United States;
- reported net income attributable to the shareholders of Calfrac of $97.1 million or $2.17 per share diluted, which included a non-cash foreign exchange gain of $8.3 million, compared to results in 2011 of $187.5 million or $4.22 per share diluted, which included a primarily non-cash foreign exchange loss of $14.2 million;
- incurred capital expenditures of $279.0 million, principally to bolster the Company's fracturing operations in Canada and the United States;
- completed its new district facility in Smithfield, Pennsylvania, allowing it to efficiently service the southwest portion of the Marcellus shale play and most of the emerging Utica play. In addition, the Company completed a new district facility in Williston, North Dakota during the fourth quarter, which will serve its expanding presence in that region;
- increased its credit facilities from $250.0 million to $300.0 million with a syndicate of financial institutions, and extended the term to September 27, 2016;
- reported a period-end working capital decrease of 19 percent from December 31, 2011 to $322.9 million at December 31, 2012;

- increased its semi-annual dividend by 400 percent from $0.10 per share to $0.50 per share in February 2012, announced in December 2012 that dividend frequency will become quarterly commencing with a $0.25 dividend to be declared in the first quarter of 2013, and declared dividends of $44.6 million or $1.00 per share in 2012 compared to $7.7 million or $0.175 per share in 2011; and
- announced a capital budget for 2013 of $117.0 million in December 2012 and subsequently reduced it to $74.0 million in February 2013. It will focus on maintenance and support capital and further investment in logistics equipment. Approximately $25.0 million of capital is allocated to supporting Calfrac's growing Latin American operations, including an investment in coiled tubing and fracturing equipment. The 2013 capital program does not contemplate expansion capital for Calfrac's Canadian, United States or Russian operations. In addition, approximately $107.0 million remaining from Calfrac's 2012 capital program is expected to be spent in 2013.

NON-GAAP MEASURES

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

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

Years Ended December 31,	**2012**	2011
(C$000s) (unaudited)	**($)**	($)
Net income	**96,361**	187,157
Add back (deduct):		
Depreciation	**90,381**	87,457
Interest	**36,354**	35,489
Foreign exchange (gains) losses	**(8,260)**	14,234
Loss (gain) on disposal of property, plant and equipment	**802**	(88)
Income taxes	**41,375**	88,579
Operating income	**257,013**	412,828

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

Years Ended December 31,	**2012**	2011
(C$000s) (unaudited)	**($)**	($)
Net income	**96,361**	187,157
Add back:		
Depreciation	**90,381**	87,457
Interest	**36,354**	35,489
Income taxes	**41,375**	88,579
EBITDA	**264,471**	398,682

FINANCIAL OVERVIEW – YEAR ENDED DECEMBER 31, 2012 VERSUS 2011

Canada

Years Ended December 31,	**2012**	2011	Change
(C$000s, except operational information) (unaudited)	**($)**	($)	(%)
Revenue	**732,880**	755,333	(3)
Expenses			
Operating	**526,400**	481,062	9
Selling, General and Administrative (SG&A)	**17,925**	15,909	13
	544,325	496,971	10
Operating income [(1)]	**188,555**	258,362	(27)
Operating income (%)	**25.7%**	34.2%	(25)
Fracturing revenue per job ($)	**197,062**	165,666	19
Number of fracturing jobs	**3,441**	4,165	(17)
Pumping horsepower, end of period (000s)	**375**	285	32
Coiled tubing revenue per job ($)	**30,661**	25,511	20
Number of coiled tubing jobs	**1,787**	2,561	(30)
Coiled tubing units, end of period (#)	**21**	21	–

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.

Revenue

Revenue from Calfrac's Canadian operations was $732.9 million in 2012 versus $755.3 million in 2011. The decrease in revenue was primarily due to the overall decline in natural gas drilling and completions activity in the Western Canada Sedimentary Basin in the latter half of 2012. The average number of active drilling rigs in western Canada decreased by approximately 25 percent in 2012 from 2011. The decline in activity was partially offset by a 19 percent increase in average job size as a result of the continued shift in activity into the unconventional oil and liquids-rich natural gas regions of western Canada.

Operating Income

Operating income in Canada decreased by 27 percent to $188.6 million in 2012 from $258.4 million in 2011. The decline was primarily caused by a more competitive pricing environment combined with lower equipment utilization as a result of lower industry activity. Higher guar expenses resulting from a combination of cost inflation and the shift in activity into the unconventional oil and liquids-rich natural gas areas of western Canada also contributed to the decline in operating income.

United States

Years Ended December 31,	2012	2011	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**638,483**	607,731	5
Expenses			
Operating	**512,482**	408,657	25
SG&A	**20,872**	14,865	40
	533,354	423,522	26
Operating income [1]	**105,129**	184,209	(43)
Operating income (%)	**16.5%**	30.3%	(46)
Fracturing revenue per job ($)	**69,620**	82,527	(16)
Number of fracturing jobs	**8,766**	7,143	23
Pumping horsepower, end of period (000s)	**492**	364	35
Cementing revenue per job ($)	**30,912**	26,016	19
Number of cementing jobs	**661**	611	8
Cementing units, end of period (#)	**12**	9	33
US$/C$ average exchange rate [2]	**0.9996**	0.9891	1

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.

(2) Source: Bank of Canada.

Revenue

Revenue from Calfrac's United States operations increased by 5 percent to $638.5 million in 2012 from $607.7 million in 2011, primarily due to an expansion of fracturing operations in the Bakken play of North Dakota and higher fracturing and cementing activity in the Marcellus shale formation in Pennsylvania and West Virginia due to a larger fleet of equipment operating for a full year.

The increase in revenue was offset partially by a decrease in fracturing and cementing activity in the natural gas-focused plays in Arkansas and Colorado due to the impact of low natural gas prices. The sustained low natural gas price environment resulted in a 23 percent year-over-year decrease in gas-focused drilling rig activity in the areas where the Company operates in the United States. In addition, pricing pressure increased during the year's second half as competition and activity increased in most of the Company's United States operating districts.

Operating Income

Operating income in the United States was $105.1 million for 2012, a decrease of 43 percent from 2011. Operating income as a percentage of revenue decreased from 30 percent in 2011 to 17 percent in 2012. This was primarily due to the impact of competitive pricing pressures combined with a greater use of higher-cost proppants and guar-based chemical systems in North Dakota, which are more costly than traditional fluid systems used in shale gas development. In addition, the Company incurred higher SG&A expenses in order to expand its divisional organization to more effectively support Calfrac's larger operations in the United States.

Russia

Years Ended December 31,	**2012**	2011	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**112,765**	116,105	(3)
Expenses			
Operating	**100,098**	96,950	3
SG&A	**6,101**	6,413	(5)
	106,199	103,363	3
Operating income [(1)]	**6,566**	12,742	(48)
Operating income (%)	**5.8%**	11.0%	(47)
Fracturing revenue per job ($)	**92,791**	114,541	(19)
Number of fracturing jobs	**826**	751	10
Pumping horsepower, end of period (000s)	**45**	45	–
Coiled tubing revenue per job ($)	**57,884**	53,531	8
Number of coiled tubing jobs	**624**	562	11
Coiled tubing units, end of period (#)	**7**	6	17
Rouble/C$ average exchange rate [(2)]	**0.0322**	0.0337	(4)

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.
(2) Source: Bank of Canada.

Revenue

The Company's revenue from Russian operations decreased by 3 percent to $112.8 million in 2012 from $116.1 million in 2011. The decline was mainly due to smaller fracturing job sizes as a result of the Company no longer providing proppant to a significant customer in Western Siberia during 2012, combined with a 4 percent depreciation in the Russian rouble versus the Canadian dollar. This decline was partially offset by higher fracturing and coiled tubing activity combined with the completion of larger coiled tubing jobs.

Operating Income

Operating income in Russia was $6.6 million in 2012 compared to $12.7 million in 2011. The decrease in operating income was primarily due to the significant increase in chemical prices, primarily guar, during the first half of 2012. In addition, higher fuel consumption related to longer travel distances to job locations in Western Siberia and increased fuel prices also contributed to the decline in operating income during 2012.

Latin America

Years Ended December 31,	**2012**	2011	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**111,088**	58,223	91
Expenses			
Operating	**95,494**	54,479	75
SG&A	**6,755**	3,732	81
	102,249	58,211	76
Operating income [(1)]	**8,839**	12	–
Operating income (%)	**8.0%**	–	–
Pumping horsepower, end of period (000s)	**65**	25	160
Cementing units, end of period (#)	**13**	9	44
Coiled tubing units, end of period (#)	**1**	1	–
Mexican peso/C$ average exchange rate [(2)]	**0.0760**	0.0798	(5)
Argentinean peso/C$ average exchange rate [(2)]	**0.2201**	0.2277	(3)

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.
(2) Source: Bank of Canada.

Revenue

Calfrac's Latin American operations generated total revenue of $111.1 million during 2012, almost double the $58.2 million in 2011. Revenue generated from non-core services increased from $10.5 million in 2011 to $23.9 million in 2012. The increase in total revenue was primarily due to a 43 percent increase in fracturing activity combined with the completion of larger jobs and higher contract pricing. In addition, significantly higher cementing and coiled tubing activity in Argentina as well as a full year of cementing activity in Colombia contributed to the increase.

Operating Income

During 2012, Calfrac's Latin America division generated operating income of $8.8 million versus a breakeven position in 2011. The sharp improvement was primarily due to improved pricing in Mexico and higher equipment utilization in Mexico and Argentina. This increase was partially offset by fracturing start-up costs in Argentina and lower than expected cementing equipment utilization in Colombia.

Corporate

Years Ended December 31,	**2012**	2011	Change
(C$000s) (unaudited)	**($)**	($)	(%)
Expenses			
Operating	**9,973**	6,260	59
SG&A	**42,103**	36,237	16
	52,076	42,497	23
Operating loss [1]	**(52,076)**	(42,497)	23
% of Revenue	**3.3%**	2.8%	18

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.

Operating Loss

The 23 percent increase in corporate expenses in 2012 over 2011 was mainly due to an increase in the Company's global operations and procurement personnel to support the Company's larger scale of operations. These planned additions are designed to support Calfrac's continued focus on service quality, operating efficiency and cost management. Higher stock-based compensation expenses of $2.0 million resulting from the restricted share units granted in 2012, commencing during the first quarter, also contributed to the increase in corporate expenses.

Depreciation

Depreciation expense increased by 3 percent to $90.4 million for 2012 from $87.5 million in 2011. The increase was mainly a result of a larger fleet of equipment operating in North America, offset partially by the impact of fully depreciated componentized assets in Canada and the United States.

Foreign Exchange Losses or Gains

The Company realized a foreign exchange gain of $8.3 million during 2012 versus a $14.2 million loss in 2011. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in United States dollars in Canada, Russia and Latin America. The majority of the Company's foreign exchange gain recorded in 2012 was attributable to the translation of United States dollar-denominated liabilities in Canada, Russia and Mexico. The value of the United States dollar depreciated significantly against the Canadian dollar, Russian rouble and Mexican peso during 2012 and was significantly lower at December 31, 2012, resulting in a foreign exchange gain related to these net monetary liabilities.

Interest

The Company's interest expense increased by $0.9 million to $36.4 million in 2012. The increase was related to short-term borrowing costs in Latin America.

Income Tax Expenses

The Company recorded income tax expense of $41.4 million during 2012 versus $88.6 million during 2011. The effective income tax rate for 2012 was 30 percent compared to 32 percent in 2011. The decrease in total income tax expense was primarily due to lower profitability in the United States and Canada. The effective tax rate for 2012 was 2 percent lower than for 2011 primarily due to a lower percentage of taxable income in the United States, which has a higher average statutory tax rate.

LIQUIDITY AND CAPITAL RESOURCES

Years Ended December 31,	**2012**	2011
(C$000s) (unaudited)	**($)**	($)
Cash provided by (used in):		
Operating activities	**196,251**	258,787
Financing activities	**(28,762)**	(9,048)
Investing activities	**(259,184)**	(335,906)
Effect of exchange rate changes on cash and cash equivalents	**1,121**	2,618
Decrease in cash and cash equivalents	**(90,574)**	(83,549)

Operating Activities

The Company's cash provided by operating activities for the year ended December 31, 2012 was $196.3 million versus $258.8 million in 2011. The decrease was primarily due to a decline in operating margins in Canada and the United States. At December 31, 2012, Calfrac's working capital was approximately $322.9 million, a decrease of 19 percent from December 31, 2011. The Company reviewed its accounts receivable in detail at December 31, 2012 and 2011 and determined that a provision for doubtful accounts receivable totalling $0.3 million and $1.4 million, respectively, was adequate. The $1.4 million provision in 2011 was written off in 2012 upon completion of the customer's Chapter 11 restructuring proceedings. A $0.3 million provision was set up in 2012 related primarily to a customer that filed a receivership order in Canada during the fourth quarter of 2012.

Financing Activities

Net cash used in financing activities for 2012 was $28.8 million compared to $9.0 million in 2011. During 2012, the Company issued $11.2 million of common shares, received bank loan proceeds of $2.7 million, paid cash dividends of $35.1 million, repaid $2.2 million of finance lease obligations and long-term debt, and repaid the $4.9 million bank loan in Colombia.

On October 10, 2012, the Company increased its credit facilities with a syndicate of Canadian chartered banks from $250.0 million to $300.0 million and extended the term to September 27, 2016. The maturity may be extended by one or more years at the Company's request and lenders' acceptance. The Company also may prepay principal without penalty. The facilities consist of an operating facility of $20.0 million and a syndicated facility of $280.0 million. The interest rates are based on the parameters of certain bank covenants. For prime-based loans, the rate ranges from prime plus 0.50 percent to prime plus 1.25 percent. For LIBOR-based loans and Bankers' Acceptance-based loans, the margin thereon ranges from 1.50 percent to 2.25 percent above the respective base rates for such loans. As at December 31, 2012, the Company had used $8.7 million of its credit facilities for letters of credit, leaving $291.3 million in available credit.

Calfrac pays quarterly dividends to shareholders at the discretion of the Board of Directors, which qualify as "eligible dividends" as defined by the Canada Revenue Agency. In February 2012, the Company increased its semi-annual cash dividend from $0.10 to $0.50 per share, beginning with the dividend paid on July 16, 2012, thereby increasing the annualized dividend to $1.00 per share beginning in 2012. In December 2012, the Company announced that it would pay dividends quarterly commencing with a $0.25 dividend to be declared in the first quarter of 2013. Calfrac's Board of Directors declared dividends of $44.6 million or $1.00 per share in 2012, compared to $7.7 million or $0.175 per share in 2011.

Investing Activities

Calfrac's net cash used for investing activities was $259.2 million for 2012 versus $335.9 million for 2011. Capital expenditures were $279.0 million in 2012 compared to $324.0 million in 2011. Capital expenditures were primarily to support the Company's North American fracturing operations.

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

Effect of Exchange Rate Changes on Cash and Cash Equivalents

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during 2012 was a gain of $1.1 million versus a gain of $2.6 million during 2011. These gains relate to cash and cash equivalents held by the Company in a foreign currency.

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

At December 31, 2012, the Company had cash and cash equivalents of $42.5 million.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares under the Company's shareholder-approved stock option plan. The number of shares reserved for issuance under the stock option plan is equal to a maximum of 10 percent of the Company's issued and outstanding common shares. As at February 22, 2013, there were 45,315,803 common shares issued and outstanding, and 3,237,575 options to purchase common shares.

The Company has a Dividend Reinvestment Plan ("DRIP") that allows shareholders to direct cash dividends paid on all or a portion of their common shares to be reinvested in additional common shares that will be issued at 95 percent of the volume-weighted average price of the common shares traded on the Toronto Stock Exchange during the last five trading days preceding the relevant dividend payment date. During 2012, $13.8 million was reinvested under the DRIP into 625,080 common shares of the Company.

Normal Course Issuer Bid

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

SUMMARY OF QUARTERLY RESULTS

Quarters Ended	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Total
(C$000s, except per share and operating data) (unaudited)	($)	($)	($)	($)	($)
2012					
Financial					
Revenue	**474,107**	**335,780**	**417,842**	**367,487**	**1,595,216**
Operating income [1]	**113,381**	**29,810**	**70,604**	**43,218**	**257,013**
EBITDA [1]	**127,995**	**18,736**	**70,874**	**46,866**	**264,471**
Per share – basic	**2.92**	**0.42**	**1.59**	**1.05**	**5.97**
Per share – diluted	**2.87**	**0.42**	**1.58**	**1.04**	**5.90**
Net income (loss) attributable to the shareholders of Calfrac	**70,841**	**(11,855)**	**26,917**	**11,243**	**97,146**
Per share – basic	**1.62**	**(0.27)**	**0.60**	**0.25**	**2.19**
Per share – diluted	**1.59**	**(0.27)**	**0.60**	**0.25**	**2.17**
Capital expenditures	**84,075**	**75,286**	**63,962**	**55,694**	**279,017**
Working capital (end of period)	**431,053**	**357,128**	**353,182**	**322,857**	**322,857**
Total equity (end of period)	**779,426**	**747,591**	**783,091**	**780,759**	**780,759**
Operating (end of period)					
Pumping horsepower (000s)	**782**	**830**	**845**	**977**	
Coiled tubing units (#)	**29**	**29**	**29**	**29**	
Cementing units (#)	**23**	**23**	**25**	**26**	

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.

Quarters Ended	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Total
(C$000s, except per share and operating data) (unaudited)	($)	($)	($)	($)	($)
2011					
Financial					
Revenue	337,408	269,456	440,491	490,037	1,537,392
Operating income [(1)]	88,000	47,937	126,527	150,364	412,828
EBITDA [(1)]	96,897	50,597	102,042	149,146	398,682
Per share – basic	2.23	1.16	2.33	3.40	9.13
Per share – diluted	2.18	1.14	2.30	3.38	8.98
Net income attributable to the shareholders of Calfrac	49,078	12,071	47,381	78,921	187,451
Per share – basic	1.13	0.28	1.08	1.80	4.29
Per share – diluted	1.11	0.27	1.07	1.79	4.22
Capital expenditures	65,777	72,047	85,130	101,008	323,962
Working capital (end of period)	356,370	324,832	375,823	398,526	398,526
Total equity (end of period)	556,277	568,607	632,889	700,569	700,569
Operating (end of period)					
Pumping horsepower (000s)	530	584	656	719	
Coiled tubing units (#)	29	29	29	29	
Cementing units (#)	21	22	23	23	

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.

Seasonality of Operations

The Company's North American business is seasonal. The lowest activity is typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up weather conditions and access to well sites in Canada and North Dakota is reduced (refer to "Business Risks – Seasonality" on page 60).

Foreign Exchange Fluctuations

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in the United States, Russian, Mexican and Argentinean currency exchange rates (refer to "Business Risks – Fluctuations in Foreign Exchange Rates" on page 60).

FINANCIAL OVERVIEW – THREE MONTHS ENDED DECEMBER 31, 2012 VERSUS 2011

Canada

Three Months Ended December 31,	2012	2011	Change
(C$000s, except operational information) (unaudited)	**($)**	($)	(%)
Revenue	**201,573**	237,286	(15)
Expenses			
Operating	**147,518**	134,681	10
Selling, General and Administrative (SG&A)	**5,033**	4,384	15
	152,551	139,065	10
Operating income [1]	**49,022**	98,221	(50)
Operating income (%)	**24.3%**	41.4%	(41)
Fracturing revenue per job ($)	**192,600**	183,063	5
Number of fracturing jobs	**1,001**	1,181	(15)
Pumping horsepower, end of period (000s)	**375**	285	32
Coiled tubing revenue per job ($)	**22,689**	30,301	(25)
Number of coiled tubing jobs	**387**	696	(44)
Coiled tubing units, end of period (#)	**21**	21	–

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.

Revenue

Revenue from Calfrac's Canadian operations during the fourth quarter of 2012 was $201.6 million versus $237.3 million in the comparable three-month period of 2011. The decrease in revenue was primarily due to the overall decline in natural gas drilling and completions activity in the Western Canada Sedimentary Basin. The average number of active drilling rigs in western Canada decreased by approximately 28 percent in the fourth quarter of 2012 from the same period in 2011. The decrease in activity was partially offset by an increase in average job sizes resulting from the shift in activity towards the oil and liquids-rich natural gas areas of western Canada.

Operating Income

Operating income in Canada decreased by 50 percent to $49.0 million during the fourth quarter of 2012 from $98.2 million in the same period of 2011. The decrease was primarily due to the lower revenue base and pricing pressure. In addition, lower equipment utilization contributed to the reduction in operating income. Wet weather conditions in the first half of October and a greater slow down in activity during the Christmas holiday season were the main drivers.

United States

Three Months Ended December 31,	2012	2011	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**109,975**	202,511	(46)
Expenses			
Operating	**99,048**	137,342	(28)
SG&A	**5,439**	4,877	12
	104,487	142,219	(27)
Operating income [(1)]	**5,488**	60,292	(91)
Operating income (%)	**5.0%**	29.8%	(83)
Fracturing revenue per job ($)	**52,347**	88,471	(41)
Number of fracturing jobs	**1,943**	2,200	(12)
Pumping horsepower, end of period (000s)	**492**	364	35
Cementing revenue per job ($)	**30,678**	30,360	1
Number of cementing jobs	**180**	182	(1)
Cementing units, end of period (#)	**12**	9	33
US$/C$ average exchange rate [(2)]	**0.9913**	1.0231	(3)

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.

(2) Source: Bank of Canada.

Revenue

Revenue from Calfrac's United States operations decreased during the fourth quarter of 2012 to $110.0 million from $202.5 million in the comparable quarter of 2011. The decrease was due primarily to a significant reduction in equipment utilization and increased pricing pressure as the decrease in natural gas drilling and completion activity created more competition in nearly all of the Company's operating regions. Completions activity in natural gas producing areas such as the Marcellus and Fayetteville shale plays as well as the Piceance Basin were significantly impacted as the number of active gas-focused drilling rigs in these areas decreased by 33 percent in the fourth quarter of 2012 from the same period in 2011.

Operating Income

Operating income in the United States was $5.5 million for the fourth quarter of 2012, a decrease of 91 percent from the comparative period in 2011. The decrease in operating income was primarily due to competitive pricing pressure and lower fracturing equipment utilization in the unconventional natural gas plays of the United States. SG&A expenses increased as a result of restructuring costs incurred during the fourth quarter of 2012.

Russia

Three Months Ended December 31,	**2012**	2011	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**24,197**	30,737	(21)
Expenses			
Operating	**22,707**	25,534	(11)
SG&A	**1,744**	1,385	26
	24,451	26,919	(9)
Operating income (loss) [1]	**(254)**	3,818	(107)
Operating income (loss) (%)	**-1.0%**	12.4%	(108)
Fracturing revenue per job ($)	**84,063**	126,819	(34)
Number of fracturing jobs	**199**	190	5
Pumping horsepower, end of period (000s)	**45**	45	–
Coiled tubing revenue per job ($)	**54,117**	54,442	(1)
Number of coiled tubing jobs	**138**	122	13
Coiled tubing units, end of period (#)	**7**	6	17
Rouble/C$ average exchange rate [2]	**0.0319**	0.0328	(3)

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.
(2) Source: Bank of Canada.

Revenue

During the fourth quarter of 2012, the Company's revenue from Russian operations decreased by 21 percent to $24.2 million from $30.7 million in the corresponding three-month period of 2011. Revenue declined due to smaller job sizes and the Company no longer providing proppant to a significant customer in Western Siberia. In addition, coiled tubing equipment utilization was reduced as a result of severe winter conditions toward the end of the fourth quarter.

Operating Income (Loss)

Russia incurred an operating loss of $0.3 million during the fourth quarter of 2012 compared to operating income of $3.8 million in the corresponding period of 2011. This decrease in operating income was primarily due to the lower revenue base combined with the higher cost of Arctic-grade diesel fuel due to the onset of winter.

Latin America

Three Months Ended December 31,	**2012**	2011	Change
(C$000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**31,742**	19,503	63
Expenses			
Operating	**26,489**	16,911	57
SG&A	**2,152**	1,187	81
	28,641	18,098	58
Operating income [(1)]	**3,101**	1,405	121
Operating income (%)	**9.8%**	7.2%	36
Pumping horsepower, end of period (000s)	**65**	25	160
Cementing units, end of period (#)	**13**	9	44
Coiled tubing units, end of period (#)	**1**	1	–
Mexican peso/C$ average exchange rate [(2)]	**0.0766**	0.0750	2
Argentinean peso/C$ average exchange rate [(2)]	**0.2066**	0.2211	(7)

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.
(2) Source: Bank of Canada.

Revenue

Calfrac's Latin America operations generated total revenue of $31.7 million during the fourth quarter of 2012 versus $19.5 million in the comparable three-month period in 2011. The increase in revenue was primarily due to higher fracturing activity and pricing, larger job sizes and an increase in the scale of operations due to the commencement of multi-stage fracturing jobs in Mexico. Higher cementing and coiled tubing activity as well as larger cementing job sizes in Argentina combined with higher cementing activity in Colombia also contributed to this increase.

Operating Income

Operating income in Latin America for the three months ended December 31, 2012 was $3.1 million versus $1.4 million in the comparative quarter in 2011. The increase was primarily due to higher equipment utilization and pricing in Mexico. This increase was offset partially by start-up costs related to the planned commencement of fracturing operations in Argentina in early 2013 combined with lower than expected equipment utilization in Colombia. The Company operated a larger number of cementing crews in Colombia during the fourth quarter of 2012 than the comparative three-month period in 2011, but overall utilization was hindered by a slower than expected pace of development in that country due to permitting and infrastructure issues.

Corporate

Three Months Ended December 31,	2012	2011	Change
(C$000s, except operational information) (unaudited)	($)	($)	(%)
Expenses			
Operating	**2,464**	1,757	40
SG&A	**11,675**	11,615	1
	14,139	13,372	6
Operating loss [1]	**(14,139)**	(13,372)	6
% of Revenue	**3.8%**	2.7%	41

(1) Refer to "Non-GAAP Measures" on pages 32 and 33 for further information.

Operating Loss

The 6 percent increase in corporate expenses from the fourth quarter of 2011 was mainly due to an increase in the Company's global operations and procurement personnel to support its continued focus on service quality, operating efficiency and cost management. Higher stock-based compensation expenses related to the issuance of restricted stock units in 2012 also contributed to the increase in corporate expenses. This increase was offset partially by lower annual bonus expenses.

Depreciation

For the three months ended December 31, 2012, depreciation expense increased by 3 percent to $23.6 million from $23.0 million in the corresponding quarter of 2011. The increase was mainly a result of a larger fleet of equipment operating in North America, offset partially by the impact of fully depreciated componentized assets in Canada and the United States.

Foreign Exchange Losses or Gains

The Company realized a foreign exchange gain of $3.8 million during the fourth quarter of 2012 versus a foreign exchange loss of $1.0 million in the comparative three-month period of 2011. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in United States dollars in Canada, Russia and Latin America. The Company's foreign exchange gain recorded in the fourth quarter of 2012 was largely attributable to the translation of United States dollar-denominated debt held in Russia. The value of the United States dollar at December 31, 2012 weakened against the Russian rouble, resulting in a consolidated net foreign exchange gain.

Interest

The Company's interest expense of $8.9 million for the fourth quarter of 2012 represented a decrease of $0.1 million from $9.0 million in the comparable period of 2011.

Income Tax Expenses

The Company's recorded income tax expense of $3.3 million during the fourth quarter of 2012 compared to $38.2 million in the comparable period of 2011. The effective income tax rate for the three months ended December 31, 2012 was 23 percent compared to 33 percent in the same quarter of 2011. The decrease in total income tax expense was primarily due to lower profitability in Canada and the United States. Tax losses in the United States, which has a high statutory tax rate, were the main driver of the decline in the consolidated effective income tax rate.

OUTLOOK

With a mild winter in North America tempering natural gas price recovery and therefore gas-related drilling, combined with a relatively stable oil-focused rig count in North America, Calfrac is taking a conservative approach to capital program spending for the first half of 2013. Calfrac has demonstrated in previous cyclical oilfield service activity downturns that it is able to prudently manage operating and capital costs and, with its strong balance sheet, make strategic acquisitions that provide solid, accretive value to shareholders when accretive opportunities present themselves. The Company is presently focused on optimizing its cost structure and capital expenditures to provide a sustainable business model for long-term growth. As a result, Calfrac's 2013 capital has been reduced by $43.0 million for a total anticipated capital budget of $74.0 million, of which $20.0 million is expected to be carried over into 2014. The 2012 capital budget carryforward to 2013 is approximately $107.0 million and total capital expenditures in 2013 are estimated to be approximately $161.0 million.

Canada is the Company's largest operating segment and offers the greatest visibility on activity and revenue. Calfrac's Canadian business has been built on a strong customer base and long-term contractual arrangements. Although January started slower than expected, activity has increased substantially and is anticipated to remain very strong until spring break-up, supported by an increase in drilling activity in late 2012 that has continued into 2013.

The Company believes that well completion activity will continue to grow as many of the emerging plays in the Western Canada Sedimentary Basin, such as the Duvernay and liquids-rich Montney areas, transition to full scale commercial development. Calfrac recognizes, however, that capital programs of its customer base may be restricted until commodity price direction is more certain. As a result, Calfrac will closely monitor its customers' 2013 capital spending plans and proactively adjust its cost structure, particularly in the second quarter, as 2013 activity is anticipated to be lower overall than in 2011 and 2012.

The natural gas resource plays of northwest Alberta and northeast British Columbia are some of the most economic gas-producing areas in North America and activity is expected to increase with the continued influx of capital from foreign entities and large multi-national companies. The interest in Canada is largely predicated on a long-term liquefied natural gas (LNG) export strategy. Because sufficient natural gas production must be available on completion of LNG export facilities within the next five years, the associated increase in capital investment could have a meaningful impact on Calfrac's Canadian operations as early as the third quarter of this year, as a number of longstanding customers are involved in these plans.

The Company's leadership position in the development of the Montney and Horn River resource plays is expected to position it to participate significantly in the development of the resources needed to support LNG exports. Further operational efficiencies are expected to be achieved through the expanded use of 24-hour operations and multi-well pad development. Calfrac also believes that activity in the liquids-rich natural gas reservoirs of the Deep Basin and Duvernay plays will continue to be strong throughout 2013 and could generate significant future demand for its fracturing and coiled tubing services. Calfrac remains one of the most active service providers in these plays and anticipates that its positioning will form the basis of further growth opportunities in Canada during 2013.

In the United States, pricing has decreased in all of the basins in which Calfrac operates, although the decline has been mitigated by the Company's contract position. The Company recently rationalized its United States cost structure and initiated supply chain and logistical improvements to ensure improved profitability in a lower-revenue environment. Calfrac expects to begin realizing the benefits of these initiatives in the first quarter of 2013. Although the Company does not expect the United States pumping sector's dynamics to change significantly during the first half of 2013, it is cautiously optimistic that well drilling and completions activity will improve in the latter part of the year, leading to improved financial performance.

Calfrac believes that it is well-positioned to navigate through a period of uncertainty in the U.S. pressure pumping business. In addition to its contract position, Calfrac services some of the most active unconventional resource plays in the United States, including the Bakken oil shale play in North Dakota and the Marcellus shale gas play in Pennsylvania and West Virginia. Calfrac expects activity in North Dakota will increase as oil producers refine their completion programs to improve their well economics and develop other reservoirs in the region. The Company also believes that the Marcellus shale play is one of the most economic natural gas producing regions in the United States and will become significantly more active as the price of natural gas recovers. Calfrac currently operates three large fracturing spreads in this play, all supported by minimum commitment contracts. Calfrac's primary base of operations is close to the liquids-rich natural gas area of the Marcellus in southwest Pennsylvania, which is expected to become more active in 2013. The Company is also able to service a large portion of the emerging Utica shale play from its facility in Smithfield, Pennsylvania, and has fractured a number of wells in that play. As a result, Calfrac is anticipated to have a strong base level of activity in 2013 and benefit from overall increases in United States oil and natural gas development.

Calfrac recently reorganized its senior management team in the United States to implement cost controls and better focus on profitable growth opportunities. The Company is pleased to announce the appointment of Lindsay Link as President of Calfrac's United States Division effective on February 1, 2013. Mr. Link has 30 years of experience in pressure pumping, coiled tubing, cementing and general oilfield services in domestic and international markets. In addition, Chad Leier was promoted to Vice President, Sales, Marketing & Engineering for the United States Division effective February 11, 2013. Mr. Leier has 13 years of pressure pumping service experience, joining Calfrac in 2004 and progressing through a number of operational, sales and senior managerial roles.

Calfrac recently completed the 2013 contract tender process in Russia and expects that equipment utilization will improve over 2012. The Russian pricing environment is not anticipated to change significantly, due to competitive pressures. Consequently, the Company remains focused on streamlining its cost structure in an effort to improve future financial performance. In addition, the introduction of new drilling and completion technologies in Western Siberia, including horizontal drilling and multi-stage completions, provides significant future potential. The Company is very pleased to have initiated multi-stage fracturing of horizontal wells in 2012, which it sees as a driver of demand for its services over the short and long terms as Russia's producing sector gains confidence in this approach.

The Mexican oilfield service environment has improved over the last two years as its primary energy producer focused additional resources on onshore oil and natural gas development. Calfrac anticipates additional opportunities to apply horizontal technology to many of Mexico's producing regions. Calfrac expects that its initial horizontal fracturing jobs in Mexico will result in more work of this nature in 2013 and beyond, a model which has served the Company's growth strategy well in Canada and the United States. Several tenders are planned for 2013 which provide the opportunity for incremental work and, contingent on Calfrac's success in securing such work, the allocation of additional capital equipment to Mexico.

In Argentina, the Company remains optimistic about the development of unconventional resource plays, which is expected to drive oilfield activity over the longer term. Horizontal drilling combined with multi-stage fracturing will be key inputs to unlocking these resources. To date, there is very limited capacity in-country to service these emerging plays. Calfrac is in the midst of testing and preparing its recently deployed fracturing equipment, which is expected to commence operations during the first quarter of 2013. The Company entered the Colombian oilfield service market in late 2011 and is currently focused on building its customer base. While the pace of development in Colombia was slower than expected in 2012 due to permitting and infrastructure issues, Calfrac believes that this market has significant long-term growth opportunities.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

		Payment Due by Period			
	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
(C$000s) (unaudited)	**($)**	($)	($)	($)	($)
Operating and finance leases	**35,869**	16,317	18,514	1,038	–
Purchase obligations	**369,230**	202,252	164,658	2,320	–
Total contractual obligations	**405,099**	218,569	183,172	3,358	–

As outlined above, Calfrac has various contractual lease commitments related to vehicles, equipment and facilities as well as purchase obligations for products, services and property, plant and equipment.

Greek Litigation

As described in note 22 to the annual consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. Management is of the view that it is improbable there will be an outflow of economic resources from the Company to settle these claims. Consequently, no provision was recorded in the consolidated financial statements.

U.S. Litigation

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

Allowance for Doubtful Accounts Receivable

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based on specific situations and overall industry conditions. In situations where the 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 receivable, which was $0.3 million at December 31, 2012, is adequate. During the fourth quarter of 2012, Calfrac wrote off $1.4 million previously included in the provision for doubtful accounts receivable.

Depreciation

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

Financial Instruments

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

Fair Values of Financial Assets and Liabilities

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes, based on the closing market price at December 31, 2012, was $443.2 million before deduction of unamortized debt issuance costs (December 31, 2011 – $446.2 million). The carrying value of the senior unsecured notes at December 31, 2012 was $447.7 million before deduction of unamortized debt issuance costs (December 31, 2011 – $457.7 million). The fair values of the remaining long-term debt and finance lease obligations approximate their carrying values, as described in notes 7 and 8 to the annual consolidated financial statements.

Credit Risk

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices, including the use of credit limits and approvals, and by monitoring its customers' financial condition. At December 31, 2012, the Company had a provision for doubtful accounts receivable of $0.3 million, related primarily to a customer that filed a receivership order during the fourth quarter of 2012.

Payment terms with customers vary by country and contract. However, standard payment terms are 30 days from invoice date. The Company's aged trade accounts receivable at December 31, 2012 and 2011, excluding provision for doubtful accounts, are as follows:

As at December 31,	**2012**	2011
(C$000s) (unaudited)	**($)**	($)
Current	**123,086**	150,079
31 – 60 days	**50,047**	65,406
61 – 90 days	**9,815**	18,950
91+ days	**6,509**	1,921
Total	**189,457**	236,356

Interest Rate Risk

The Company is exposed to cash flow risk due to fluctuating interest payments required to service any floating-rate debt. The increase or decrease in interest expense for each 1 percentage point change in interest rates on floating-rate debt at December 31, 2012 amounts to $19,000 (2011 – $23,000).

The Company's effective interest rate for the year ended December 31, 2012 was 8.1 percent (December 31, 2011 – 8.2 percent).

Liquidity Risk

The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities, new long-term notes and new share equity. The Company monitors its liquidity position to ensure it has sufficient funds to complete planned capital and other expenditures. The Company mitigates liquidity risk by maintaining adequate banking and credit facilities and monitoring its forecast and actual cash flows. The Company may also adjust its capital spending and dividends to maintain liquidity.

At December 31, 2012	**Total**	**Less than 1 Year**	**1 – 3 Years**	**4 – 6 Years**	**7 – 9 Years**	**Thereafter**
(C$000s) (unaudited)	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**
Accounts payable and accrued liabilities	**168,250**	**168,250**	**–**	**–**	**–**	**–**
Long-term debt and finance lease obligations [(1)]	**716,563**	**34,872**	**101,913**	**101,293**	**478,485**	**–**

[(1)] Principal and interest.

As at December 31, 2011	Total	Less than 1 Year	1 – 3 Years	4 – 6 Years	7 – 9 Years	Thereafter
(C$000s) (unaudited)	($)	($)	($)	($)	($)	($)
Bank loan	2,418	2,418	–	–	–	–
Accounts payable and accrued liabilities	149,740	149,740	–	–	–	–
Long-term debt and finance lease obligations [(1)]	769,208	36,725	105,101	103,945	523,437	–

[(1)] Principal and interest.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs may be denominated in currencies other than Canadian dollars. These currencies comprise the U.S. dollar, Russian rouble, Mexican peso and Argentinean peso. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases of products and property, plant and equipment from vendors in the United States. In addition, the Company's senior unsecured notes and related interest expense are denominated in U.S. dollars. The amount of debt and interest expressed in Canadian dollars varies with fluctuations in the US$/Cdn$ exchange rate. However, this risk is mitigated by the Company's sizable U.S. operations and related revenue streams.

A change in the value of foreign currencies in the Company's consolidated financial instruments (cash, accounts receivable, accounts payable and debt) would have had the following impact on net income and other comprehensive income:

At December 31, 2012	**Impact to Net Income**	**Impact to Other Comprehensive Income**
(C$000s) (unaudited)	**($)**	**($)**
1% decrease in value of U.S. dollar	**(674)**	**4,256**
1% increase in value of U.S. dollar	**674**	**(4,256)**
1% decrease in value of Russian rouble	**–**	**(242)**
1% increase in value of Russian rouble	**–**	**242**
1% decrease in value of Mexican peso	**–**	**(31)**
1% increase in value of Mexican peso	**–**	**31**
1% decrease in value of Argentinean peso	**–**	**59**
1% increase in value of Argentinean peso	**–**	**(59)**

At December 31, 2011	Impact to Net Income	Impact to Other Comprehensive Income
(C$000s) (unaudited)	($)	($)
1% decrease in value of U.S. dollar	1,958	1,408
1% increase in value of U.S. dollar	(1,958)	(1,408)
1% decrease in value of Russian rouble	–	(189)
1% increase in value of Russian rouble	–	189
1% decrease in value of Mexican peso	–	(127)
1% increase in value of Mexican peso	–	127

Goodwill

Goodwill represents an excess of the purchase price over the fair value of net assets acquired and is not amortized. The Company assesses goodwill at least annually. Goodwill is allocated to each operating segment, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each operating segment is compared to the carrying value of its net assets.

The Company completed its annual assessment for goodwill impairment and determined there was none for the years ended December 31, 2012 and 2011.

Income Taxes

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

Stock-Based Compensation

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

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

Functional Currency

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

Cash-Generating Units

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

RELATED-PARTY TRANSACTIONS

An entity controlled by a director of the Company provided ongoing real estate advisory services to the Company at market rates during 2012. This engagement was subsequently terminated as the services are no longer required. The aggregate fees charged for such services during 2012 were $29,000 (2011 – $90,000), as measured at the exchange amount.

In November 2010, the Company lent the President and Chief Operating Officer of the Company $2.5 million to purchase common shares of the Company on the Toronto Stock Exchange. The loan is on a non-recourse basis and is secured by the common shares acquired with the loan proceeds. It is for a term of five years and bears interest at 3.375 percent per annum, payable annually. The market value of the shares that secure the loan was approximately $2.1 million as at December 31, 2012 (December 31, 2011 – $2.4 million).

The Company leases certain premises from an entity controlled by a director of the Company. The lease between the Company and such entity was negotiated on an arm's-length basis at market rates. The aggregate rent charged for these premises during 2012 was $0.4 million (2011 – $0.3 million), as measured at the exchange amount. The Company has agreed to lease such premises until August 31, 2015.

CHANGES IN ACCOUNTING POLICIES

There are no new IFRS or IFRIC (International Financial Reporting Interpretations Committee) interpretations that are effective for the first time for the year beginning on or after January 1, 2012 that had a material impact on the Company.

RECENT ACCOUNTING PRONOUNCEMENTS

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company does not expect that these standards will have a significant effect on its consolidated financial statements.

(i) IFRS 9 *Financial Instruments* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in International Accounting Standard (IAS) 39 for debt instruments with a new mixed-measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2015 with earlier application permitted.

(ii) IFRS 10 *Consolidated Financial Statements* requires an entity to consolidate an investee when it has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretations Committee (SIC) 12 *Consolidation – Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

(iii) IFRS 11 *Joint Arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity-account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers.*

(iv) IFRS 12 *Disclosure of Interests in Other Entities* establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosure and also introduces significant additional disclosure that addresses the nature of, and risks associated with, an entity's interests in other entities.

(v) IFRS 13 *Fair Value Measurement* is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosure.

(vi) There have been amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 13.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer (CEO) and Senior Vice President, Finance & Chief Financial Officer (CFO) of Calfrac are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) for the Company.

DC&P are designed to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO by others, particularly in the period in which the annual filings are being prepared, and that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified in securities legislation, and includes controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In accordance with the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2012. Based on this evaluation, the CEO and CFO have concluded that, subject to the inherent limitations noted below, the Company's DC&P and ICFR are effectively designed and operating as intended.

The Company's management, including the CEO and CFO, does not expect that the Company's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud, if any, within the Company have been detected.

There was no change to the Company's ICFR that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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 below as well as in the Company's most recently filed Annual Information Form, which is available at www.sedar.com.

Volatility of Industry Conditions

The demand, pricing and terms for fracturing and well stimulation services largely depend upon the level of exploration and development activity for natural gas and oil in North America, Russia and Latin America. Industry conditions are influenced by numerous factors over which the Company has no control, including oil and natural gas prices, expectations about future oil and natural gas prices, the cost of exploring for, producing and delivering oil and natural gas, the decline rates for current production, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, weather conditions, political, military, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing. A material decline in global oil and natural gas prices or North American, Russian and, to a lesser extent, Latin American activity levels as a result of any of the above factors could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. Warmer than normal winters in North America, among other factors, could adversely affect demand for natural gas and, therefore, demand for oilfield services. If economic conditions deteriorate, a decline in natural gas exploration and production could occur, which could cause a decline in the demand for the Company's services. Such decline could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Equipment Levels

Because of the long-life nature of oilfield service equipment and the lag between when a decision to build additional equipment is made and when the equipment is placed into service, the quantity of oilfield service equipment in the industry does not always correlate with the level of demand for service equipment. Periods of high demand often spur increased capital expenditures on equipment, and those capital expenditures may add capacity that exceeds actual demand. Such capital overbuild could cause the Company's competitors to lower their pricing and could lead to a decrease in rates in the oilfield services industry generally, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Federal, State and Provincial Legislative and Regulatory Initiatives

The Company is a provider of hydraulic fracturing services, a process involving the injection of fluids, primarily consisting of water but typically including small amounts of several chemical additives, as well as proppant in order to create fractures extending from the wellbore through the rock formation to enable natural gas or oil to move more easily through the reservoir to the production casing. The Canadian federal government, the United States Congress, the United States Environmental Protection Agency and other federal agencies in the United States are conducting investigations regarding the use of chemicals in the hydraulic fracturing process and the potential impacts on human health and the environment. In addition, bills asserting that chemicals used in the fracturing process could adversely affect drinking water supplies have been unsuccessfully introduced in Congress. The proposed legislation has historically aimed to repeal the exemption for hydraulic fracturing under the Safe Drinking Water Act. The United States Department of the Interior is also contemplating a rule that would regulate chemical disclosure, wellbore integrity and flowback water, among other aspects of hydraulic fracturing, on public land and Native American lands. These or similar bills or rules, if enacted, could result in additional permitting requirements and other restrictions for hydraulic fracturing operations, which could result in delays in operations at well sites and increased costs to make wells productive. Moreover, such bills or rules could require the reporting and public disclosure of chemicals used in the fracturing process to federal or state regulatory authorities, making such competitive information publicly available if appropriate safeguards are not in place to protect confidential business information. Such disclosure could also increase any public concerns regarding perceived risk to drinking water wells in the vicinity of an oil or natural gas well or perceived risk of other environmental impacts. If adopted, this legislation would likely establish an additional level of regulation at the federal level that could lead to operational delays and increased operating costs.

In addition, some provincial, state and local governments have undertaken similar investigations and have implemented various conditions, rules, regulations and restrictions (including temporary or permanent bans) on hydraulic fracturing operations. Legislative and regulatory requirements currently in place or scheduled to become effective in certain provinces and/or states in 2013 include requirements regarding public disclosure of chemicals utilized in hydraulic fracturing fluids, wellhead and pad setbacks, casing and cementing of wells, withdrawal of water for use in hydraulic fracturing of horizontal wells, baseline testing of nearby water wells and restrictions on which additives may be used, as well as temporary or permanent bans on hydraulic fracturing (such as the moratoriums on hydraulic fracturing in New Jersey and New York) in certain environmentally sensitive areas such as watersheds. These types of conditions could subject the Company to increased costs, limits on the productivity of certain wells and, possibly, limits on its ability to deploy its technology at or in the vicinity of sensitive areas. The adoption of any future federal, provincial, state or local laws or implementing regulations in any of the jurisdictions in which the Company operates which impose additional permitting, disclosure or regulatory obligations related to, or otherwise limiting, the hydraulic fracturing process could make it more difficult to complete oil and natural gas wells and could affect the Company's ability to utilize proprietary technological developments to compete effectively in the pressure pumping industry. Such results could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The operations of the Company's customers are also subject to or impacted by a wide array of regulations in the jurisdictions in which they operate. As a result of changes in regulations and laws relating to the oil and natural gas industry, customers' operations could be disrupted or curtailed by governmental authorities. The cost of compliance with applicable regulations may cause customers to discontinue or limit their operations and may discourage companies from continuing development activities. As a result, demand for the Company's services could be substantially affected by regulations adversely impacting the oil and natural gas industry.

Changes in environmental requirements may reduce demand for the Company's services. For example, oil and natural gas exploration and production could become less cost-effective and decline as a result of increasingly stringent environmental requirements (including land use policies responsive to environmental concerns and delays or difficulties in obtaining environmental permits). A decline in exploration and production, in turn, could materially and adversely affect the Company's business, financial condition, results of operations and cash flows.

Environment Laws and Regulations

The Company is subject to increasingly stringent federal, provincial, state and local laws and regulations relating to the importation, release, transport, handling, storage, disposal and use of, and exposure to, hazardous materials, radioactive materials and explosives, and the protection of the environment, including laws and regulations governing air emissions, water discharges and waste management. The Company incurs, and expects to continue to incur, capital and operating costs to comply with environmental laws and regulations. Unintentional violation of these laws and regulations could lead to substantial fines and penalties. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and costly to implement.

The Company uses and generates hazardous substances and wastes in its operations. Because the Company provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment. In addition, some of the Company's current properties are, or have been, used for industrial purposes. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages irrespective of negligence or fault. Accordingly, the Company could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require the Company to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

Volatility in Credit Markets

The ability to make scheduled debt repayments, refinance debt obligations or access financing depends on the Company's financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain finance, business and other factors beyond its control. Continuing volatility in the credit markets could increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or affect the ability of the Company, or third parties it seeks to do business with, to access those markets.

In addition, access to further financing for the Company or its customers remains uncertain. This condition could have an adverse effect on the industry in which the Company operates and its business, including future operating results. The Company's customers may curtail their drilling and completion programs, which could decrease demand for the Company's services and could increase downward pricing pressures. In addition, certain customers could become unable to pay suppliers, including the Company, in the event they are unable to access the capital markets to fund their business operations. Such risks, if realized, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Concentration of Customer Base

The Company's customer base consists of more than 190 oil and natural gas exploration and production companies, ranging from large multinational public companies to small private companies. Notwithstanding the Company's broad customer base, it has ten significant customers that collectively accounted for approximately 61% of its revenue for the year ended December 31, 2012 and, of such customers, five accounted for approximately 39% of the Company's revenue for the year ended December 31, 2012. Some of this business is anchored by long-term contracts providing stability to a portion of associated revenue. There can be no assurance, however, that the Company's relationship with these ten customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Competition

Each of the markets in which the Company participates is highly competitive. To be successful, a service provider must provide services that meet the specific needs of oil and natural gas exploration and production companies at competitive prices. The principal competitive factors in the markets in which the Company operates are product and service quality and availability, technical knowledge and experience, reputation for safety and price. The Company competes with large national and multinational oilfield service companies that have extensive financial and other resources. These companies offer a wide range of well stimulation services in all geographic regions in which the Company operates. In addition, the Company competes with several regional competitors. As a result of competition, the Company may suffer from a significant reduction in revenue or be unable to pursue additional business opportunities.

Sources, Pricing and Availability of Raw Materials, Components and Parts

The Company sources its raw materials, such as proppant, chemicals, nitrogen, carbon dioxide and diesel fuel, and its components and parts, such as coiled tubing, from a variety of suppliers in North America, Russia, Argentina and Colombia. Should the Company's current suppliers be unable to provide the necessary raw materials and components at a price acceptable to the Company or otherwise fail to deliver products in the quantities required, any resulting cost increases or delays in the provision of services could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Foreign Operations

Some of the Company's operations and related assets are located in countries outside of Canada and the United States, some of which may be considered politically or economically unstable. Activities in such countries may require protracted negotiations with host governments, national oil companies and third parties and are frequently subject to economic and political considerations, such as taxation, nationalization, expropriation, inflation, currency fluctuations, increased regulation and approval requirements, governmental regulation and the risk of actions by terrorist, criminal or insurgent groups, any of which could adversely affect the economics of exploration or development projects and the demand for the Company's well stimulation services, which in turn could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Additionally, operations outside of Canada could also expose the Company to trade and economic sanctions or other restrictions imposed by the Canadian government or other governments or organizations. Although management has implemented internal controls, procedures and policies that it believes to be adequate and customary in the industry and the countries where the Company operates, federal agencies and authorities may seek to impose a broad range of criminal or civil penalties against the Company or its representatives for violations of securities laws, foreign corrupt practices laws or other federal statutes, any of which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Operational Risks

The Company's operations are subject to hazards inherent in the oil and natural gas industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These hazards could expose the Company to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, contamination of drinking water and other environmental damages. The Company continuously monitors its activities for quality control and safety, and although the Company maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance may not be adequate to cover potential liabilities and may not be available in the future at rates that the Company considers reasonable and commercially justifiable.

Fluctuations in Foreign Exchange Rates

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the results of the Company's foreign operations are directly affected by fluctuations in the United States, Russian, Mexican, Argentinean and Colombian currency exchange rates. For example, financial results from the Company's United States operations are denominated in United States dollars, so that a decrease in the value of the United States dollar would decrease the Canadian dollar amount of such financial results from United States operations. Other than natural hedges arising from the normal course of business in foreign jurisdictions, the Company does not have any hedging positions.

Seasonality

The Company's financial results are directly affected by the seasonal nature of the North American oil and natural gas industry, particularly in portions of western Canada and North Dakota. The first quarter incorporates the winter drilling season when a disproportionate amount of the activity takes place in western Canada and North Dakota. During the second quarter, soft ground conditions typically curtail oilfield activity in all of the Company's Canadian operating areas and its operating areas in North Dakota such that many rigs are unable to be moved due to road weight restrictions. This period, commonly referred to as "spring break-up", occurs earlier in the year in North Dakota and southeast Alberta than it does in northern Alberta and northeast British Columbia. Consequently, this is the Company's weakest three-month revenue period.

Additionally, if an unseasonably warm winter prevents sufficient freezing, the Company might not be able to access well sites and its operating results and financial condition could therefore be adversely affected. The demand for fracturing and well stimulation services may also be affected by severe winter weather in North America and Russia. In addition, during excessively rainy periods in any of the Company's operating areas, equipment moves may be delayed, thereby adversely affecting revenue. The volatility in the weather adds a further element of unpredictability to activity and utilization rates, which can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Liabilities of Prior Operations

From time to time, there may be legal proceedings underway, pending or threatened against the Company relating to the business of Denison Energy Inc ("Denison") prior to its reorganization and subsequent acquisition of the Company. In March 2004, the Canadian petroleum and natural gas assets and the mining leases, mining environmental services and related assets and liabilities of Denison were transferred to two new companies that provided indemnities to Denison for all claims or losses relating to Denison's prior business, except for matters related to specific liabilities retained by Denison. Despite these indemnities, it is possible that the Company could be found responsible for claims or losses relating to the assets and liabilities transferred by Denison and that claims or losses may not be within the scope of either of the indemnities or may not be recoverable by the Company. Because of the nature of Denison's former operations (oil and natural gas exploration and production, mining and environmental services), these claims and losses could include substantial environmental claims. The Company cannot predict the outcome or ultimate impact of any legal or regulatory proceedings pending against Denison or affecting the Company's business or any legal or regulatory proceedings that may relate to Denison's prior ownership or operation of assets.

As a result of the acquisition and amalgamation with Denison in 2004, the Company assumed certain legal obligations related to Denison's Greek operations. In 1998, North Aegean Petroleum Company E.P.E. ("NAPC"), a Greek subsidiary of a consortium in which Denison participated (and which is now a majority-owned subsidiary of the Company), terminated employees in Greece as a result of the cessation of its oil and natural gas operations in that country. Several groups of former employees 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 compensation was due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered on June 25, 2010. NAPC and the Company are assessing available rights of appeal to any other levels of court in any jurisdiction where such an appeal is warranted.

Several other smaller groups of former employees have filed similar cases in various courts in Greece. One of these cases was heard by the Athens Court of First Instance on January 18, 2007. By judgment rendered November 23, 2007, the plaintiff's allegations were partially accepted, and the plaintiff was awarded compensation for additional work. The appeal of this decision was heard on June 2, 2009, at which time an additional claim by the plaintiff seeking damages was also heard. A decision in respect of the hearing has been rendered which accepted NAPC's appeal and partially accepted the additional claim of the plaintiff. Another one of the lawsuits seeking salaries in arrears plus interest was heard by the Supreme Court of Greece on November 6, 2007 and on September 21, 2010, and on both occasions the appeal of the plaintiffs was denied for technical reasons due to improper service. The remaining action, which is seeking salaries in arrears plus interest, was scheduled to be heard before the Athens Court of First Instance on October 1, 2009, but has been postponed a total of four times, including the most recent postponement on February 22, 2013. No new date has been set for the postponed hearing.

The direction and financial consequence of the potential decisions in these actions cannot be determined at this time. If these actions were to be determined in a manner adverse to the Company, it could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Legal Proceedings

From time to time, the Company is involved in legal proceedings which are usually related to normal operational or labour issues. Although the Company believes that the likelihood of material loss relating to its existing legal proceedings is not high, the results of the Company's legal proceedings or related matters cannot be determined with certainty. The Company's assessment of the likely outcome of these matters is based on advice from external legal advisors, which is based on their judgment of a number of factors including the applicable legal framework and precedents, relevant financial and operational information and other evidence and facts specific to the matter as known at the time of the assessment. If these actions, or any actions which the Company may be subject to in the future, were to be determined in a manner adverse to the Company, it could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Management Stewardship

The successful operation of the Company's business depends upon the abilities, expertise, judgment, discretion, integrity and good faith of its executive officers, employees and consultants. In addition, the Company's ability to expand its services depends upon its ability to attract qualified personnel as needed. The demand for skilled oilfield employees is high and the supply is limited. If the Company lost the services of one or more of its executive officers or key employees, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Capital-Intensive Industry

The Company's business plan is subject to the availability of additional financing for future costs of operations or expansion that might not be available, or may not be available on favourable terms. The Company's activities are financed partially or wholly with debt, which could under certain circumstances increase its debt levels above industry standards. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. If the Company's cash flow from operations is not sufficient to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on favourable terms.

Intellectual Property

The success and ability of the Company to compete depends on the proprietary technology of the Company, proprietary technology of third parties that has been, or is required to be, licensed by the Company and the ability of the Company and such third parties to prevent others from copying such proprietary technologies. The Company currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licenses and patents, to protect its proprietary technology. The Company also relies on third parties from whom licenses have been received to protect their proprietary technology. The Company may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether or not the Company is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Company or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Furthermore, others may develop technologies that are similar or superior to the technology of the Company or such third parties or design around the patents owned by the Company and/or such third parties.

Despite the efforts of the Company or such third parties, the intellectual property rights, particularly existing or future patents, of the Company or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Company or such third parties may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

Government Regulations

The Company's operations are subject to a variety of federal, provincial, state and local laws, regulations and guidelines, in all jurisdictions in which it operates, including laws and regulations relating to health and safety, the conduct of operations, taxation, the protection of the environment and the manufacture, management, transportation and disposal of certain materials used in its operations. The Company has invested financial and managerial resources to ensure compliance with such regulations and expects to continue to make appropriate investments in the future. These laws or regulations are subject to change and could result in material expenditures that could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. It is impossible for the Company to predict the cost or impact of such laws and regulations on its future operations.

Dividends

The Company's dividend policy is at the discretion of the Board of Directors and is subject to change. The Company's ability to pay dividends is dependent upon the operations and business of the Company. The actual amount of any dividends will depend on a variety of factors, including without limitation, the Company's profitability, historical and future trends in the business, the expected sustainability of those trends, enacted tax legislation which affects future taxes payable, cash required for debt repayments, restrictions on the Company's ability to pay dividends under its credit facilities or under the indenture pursuant to which its senior notes were issued, the amount of capital expenditures required to sustain performance, the amount of capital expenditures required to fund the Company's growth, the effect of acquisitions or dispositions on the Company's business and cash requirements and other factors that may be beyond the control of the Company or not anticipated by management. In the event that the amount of cash the Company requires for non-dividend purposes or the profitability of the Company declines, the amount of cash available for dividends will decrease and such decrease could be material. The market value of the common shares may deteriorate if cash dividends are reduced or suspended.

Benefits of Acquisitions and Dispositions

The Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. The inability of the Company to realize the anticipated benefits of acquisitions and dispositions could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

New Technologies of Competitors

The ability of the Company to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment and proprietary fluid chemistries. There can be no assurance that the Company will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Company to do so could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Climate Change Initiatives

Canada is a signatory to the United Nations Framework Convention on Climate Change and previously ratified the Kyoto Protocol established thereunder, which set legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide, and other so-called "greenhouse gases" ("GHG"). The first commitment period under the Kyoto Protocol expired in 2012. In December 2011, the Canadian federal government announced that it would not agree to a second commitment period, and would withdraw from the Kyoto Protocol. The Canadian federal government instead endorsed the Durban Platform, a broad agreement reached among the 194 countries that are party to the United Nations Framework Convention on Climate Change during a conference held in Durban, South Africa in December 2011. The Durban Platform sets forth a process for negotiating a new climate change treaty that would create binding commitments for all major GHG emitters. The Canadian government expressed cautious optimism that agreement on a new treaty can be reached by 2015. The Durban Platform followed the Copenhagen Accord reached in December 2009 when government representatives met in Copenhagen, Denmark to negotiate a successor to the Kyoto Protocol. The Copenhagen Accord represented a broad political consensus and reinforced commitments to reducing GHG emissions but was not a binding international treaty. Although Canada had committed under the Copenhagen Accord to reduce its GHG emissions by 17% from 2005 levels by 2020, the target is not legally binding.

The Canadian federal government previously released the Regulatory Framework for Air Emissions, updated March 10, 2008 by Turning the Corner: Regulatory Framework for Industrial Greenhouse Emissions (collectively, the "Regulatory Framework") for regulating GHG emissions and in doing so proposed mandatory emissions intensity reduction obligations on a sector-by-sector basis. Although implementing regulations for the Regulatory Framework are required, to date, only regulations for Canada's transportation and electricity sectors have been developed, with the latter not expected to take effect until 2015. On January 30, 2010, the Canadian federal government announced its new target to reduce overall Canadian GHG emissions by 17% below 2005 levels by 2020, from a previous target of 20% from 2006 levels by 2020, in order to align itself with its commitments under the Copenhagen Accord and United States policy. In 2009, the Canadian federal government announced its commitment to work with the provincial governments to implement a North America-wide cap-and-trade system for GHG emissions, in cooperation with the United States. Under the system, Canada would have its own cap-and-trade market for Canadian-specific industrial sectors that could be integrated into a North American market for carbon permits. It is uncertain whether either federal GHG regulations (for the oil and natural gas industry) or an integrated North American cap-and-trade system will be implemented, or what obligations might be imposed under any such systems.

Future federal legislation, including potential international or bilateral requirements enacted under Canadian law, together with provincial emission reduction requirements, such as those in effect under Alberta's Climate Change and Emissions Management Act and potential further provincial requirements, may require the reduction of emissions or emissions intensity from the Company's operations and facilities. Mandatory emissions reductions may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for the Company's services. The mandatory emissions reductions may also impair the Company's ability to provide its services economically. The Company is unable to predict the impact of current and pending emissions reduction legislation on the Company and it is possible that such impact would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Demand for Oil and Natural Gas

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Growth Related Risks

The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Income Tax Attributes

The Company reduced its Canadian income tax liabilities from March 2004 through the end of 2012 by using a portion of the tax attributes estimated at $220.0 million for federal income tax purposes and $170.0 million for provincial income tax purposes arising from the reorganization of Denison. During 2012, the Canada Revenue Agency reviewed the information provided by the Company in regards to the reorganization and the calculation of the above-mentioned tax attributes and such review resulted in no changes to the original assessments. Although the Canada Revenue Agency has not audited any of the tax returns in which the above-mentioned tax attributes were used to reduce the incurrence of Canadian current and future income tax liabilities, it may in the future. Any future audits may result in additional Canadian current and future income tax liabilities.

ADVISORIES

Forward-Looking Statements

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

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

Additional Information

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

MANAGEMENT'S LETTER

To the Shareholders of Calfrac Well Services Ltd.

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies set out in the accompanying notes to the consolidated financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions that were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards (IFRS) appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has prepared the Management's Discussion and Analysis (MD&A). The MD&A is based on the Company's financial results prepared in accordance with IFRS. The MD&A compares the audited financial results for the years ended December 31, 2012 and December 31, 2011.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, was engaged, as approved by a vote of shareholders at the Company's most recent annual meeting, to audit the consolidated financial statements in accordance with IFRS and provide an independent professional opinion.

The Audit Committee of the Board of Directors, which is comprised of four independent directors who are not employees of the Company, has discussed the consolidated financial statements, including the notes thereto, with management and the external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Douglas R. Ramsay
Chief Executive Officer

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

February 25, 2013
Calgary, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Calfrac Well Services Ltd.

We have audited the accompanying consolidated financial statements of Calfrac Well Services Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011 and the consolidated statements of operations, statements of comprehensive income, statement of changes in equity and statements of cash flows for the years then ended, and related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Calfrac Well Services Ltd. and its subsidiaries as at December 31, 2012 and December 31, 2011 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP

Chartered Accountants
February 25, 2013
Calgary, Alberta

CONSOLIDATED BALANCE SHEETS

As at December 31,	2012	2011
(C$000s)	**($)**	($)
ASSETS		
Current assets		
Cash and cash equivalents	**42,481**	133,055
Accounts receivable	**320,143**	313,898
Income taxes recoverable	**292**	1,340
Inventories (note 3)	**118,713**	94,344
Prepaid expenses and deposits	**10,697**	10,148
	492,326	552,785
Non-current assets		
Property, plant and equipment (note 4)	**1,005,101**	825,504
Goodwill (note 5)	**10,523**	10,523
Deferred income tax assets (note 13)	**16,871**	16,309
Total assets	**1,524,821**	1,405,121
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**168,250**	149,740
Bank loan (note 6)	**–**	2,309
Current portion of long-term debt (note 7)	**479**	476
Current portion of finance lease obligations (note 8)	**740**	1,734
	169,469	154,259
Non-current liabilities		
Long-term debt (note 7)	**441,018**	450,545
Finance lease obligations (note 8)	**–**	740
Other long-term liabilities	**435**	774
Deferred income tax liabilities (note 13)	**133,140**	98,234
Total liabilities	**744,062**	704,552
Equity attributable to the shareholders of Calfrac		
Capital stock (note 9)	**300,451**	271,817
Contributed surplus (note 11)	**27,546**	24,170
Loan receivable for purchase of common shares (note 18)	**(2,500)**	(2,500)
Retained earnings	**458,543**	405,954
Accumulated other comprehensive (loss) income	**(2,403)**	1,334
	781,637	700,775
Non-controlling interest	**(878)**	(206)
Total equity	**780,759**	700,569
Total liabilities and equity	**1,524,821**	1,405,121

Commitments (note 14)
Contingencies (note 22)
See accompanying notes to the consolidated financial statements.

Approved by the Board of of Directors,

Ronald P. Mathison
Director

Gregory S. Fletcher
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31,	2012	2011
(C$000s, except per share data)	**($)**	($)
Revenue	**1,595,216**	1,537,392
Cost of sales (note 19)	**1,334,828**	1,134,864
Gross profit	**260,388**	402,528
Expenses		
Selling, general and administrative	**93,756**	77,157
Foreign exchange (gains) losses	**(8,260)**	14,234
Loss (gain) on disposal of property, plant and equipment	**802**	(88)
Interest	**36,354**	35,489
	122,652	126,792
Income before income tax	**137,736**	275,736
Income tax expense (note 13)		
Current	**4,733**	1,542
Deferred	**36,642**	87,037
	41,375	88,579
Net income for the year	**96,361**	187,157
Net income (loss) attributable to:		
Shareholders of Calfrac	**97,146**	187,451
Non-controlling interest	**(785)**	(294)
	96,361	187,157
Earnings per share (note 9)		
Basic	**2.19**	4.29
Diluted	**2.17**	4.22

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31,	**2012**	2011
(C$000s)	**($)**	($)
Net income for the year	**96,361**	187,157
Other comprehensive (loss) income		
Change in foreign currency translation adjustment	**(3,856)**	5,713
Comprehensive income for the year	**92,505**	192,870
Comprehensive income (loss) attributable to:		
Shareholders of Calfrac	**93,409**	193,037
Non-controlling interest	**(904)**	(167)
	92,505	192,870

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to the Shareholders of Calfrac							
	Share Capital	Contributed Surplus	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Non-Controlling Interest	**Total Equity**
(C$000s)	($)	($)	($)	($)	($)	($)	($)	**($)**
Balance – January 1, 2012	271,817	24,170	(2,500)	1,334	405,954	700,775	(206)	**700,569**
Net income for the year	–	–	–	–	97,146	97,146	(785)	**96,361**
Other comprehensive income:								
Cumulative translation adjustment	–	–	–	(3,737)	–	(3,737)	(119)	**(3,856)**
Comprehensive income for the year	–	–	–	(3,737)	97,146	93,409	(904)	**92,505**
Stock options:								
Stock-based compensation recognized	–	6,990	–	–	–	6,990	–	**6,990**
Proceeds from issuance of shares	14,836	(3,614)	–	–	–	11,222	–	**11,222**
Dividend Reinvestment Plan shares issued (note 24)	13,798	–	–	–	–	13,798	–	**13,798**
Dividends	–	–	–	–	(44,557)	(44,557)	–	**(44,557)**
Non-controlling interest contribution	–	–	–	–	–	–	232	**232**
Balance – December 31, 2012	**300,451**	**27,546**	**(2,500)**	**(2,403)**	**458,543**	**781,637**	**(878)**	**780,759**
Balance – January 1, 2011	263,490	15,468	(2,500)	(4,252)	229,865	502,071	(39)	**502,032**
Net income for the year	–	–	–	–	187,451	187,451	(294)	**187,157**
Other comprehensive income:								
Cumulative translation adjustment	–	–	–	5,586	–	5,586	127	**5,713**
Comprehensive income for the year	–	–	–	5,586	187,451	193,037	(167)	**192,870**
Stock options:								
Stock-based compensation recognized	–	8,500	–	–	–	8,500	–	**8,500**
Proceeds from issuance of shares	9,656	(2,109)	–	–	–	7,547	–	**7,547**
Shares cancelled (note 11)	(105)	105	–	–	–	–	–	**–**
Denison Plan of Arrangement (note 11)	–	2,206	–	–	–	2,206	–	**2,206**
Shares purchased under Normal Course Issuer Bid (note 10)	(1,224)	–	–	–	(3,702)	(4,926)	–	**(4,926)**
Dividends	–	–	–	–	(7,660)	(7,660)	–	**(7,660)**
Balance – December 31, 2011	271,817	24,170	(2,500)	1,334	405,954	700,775	(206)	**700,569**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	**2012**	2011
(C$000s)	**($)**	($)
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income for the year	**96,361**	187,157
Adjusted for the following:		
Depreciation	**90,381**	87,457
Stock-based compensation	**6,990**	8,500
Unrealized foreign exchange (gains) losses	**(10,895)**	11,945
Loss (gain) on disposal of property, plant and equipment	**802**	(88)
Interest	**36,354**	35,489
Deferred income taxes	**36,642**	87,037
Interest paid	**(34,596)**	(35,738)
Changes in items of working capital (note 16)	**(25,788)**	(122,972)
Cash flows provided by operating activities	**196,251**	258,787
FINANCING ACTIVITIES		
Bank loan proceeds	**2,734**	2,309
Debt issuance costs	**(440)**	(422)
Bank loan repayments	**(4,948)**	–
Long-term debt repayments	**(461)**	(7,882)
Finance lease obligation repayments	**(1,734)**	(1,335)
Denison Plan of Arrangement (note 11)	**–**	2,206
Net proceeds on issuance of common shares	**11,222**	7,547
Dividends paid (note 24)	**(35,135)**	(6,545)
Shares purchased under Normal Course Issuer Bid (note 10)	**–**	(4,926)
Cash flows used in financing activities	**(28,762)**	(9,048)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (note 16)	**(261,321)**	(339,706)
Proceeds on disposal of property, plant and equipment	**1,905**	3,644
Other	**232**	156
Cash flows used in investing activities	**(259,184)**	(335,906)
Effect of exchange rate changes on cash and cash equivalents	**1,121**	2,618
Decrease in cash and cash equivalents	**(90,574)**	(83,549)
Cash and cash equivalents, beginning of year	**133,055**	216,604
Cash and cash equivalents, end of year	**42,481**	133,055

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2012 and 2011
(Amounts in text and tables are in thousands of Canadian dollars, except share data and certain other exceptions as indicated)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

These financial statements were approved by the Board of Directors for issuance on February 25, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The policies set out below were consistently applied to all periods presented as if these policies had been in effect since inception.

(a) Basis of Measurement

The consolidated financial statements were prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value.

(b) Principles of Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries in Canada, the United States, Russia, Cyprus and Mexico, and its 80-percent-owned subsidiaries in Argentina and Colombia. All inter-company transactions, balances and unrealized gains and losses from inter-company transactions are eliminated upon consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date control is obtained by the Company and are deconsolidated from the date that control ceases.

(c) Critical Accounting Estimates and Judgments

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

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

i) Allowance for Doubtful Accounts

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, the customer's financial condition and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based on specific situations and overall industry conditions.

ii) 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 value of the Company's property and equipment.

iii) Fair Value of Financial Instruments

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

The fair values of financial instruments that are included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes is based on the closing market price at the end-date of the reporting period, as described in note 7. The fair values of the remaining long-term debt and finance lease obligations approximate their carrying values.

iv) Carrying Value of Goodwill

Goodwill represents an excess of the purchase price over the fair value of net assets acquired and is not amortized. The Company assesses goodwill at least annually. Goodwill is allocated to each operating segment, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each operating segment is compared to the carrying value of its net assets. The Company completed its annual assessment for goodwill impairment and determined there was none for the years ended December 31, 2012 and 2011.

v) Income Taxes

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

vi) Stock-Based Compensation

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

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

See note 12 for further information on stock-based compensation.

vii) Functional Currency

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

viii) Cash-Generating Units

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

(d) Foreign Currency Translation

i) Functional and Presentation Currency

Each of the Company's subsidiaries is measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

The financial statements of the subsidiaries that have a different functional currency are translated into Canadian dollars whereby assets and liabilities are translated at the rate of exchange at the balance sheet date, revenue and expenses are translated at average monthly exchange rates (as this is considered a reasonable approximation of actual rates), and gains and losses in translation are recognized in shareholders' equity as accumulated other comprehensive income.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the related foreign currency gains or losses accumulated in other comprehensive income are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of the related foreign currency gains or losses accumulated in other comprehensive income is reallocated between controlling and non-controlling interests.

ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of operations.

(e) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on the purpose for which the instruments were acquired and instruments are classified as "financial assets and liabilities at fair value through profit or loss", "available-for-sale investments", "loans and receivables", "financial liabilities at amortized cost", or "derivative financial instruments" as defined in International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*.

Cash and cash equivalents and accounts receivable are designated as "loans and receivables" and are measured at amortized cost. Accounts payable and accrued liabilities are designated as "financial liabilities at amortized cost" and are carried at amortized cost. Bank loans, long-term debt and finance lease obligations are designated as "financial liabilities at amortized cost" and carried at amortized cost using the effective interest rate method. The financing costs associated with the Company's US$450,000 private placement of senior unsecured notes on November 18, 2010 are included in the amortized cost of the debt. These costs are amortized to interest expense over the term of the debt.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with original maturities of three months or less.

(g) Inventory

Inventory consists of chemicals, sand and proppant, coiled tubing, cement, nitrogen and carbon dioxide used to stimulate oil and natural gas wells, as well as spare equipment parts. Inventory is stated at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

(h) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of operations during the period in which they are incurred.

Property, plant and equipment are depreciated over their estimated useful economic lives using the straight-line method over the following periods:

Field equipment	5 – 30 years
Buildings	20 years
Shop, office and other equipment	5 years
Computers and computer software	3 years
Leasehold improvements	Term of the lease

Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. Assets under construction are not depreciated until they are available for use.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates each component separately. Residual values, method of amortization and useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the assets and are included in the consolidated statements of operations.

(i) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Qualifying assets are defined as assets which take a substantial period to construct, generally greater than one year. All other borrowing costs are recognized as interest expense in the consolidated statements of income in the period in which they are incurred. The Company does not currently have any qualifying assets.

(j) Non-Controlling Interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

(k) Impairment of Non-Financial Assets

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped in CGUs, the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash inflows of other assets. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (defined as the present value of the future cash flows to be derived from an asset). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists.

Goodwill acquired through a business combination is allocated to each operating segment that is expected to benefit from the related business combination. The operating segment level represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

(l) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are presented as non-current.

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

(m) Revenue Recognition

Revenue is recognized for services upon completion provided it is probable that the economic benefits will flow to the Company, the sales price is fixed or determinable, and collectability is reasonably assured. These criteria are generally met at the time the services are performed and the services have been accepted by the customer.

(n) Stock-Based Compensation Plans

The Company recognizes compensation cost for the fair value of stock options granted. Under this method, the Company records the fair value of stock option grants based on the number of options expected to vest over their vesting period as a charge to compensation expense and a credit to contributed surplus. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model.

The number of awards expected to vest is reviewed on an ongoing basis, with any impact being recognized immediately.

The Company recognizes compensation cost for the fair value of deferred stock units granted to its outside directors and performance stock units granted to its senior officers who do not participate in the stock option plan. The fair value of the deferred stock units and performance stock units is recognized based on the market value of the Company's shares underlying these compensation programs.

The Company recognizes compensation cost for the fair value of restricted share units granted to its employees. The fair value of the restricted share units is recognized based on the market value of the Company's shares underlying this compensation program.

(o) Changes in Accounting Policy and Disclosure

There are no new IFRS or IFRIC interpretations effective for the first time for the year beginning on or after January 1, 2012 that had a material impact on the Company.

(p) Recently Issued Accounting Standards Not Yet Applied

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company does not expect these standards to have a significant effect on its consolidated financial statements.

(i) IFRS 9 *Financial Instruments* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed-measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2015 with earlier application permitted.

(ii) IFRS 10 *Consolidated Financial Statements* requires an entity to consolidate an investee when it has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretations Committee (SIC) 12 *Consolidation – Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

(iii) IFRS 11 *Joint Arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity-account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers.*

(iv) IFRS 12 *Disclosure of Interests in Other Entities* establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosure and also introduces significant additional disclosure that addresses the nature of, and risks associated with, an entity's interests in other entities.

(v) IFRS 13 *Fair Value Measurement* is a comprehensive standard for fair value measurement and disclosure for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosure.

(vi) There have been amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 13.

3. INVENTORIES

As at December 31,	**2012**	2011
(C$000s)	**($)**	($)
Spare equipment parts	**67,067**	49,243
Chemicals	**25,755**	25,844
Sand and proppant	**10,607**	7,736
Coiled tubing	**14,321**	10,270
Other	**963**	1,251
	118,713	94,344

For the year ended December 31, 2012, the cost of inventories recognized as an expense and included in cost of sales was approximately $587,000 (year ended December 31, 2011 – $479,000).

4. PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 2012	Opening Net Book Value	Additions	Disposals	Depreciation for the Year	Exchange Differences	Closing Net Book Value
(C$000s)	($)	($)	($)	($)	($)	($)
Assets under construction	**132,735**	**10,556***	**–**	**–**	**–**	**143,291**
Field equipment	**618,825**	**243,585**	**(2,707)**	**(83,495)**	**(5,659)**	**770,549**
Field equipment under finance lease	**3,580**	**–**	**–**	**(475)**	**–**	**3,105**
Buildings	**32,119**	**14,875**	**–**	**(2,511)**	**(182)**	**44,301**
Land	**30,390**	**3,114**	**–**	**–**	**(360)**	**33,144**
Shop, office and other equipment	**4,331**	**2,859**	**–**	**(1,585)**	**(149)**	**5,456**
Computers and computer software	**2,435**	**3,086**	**–**	**(1,648)**	**38**	**3,911**
Leasehold improvements	**1,089**	**942**	**–**	**(667)**	**(20)**	**1,344**
	825,504	**279,017**	**(2,707)**	**(90,381)**	**(6,332)**	**1,005,101**

*Additions for assets under construction are net of transfers into the other categories of property, plant and equipment, when they become available for use.

As at December 31, 2012	Cost	Accumulated Depreciation	Net Book Value
(C$000s)	($)	($)	($)
Assets under construction	**143,291**	**–**	**143,291**
Field equipment	**1,194,336**	**(423,787)**	**770,549**
Field equipment under finance lease	**5,051**	**(1,946)**	**3,105**
Buildings	**56,171**	**(11,870)**	**44,301**
Land	**33,144**	**–**	**33,144**
Shop, office and other equipment	**14,872**	**(9,416)**	**5,456**
Computers and computer software	**13,301**	**(9,390)**	**3,911**
Leasehold improvements	**4,337**	**(2,993)**	**1,344**
	1,464,503	**(459,402)**	**1,005,101**

Year Ended December 31, 2011	Opening Net Book Value	Additions	Disposals	Depreciation for the Year	Exchange Differences	Closing Net Book Value
(C$000s)	($)	($)	($)	($)	($)	($)
Assets under construction	65,682	67,053*	–	–	–	132,735
Field equipment	456,560	243,106	(2,578)	(81,369)	3,106	618,825
Field equipment under finance lease	4,292	–	(78)	(634)	–	3,580
Buildings	31,180	2,548	(32)	(2,021)	444	32,119
Land	23,080	7,810	(845)	–	345	30,390
Shop, office and other equipment	4,405	1,713	(23)	(1,710)	(54)	4,331
Computers and computer software	2,262	1,380	(1)	(1,188)	(18)	2,435
Leasehold improvements	1,298	352	–	(535)	(26)	1,089
	588,759	323,962	(3,557)	(87,457)	3,797	825,504

*Additions for assets under construction are net of transfers into the other categories of property, plant and equipment, when they become available for use.

As at December 31, 2011	Cost	Accumulated Depreciation	Net Book Value
(C$000s)	($)	($)	($)
Assets under construction	132,735	–	132,735
Field equipment	953,458	(334,633)	618,825
Field equipment under finance lease	5,051	(1,471)	3,580
Buildings	41,296	(9,177)	32,119
Land	30,390	–	30,390
Shop, office and other equipment	12,013	(7,682)	4,331
Computers and computer software	10,215	(7,780)	2,435
Leasehold improvements	3,395	(2,306)	1,089
	1,188,553	(363,049)	825,504

Property, plant and equipment are tested for impairment in accordance with the accounting policy stated in note 2. The Company has determined that there have been no events or changes in circumstances indicating an estimate of the recoverable amount of property, plant and equipment is required for the years ended December 31, 2012 or 2011.

5. GOODWILL

Goodwill is reviewed for impairment at least annually, regardless of whether there is any indication of impairment, in accordance with the accounting policy stated in note 2. Goodwill acquired through a business combination is allocated to each operating segment, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each operating segment is compared to the carrying value of its net assets. The fair value of each operating segment is derived using an accepted valuation method, which utilizes either a multiple-of-earnings approach based on earnings before interest, taxes, depreciation and amortization (EBITDA) or a discounted cash flow approach. Such approaches are typically utilized in valuing oilfield service companies. The annual EBITDA multiples used in the goodwill impairment test were based on 2012 and 2011 EBITDA multiples for major pressure pumping companies as published by third-party industry analysts. The 2012 multiples ranged from 5.2x to 8.0x and the 2011 multiples ranged from 3.4x to 4.0x, depending on the operating segment.

The Company completed its annual assessment for goodwill impairment and determined there was none for the years ended December 31, 2012 or 2011.

6. BANK LOAN

The Company's Colombian subsidiary had an operating line of credit of which US$2,270 was drawn at December 31, 2011 and repaid in 2012. The interest was LIBOR rate plus 4.50 percent and was secured by a Company guarantee.

7. LONG-TERM DEBT

As at December 31,	**2012**	2011
(C$000s)	**($)**	($)
US$450,000 senior unsecured notes due December 1, 2020, bearing interest at 7.5% payable semi-annually	**447,705**	457,650
Less: unamortized debt issuance costs	**(6,895)**	(7,943)
	440,810	449,707
$280,000 extendible revolving term loan facility, secured by Canadian and U.S. assets of the Company	**–**	–
Less: unamortized debt issuance costs	**(1,444)**	(1,359)
	(1,444)	(1,359)
US$2,014 mortgage maturing May 2018 bearing interest at U.S. prime less 1%, repayable at US$33 per month principal and interest, secured by certain real property	**2,003**	2,399
ARS633 Argentina term loan maturing December 31, 2013 bearing interest at 18.25%, repayable at ARS61 per month principal and interest, secured by a Company guarantee	**128**	274
	441,497	451,021
Less: current portion of long-term debt	**(479)**	(476)
	441,018	450,545

The fair value of the senior unsecured notes, as measured based on the closing quoted market price at December 31, 2012, was $443,228 (December 31, 2011 – $446,209). The carrying values of the mortgage obligations, term loans and revolving term loan facilities approximate their fair values as the interest rates are not significantly different from current interest rates for similar loans.

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

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the year ended December 31, 2012 was $36,085 (year ended December 31, 2011 – $36,119).

The aggregate scheduled principal repayments required in each of the next five years are as follows:

As at December 31, 2012	**Amount**
(C$000s)	**($)**
2013	**479**
2014	**359**
2015	**367**
2016	**376**
2017	**384**
Thereafter	**447,871**
	449,836

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

At December 31, 2012, the Company had utilized $8,656 of its loan facility for letters of credit, leaving $291,344 in available credit.

8. FINANCE LEASE OBLIGATIONS

As at December 31,	**2012**	2011
(C$000s)	**($)**	($)
Finance lease contracts bearing interest at 5.68%, repayable at $49 per month, secured by certain equipment	**753**	2,579
Less: interest portion of contractual payments	**(13)**	(105)
	740	2,474
Less: current portion of finance lease obligations	**(740)**	(1,734)
	–	740

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

The minimum lease payments required in the next year are as follows:

As at December 31, 2012	**Amount**
(C$000s)	**($)**
2013	**753**
	753
Less: interest portion of contractual payments	**(13)**
	740

9. CAPITAL STOCK

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

Years Ended December 31,		**2012**		2011
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	**(C$000s)**	(#)	(C$000s)
Balance, beginning of year	**43,709,073**	**271,817**	43,488,099	263,490
Issued upon exercise of stock options	**686,488**	**14,836**	434,250	9,656
Dividend Reinvestment Plan shares issued (note 24)	**625,080**	**13,798**	–	–
Shares cancelled (note 11)	**–**	**–**	(16,476)	(105)
Purchased under Normal Course Issuer Bid	**–**	**–**	(196,800)	(1,224)
Balance, end of year	**45,020,641**	**300,451**	43,709,073	271,817

The weighted average number of common shares outstanding for the year ended December 31, 2012 was 44,334,810 basic and 44,808,099 diluted (year ended December 31, 2011 – 43,688,744 basic and 44,393,234 diluted). The difference between basic and diluted shares is attributable to the dilutive effect of stock options issued by the Company as disclosed in note 12.

10. NORMAL COURSE ISSUER BID

The Company received regulatory approval to purchase its own common shares in accordance with a Normal Course Issuer Bid for the one-year period November 7, 2011 through November 6, 2012 and for the one-year period November 12, 2012 through November 11, 2013. There were no shares purchased under the Normal Course Issuer Bid for the year ended December 31, 2012. During the year ended December 31, 2011, 196,800 common shares were purchased at a cost of $4,926 and, of the amount paid, $1,224 was charged to capital stock and $3,702 to retained earnings. The common shares were cancelled prior to December 31, 2011.

11. CONTRIBUTED SURPLUS

Continuity of Contributed Surplus

Years Ended December 31,	**2012**	2011
(C$000s)	**($)**	($)
Balance, beginning of year	**24,170**	15,468
Stock options expensed	**6,990**	8,500
Stock options exercised	**(3,614)**	(2,109)
Shares cancelled	**–**	105
Denison Plan of Arrangement	**–**	2,206
Balance, end of year	**27,546**	24,170

The Plan of Arrangement that governed the amalgamation with Denison in 2004 included a six-year "sunset clause" which provided that untendered share positions would be surrendered to the Company after six years. On January 19, 2011, 16,476 common shares of the Company previously held in trust for untendered shareholders were cancelled. In addition, the Company became entitled to approximately 517,000 shares of Denison Mines Corporation. These shares were sold on the Toronto Stock Exchange for net proceeds of approximately $2,189.

For accounting purposes, the cancellation of the 16,476 common shares was recorded as a reduction of capital stock and an increase in contributed surplus in the amount of $105, which represents the book value of the cancelled shares as of the date of amalgamation with Denison on March 24, 2004. The receipt and sale of the shares of Denison Mines Corporation is considered an equity contribution by the Company's owners. Consequently, the net proceeds from their sale, along with approximately $17 of cash received in respect of fractional share entitlements, have been added to contributed surplus in an amount totalling $2,206.

12. STOCK-BASED COMPENSATION

(a) Stock Options

Continuity of Stock Options	**2012** Options	**2012** Average Exercise Price	2011 Options	2011 Average Exercise Price
	(#)	**(C$)**	(#)	(C$)
Balance, January 1	**3,198,475**	**23.31**	2,583,825	17.50
Granted during the year	**704,200**	**27.71**	1,179,800	34.09
Exercised for common shares	**(686,488)**	**16.35**	(434,250)	17.38
Forfeited	**(295,775)**	**26.60**	(130,900)	25.51
Balance, December 31	**2,920,412**	**25.67**	3,198,475	23.31

Exercise Price Per Option	**Options Outstanding** Number of Options	**Options Outstanding** Weighted Average Remaining Life (Years)	**Options Outstanding** Weighted Average Exercise Price	**Options Exercisable** Number of Options	**Options Exercisable** Weighted Average Exercise Price
$ 8.35 – $ 19.97	**420,125**	**0.86**	**$ 10.82**	**250,500**	**$ 12.24**
$ 19.98 – $ 22.34	**626,575**	**2.04**	**$ 20.82**	**199,975**	**$ 20.82**
$ 22.35 – $ 28.10	**815,087**	**3.19**	**$ 26.26**	**195,937**	**$ 22.79**
$ 28.11 – $ 34.39	**185,700**	**3.56**	**$ 31.86**	**40,625**	**$ 31.96**
$ 34.40 – $ 37.18	**872,925**	**3.00**	**$ 34.43**	**219,450**	**$ 34.43**
$ 8.35 – $ 37.18	**2,920,412**	**2.58**	**$ 25.67**	**906,487**	**$ 22.67**

Stock options vest equally over four years and expire five years from the date of grant. When stock options are exercised the proceeds, together with the amount of compensation expense previously recorded in contributed surplus, are added to capital stock.

The weighted average fair value of options granted during 2012, determined using the Black-Scholes valuation method, was $9.44 per option (2011 – $12.92). The Company has applied the following assumptions in determining the fair value of options on the date of grant:

	2012	2011
Expected life (years)	**3.5**	3.5
Expected volatility	**48.5%**	49.9%
Risk-free interest rate	**1.2%**	2.0%
Expected dividends	**$ 1.00**	$ 0.15

Expected volatility is estimated by considering historical average share price volatility.

(b) Stock Units

Continuity of Stock Units	**2012** Deferred Stock Units	Performance Stock Units	Restricted Stock Units	2011 Deferred Stock Units	Performance Stock Units	Restricted Stock Units
	(#)	**(#)**	**(#)**	(#)	(#)	(#)
Balance, January 1	**35,000**	**40,000**	**–**	–	55,000	–
Granted during the year	**35,000**	**45,000**	**270,135**	35,000	55,000	–
Exercised	**(35,000)**	**(40,000)**	**–**	–	(62,500)	–
Forfeited	**–**	**–**	**(22,905)**	–	(7,500)	–
Balance, December 31	**35,000**	**45,000**	**247,230**	35,000	40,000	–

The Company grants deferred stock units to its outside directors. These units vest in November of the year of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred stock units is recognized equally over the vesting period, based on the current market price of the Company's shares. During the year ended December 31, 2012, $885 of compensation expense was recognized for deferred stock units (year ended December 31, 2011 – $998). This amount is included in selling, general and administrative expenses.

The Company grants performance stock units to its senior officers who do not participate in the stock option plan. The amount of the grants earned is linked to corporate performance and the grants vest on the approval of the Board of Directors at the meeting held to approve the consolidated financial statements for the year in respect of which performance is being evaluated. As with the deferred stock units, performance stock units are settled either in cash or Company shares purchased on the open market. During the year ended December 31, 2012, $1,296 of compensation expense was recognized for performance stock units (year ended December 31, 2011 – $1,330). This amount is included in selling, general and administrative expenses.

During the first quarter of 2012, the Company commenced granting of restricted share units to its employees. These units vest equally over three years and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the restricted share units is recognized over the vesting period, based on the current market price of the Company's shares. During the year ended December 31, 2012, $3,693 of compensation expense was recognized for restricted share units (year ended December 31, 2011 – $nil). This amount is included in selling, general and administrative expense.

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

13. INCOME TAXES

The components of income tax expense are:

Years Ended December 31,	2012	2011
(C$000s)	($)	($)
Current income tax expense	4,733	1,542
Deferred income tax expense	36,642	87,037
	41,375	88,579

The components of deferred income tax expense are:

Years Ended December 31,	2012	2011
(C$000s)	($)	($)
(Increase) decrease in deferred tax assets	(562)	15,870
Increase in deferred tax liabilities	34,906	74,051
Foreign exchange related to change in deferred tax balances	2,298	(2,884)
	36,642	87,037

The provision for income taxes in the consolidated statements of operations varies from the amount that would be computed by applying the expected 2012 tax rate of 25.0 percent (2011 – 26.5 percent) to income before income taxes. The change in the corporate tax rate is due to a change in the Canadian substantively enacted tax rate.

The main reasons for differences between such expected income tax expense and the amount recorded are:

Years Ended December 31,	2012	2011
(C$000s except percentages)	($)	($)
Income before income tax	137,736	275,736
Income tax rate (%)	25.0	26.5
Computed expected income tax expense	34,434	73,070
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses/non-taxable income	2,037	4,425
Foreign tax rate and other foreign differences	2,284	10,662
Translation of foreign subsidiaries	333	(393)
Foreign withholding taxes	1,604	361
Deferred income tax adjustment from tax rate changes	672	(2,034)
Other	11	2,488
	41,375	88,579

The following table summarizes the income tax effect of temporary differences that give rise to the deferred income tax asset (liability) at December 31:

As at December 31,	2012	2011
(C$000s)	**($)**	($)
Property, plant and equipment	**(171,713)**	(139,593)
Losses carried forward	**38,829**	39,616
Canadian exploration expenses	**7,762**	8,954
Research and development expenses	**1,422**	1,422
Finance lease obligations	**185**	619
Deferred compensation payable	**1,288**	547
Deferred financing and share issuance costs	**981**	2,611
Other	**4,977**	3,899
	(116,269)	(81,925)

Net deferred income taxes at December 31, 2012 are represented by deferred income tax assets of $16,871 (December 31, 2011 – $16,309) less deferred income tax liabilities of $133,140 (December 31, 2011 – $98,234). Loss carry-forwards expire at various dates ranging from December 31, 2014 to December 31, 2032.

The movement in deferred income tax assets (liabilities) during the current and prior years is as follows:

Years Ended December 31,	2012	2011
(C$000s)	**($)**	($)
Balance, beginning of year	**(81,925)**	7,996
Charged (credited) to the consolidated statements of operations:		
Property, plant and equipment	**(32,120)**	(67,076)
Losses carried forward	**(787)**	(21,718)
Canadian exploration expenses	**(1,192)**	363
Research and development expenses	**–**	(401)
Alternative minimum tax credits	**–**	–
Finance lease obligations	**(434)**	(334)
Deferred compensation payable	**741**	66
Deferred financing and share issuance costs	**(1,630)**	(1,656)
Other	**1,078**	835
Balance, end of year	**(116,269)**	(81,925)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Years Ended December 31,	2012	2011
(C$000s)	**($)**	($)
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**13,721**	14,513
Deferred tax asset to be recovered within 12 months	**3,150**	1,796
Deferred tax liabilities:		
Deferred tax liability to be drawn down after more than 12 months	**(133,140)**	(98,234)
Deferred tax liability to be drawn down within 12 months	**–**	–
Deferred tax liabilities, net	**(116,269)**	(81,925)

The Company has tax losses for which no deferred tax asset is recognized as follows:

Years Ended December 31,	2012	2011
(C$000s)	**($)**	($)
Net capital tax losses for which no deferred tax asset has been recognized	**93,836**	93,836
Potential tax benefit at 25% (2011 – 26.5%)	**23,459**	24,867

The benefit for net capital tax losses will only be recognized and utilized in the event that the Company reports taxable capital gains.

Earnings retained by subsidiaries amounted to $159,249 at December 31, 2012 (December 31, 2011 – $135,157). Provision has been made for withholding and other taxes that would become payable on the distribution of these earnings only to the extent that it is expected that these earnings will be distributed in the foreseeable future.

14. COMMITMENTS

The Company has lease commitments for premises, equipment, vehicles and storage facilities under agreements requiring aggregate minimum payments over the six years following December 31, 2012, as follows:

(C$000s)	($)
2013	**16,317**
2014	**10,313**
2015	**6,245**
2016	**1,956**
2017	**859**
2018	**179**
	35,869

For the year ended December 31, 2012, $30,302 was recognized as an expense in the consolidated statements of operations in respect of operating leases (year ended December 31, 2011 – $12,710).

The Company has obligations for the purchase of products, services and property, plant and equipment over the next five years that total approximately $369,230.

15. FINANCIAL INSTRUMENTS

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

(a) Fair Values of Financial Assets and Liabilities

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes based on the closing market price at December 31, 2012 was $443,228 before deduction of unamortized debt issuance costs (December 31, 2011 – $446,209). The carrying value of the senior unsecured notes at December 31, 2012 was $447,705 before deduction of unamortized debt issuance costs (December 31, 2011 – $457,650). The fair values of the remaining long-term debt and finance lease obligations approximate their carrying values, as described in notes 7 and 8.

(b) Credit Risk

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers. At December 31, 2012, the Company had a provision for doubtful accounts receivable of $315 (December 31, 2011 – $1,441).

Payment terms with customers vary by country and contract. However, standard payment terms are 30 days from invoice date. The Company's aged trade accounts receivable at December 31, 2012 and 2011, excluding any impaired accounts, are as follows:

As at December 31,	**2012**	2011
(C$000s)	**($)**	($)
Current	**123,086**	150,079
31 – 60 days	**50,047**	65,406
61 – 90 days	**9,815**	18,950
91+ days	**6,509**	1,921
Total	**189,457**	236,356

(c) Interest Rate Risk

The Company is exposed to cash flow risk due to fluctuating interest payments required to service any floating-rate debt. The increase or decrease in interest expense for each 1 percent change in interest rates on floating-rate debt at December 31, 2012 amounts to $19 (December 31, 2011 – $23).

The Company's effective interest rate for the year ended December 31, 2012 was 8.1 percent (year ended December 31, 2011 – 8.2 percent).

(d) Liquidity Risk

The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities and new share equity. The Company monitors its liquidity position to ensure it has sufficient funds to complete planned capital and other expenditures. The Company mitigates liquidity risk by maintaining adequate banking and credit facilities and monitoring its forecast and actual cash flows. The Company may also adjust its capital spending and dividends to maintain liquidity.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

At December 31, 2012	**Total**	**Less than 1 Year**	**1 – 3 Years**	**4 – 6 Years**	**7 – 9 Years**	**Thereafter**
(C$000s)	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**
Accounts payable and accrued liabilities	**168,250**	**168,250**	**–**	**–**	**–**	**–**
Long-term debt and finance lease obligations [1]	**716,563**	**34,872**	**101,913**	**101,293**	**478,485**	**–**

[1] Principal and interest.

At December 31, 2011	Total	Less than 1 Year	1 – 3 Years	4 – 6 Years	7 – 9 Years	Thereafter
Bank loan	2,418	2,418	–	–	–	–
Accounts payable and accrued liabilities	149,740	149,740	–	–	–	–
Long-term debt and finance lease obligations [1]	769,208	36,725	105,101	103,945	523,437	–

[1] Principal and interest.

(e) Foreign Exchange Risk

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in currencies other than Canadian dollars. These currencies include the U.S. dollar, Russian rouble, Mexican peso and Argentinean peso. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases of products and property, plant and equipment from vendors in the United States. In addition, the Company's senior unsecured notes and related interest expense are denominated in U.S. dollars. The amount of this debt and related interest expressed in Canadian dollars varies with fluctuations in the US$/Cdn$ exchange rate. However, this risk is mitigated by the Company's sizable U.S. operations and related revenue streams.

A change in the value of foreign currencies in the Company's consolidated financial instruments (cash, accounts receivable, accounts payable and debt) would have had the following impact on net income and other comprehensive income:

At December 31, 2012	**Increase (Decrease) to Net Income**	**Increase (Decrease) to Other Comprehensive Income**
(C$000s)	**($)**	**($)**
1% decrease in value of U.S. dollar	**(674)**	**4,256**
1% increase in value of U.S. dollar	**674**	**(4,256)**
1% decrease in value of Russian rouble	**–**	**(242)**
1% increase in value of Russian rouble	**–**	**242**
1% decrease in value of Mexican peso	**–**	**(31)**
1% increase in value of Mexican peso	**–**	**31**
1% decrease in value of Argentinean peso	**–**	**59**
1% increase in value of Argentinean peso	**–**	**(59)**

At December 31, 2011	Increase (Decrease) to Net Income	Increase (Decrease) to Other Comprehensive Income
1% decrease in value of U.S. dollar	1,958	1,408
1% increase in value of U.S. dollar	(1,958)	(1,408)
1% decrease in value of Russian rouble	–	(189)
1% increase in value of Russian rouble	–	189
1% decrease in value of Mexican peso	–	(127)
1% increase in value of Mexican peso	–	127

16. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating assets and liabilities for the years ended December 31, 2012 and 2011 are as follows:

Years Ended December 31,	**2012**	2011
(C$000s)	**($)**	($)
Accounts receivable	**(6,245)**	(136,246)
Income taxes recoverable	**1,048**	1,944
Inventory	**(24,369)**	(36,123)
Prepaid expenses and deposits	**(548)**	(1,769)
Accounts payable and accrued liabilities	**4,666**	49,510
Other long-term liabilities	**(340)**	(288)
	(25,788)	(122,972)
Income taxes paid (received)	**3,685**	(402)

Purchase of property, plant and equipment is comprised of:

Years Ended December 31,	**2012**	2011
(C$000s)	**($)**	($)
Property, plant and equipment additions	**(279,017)**	(323,962)
Change in liabilities related to purchase of property, plant and equipment	**17,696**	(15,744)
	(261,321)	(339,706)

17. CAPITAL STRUCTURE

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

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

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

Years Ended December 31,	2012	2011
(C$000s)	($)	($)
Net income for the year	**96,361**	187,157
Adjusted for the following:		
Depreciation	**90,381**	87,457
Amortization of debt issuance costs and debt discount	**1,234**	1,207
Stock-based compensation	**6,990**	8,500
Unrealized foreign exchange (gains) losses	**(10,895)**	11,945
Loss (gain) on disposal of property, plant and equipment	**802**	(88)
Deferred income taxes	**36,642**	87,037
Cash flow	**221,515**	383,215

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

At December 31, 2012, the long-term debt to cash flow ratio was 1.99:1 (December 31, 2011 – 1.18:1) calculated on a 12-month trailing basis as follows:

As at December 31,	2012	2011
(C$000s, except ratio)	($)	($)
Long-term debt (net of unamortized debt issuance costs and debt discount) (note 7)	**441,497**	451,021
Cash flow	**221,515**	383,215
Long-term debt to cash flow ratio	**1.99:1**	1.18:1

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

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

18. RELATED-PARTY TRANSACTIONS

An entity controlled by a director of the Company provides ongoing real estate advisory services to the Company. The aggregate fees charged for such services during 2012 were $29 (2011 – $90), as measured at the exchange amount. This arrangement was discontinued in 2013.

In November 2010, the Company lent a senior officer $2,500 to purchase common shares of the Company on the Toronto Stock Exchange. The loan is on a non-recourse basis and is secured by the common shares acquired with the loan proceeds. It is for a term of five years and bears interest at 3.375 percent per annum, payable annually. The market value of the shares that secure the loan was approximately $2,119 as at December 31, 2012 (December 31, 2011 – $2,411). In accordance with applicable accounting standards regarding share purchase loans receivable, this loan is classified as a reduction of shareholders' equity due to its non-recourse nature. In addition, the shares purchased with the loan proceeds are considered to be, in substance, stock options.

The Company leases certain premises from an entity controlled by a director of the Company. The rent charged for these premises during 2012 was $356 (2011 – $312), as measured at the exchange amount.

19. PRESENTATION OF EXPENSES

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

- operations; and
- selling, general and administrative.

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

Additional information on the nature of expenses is as follows:

Years Ended December 31,	**2012**	2011
(C$000s)	**($)**	($)
Product costs	**490,222**	401,522
Depreciation	**90,381**	87,457
Amortization of debt issuance costs and debt discount	**1,234**	1,207
Employee benefits expense (note 20)	**356,844**	310,085

20. EMPLOYEE BENEFITS EXPENSE

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

Years Ended December 31,	2012	2011
(C$000s)	**($)**	($)
Salaries and short-term employee benefits	**337,919**	295,525
Post-employment benefits (group retirement savings plan)	**3,587**	2,914
Share-based payments	**12,866**	10,836
Termination benefits	**2,472**	810
	356,844	310,085

21. COMPENSATION OF KEY MANAGEMENT

Key management is defined as the Company's Board of Directors, Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer. Compensation awarded to key management comprised:

Years Ended December 31,	2012	2011
(C$000s)	**($)**	($)
Salaries, fees and short-term benefits	**2,756**	2,732
Post-employment benefits (group retirement savings plan)	**34**	32
Share-based payments	**2,392**	2,326
	5,182	5,090

In the event of termination, key management (excluding the Board of Directors) are entitled to one to two years of annual compensation. In the event of termination resulting from change of control, key management (excluding the Board of Directors) are entitled to two years of annual compensation.

22. CONTINGENCIES

Greek Litigation

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

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $8,981 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. NAPC and the Company are assessing available rights of appeal to any other levels of court in any jurisdiction where such an appeal is warranted.

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

Another one of the lawsuits seeking salaries in arrears of $168 (128 euros) plus interest was heard by the Supreme Court of Greece on November 6, 2007, at which date the appeal of the plaintiffs was denied for technical reasons due to improper service. A rehearing of this appeal was heard on September 21, 2010 and the decision rendered declared once again the appeal inadmissible due to technical reasons. The remaining action, which is seeking salaries in arrears of approximately $576 (439 euros) plus interest, was scheduled to be heard before the Athens Court of First Instance on October 1, 2009, but has been postponed a total four times, including the most recent postponement on February 22, 2013. No new date has been set for the postponed hearing.

The maximum aggregate interest payable under the claims noted above amounted to $15,263 (11,635 euros) as at December 31, 2012.

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

U.S. Litigation

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

23. SEGMENTED INFORMATION

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

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

	Canada	United States	Russia	Latin America	Corporate	Consolidated
(C$000s)	($)	($)	($)	($)	($)	($)
Year Ended December 31, 2012						
Revenue	**732,880**	**638,483**	**112,765**	**111,088**	**–**	**1,595,216**
Operating income (loss) [(1)]	**188,555**	**105,129**	**6,566**	**8,839**	**(52,076)**	**257,013**
Segmented assets	**707,663**	**568,665**	**126,564**	**121,929**	**–**	**1,524,821**
Capital expenditures	**124,902**	**138,328**	**6,173**	**9,614**	**–**	**279,017**
Goodwill	**7,236**	**2,308**	**979**	**–**	**–**	**10,523**
Year Ended December 31, 2011						
Revenue	755,333	607,731	116,105	58,223	–	1,537,392
Operating income (loss) [(1)]	258,362	184,209	12,742	12	(42,497)	412,828
Segmented assets	710,143	534,294	118,197	42,487	–	1,405,121
Capital expenditures	139,459	170,956	10,601	2,946	–	323,962
Goodwill	7,236	2,308	979	–	–	10,523

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

Years Ended December 31,	2012	2011
(C$000s)	**($)**	($)
Net income	**96,361**	187,157
Add back (deduct):		
Depreciation	**90,381**	87,457
Interest	**36,354**	35,489
Foreign exchange (gains) losses	**(8,260)**	14,234
Loss (gain) on disposal of property, plant and equipment	**802**	(88)
Income taxes	**41,375**	88,579
Operating income	**257,013**	412,828

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

The following table sets forth consolidated revenue by service line:

Years Ended December 31,	2012	2011
(C$000s)	($)	($)
Fracturing	**1,436,279**	1,406,444
Coiled tubing	**100,239**	98,639
Cementing	**34,750**	21,834
Other	**23,948**	10,475
	1,595,216	1,537,392

The Company's customer base consists of over 190 oil and natural gas exploration and production companies, ranging from large multinational publicly traded companies to small private companies. Notwithstanding the Company's broad customer base, Calfrac has five significant customers that collectively accounted for approximately 39 percent of the Company's revenue for the year ended December 31, 2012 (year ended December 31, 2011 – four significant customers for approximately 26 percent) and, of such customers, one customer accounted for approximately 13 percent of the Company's revenue for the year ended December 31, 2012 (year ended December 31, 2011 – 7 percent).

24. DIVIDEND REINVESTMENT PLAN

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

A dividend of $0.10 per common share was declared on December 8, 2011 and paid on January 31, 2012. Of the $4,376 in dividends declared, $1,771 was reinvested under the DRIP into 71,189 common shares of the Company.

A dividend of $0.50 per common share was declared on June 15, 2012 and paid on July 16, 2012. Of the $22,182 in dividends declared, $6,083 was reinvested under the DRIP into 298,459 common shares of the Company.

A dividend of $0.50 per common share was declared on December 14, 2012 and paid on December 21, 2012. Of the $22,375 in dividends declared, $5,944 was reinvested under the DRIP into 255,432 common shares of the Company.

HISTORICAL REVIEW

Years Ended December 31, (C$000s, except per share and unit data)	**2012** **($)**	2011 ($)	2010 ($)	2009 [1] ($)	2008 [1] ($)
Financial Results					
Revenue	**1,595,216**	1,537,392	935,927	591,500	564,363
Operating income [2]	**257,013**	412,828	185,236	71,135	81,940
EBITDA [2]	**264,471**	398,682	185,839	68,795	83,957
Per share – basic	**5.97**	9.13	4.31	1.79	2.23
Per share – diluted	**5.90**	8.98	4.25	1.79	2.23
Net income (loss) attributable to the shareholders of Calfrac	**97,146**	187,451	49,502	(5,536)	17,864
Per share – basic	**2.19**	4.29	1.15	(0.14)	0.47
Per share – diluted	**2.17**	4.22	1.13	(0.14)	0.47
Capital expenditures	**279,017**	323,962	118,899	102,176	84,807
Financial Position					
Current assets	**492,326**	552,785	464,140	213,668	210,157
Total assets (end of year)	**1,524,821**	1,405,121	1,095,601	840,890	691,772
Working capital (end of year)	**322,857**	398,526	341,677	128,243	100,575
Long-term debt	**441,018**	450,545	443,346	267,351	159,899
Total equity (end of year)	**780,759**	700,569	502,032	459,932	393,476
Common Share Data					
Common shares outstanding (#) At December 31	**45,021**	43,709	43,488	42,899	37,742
Weighted average (diluted)	**44,808**	44,393	43,726	38,475	37,717
Share trading					
High ($)	**34.95**	38.65	35.85	21.52	32.74
Low ($)	**20.22**	20.52	16.41	6.40	7.90
Close ($)	**25.05**	28.50	34.24	20.85	8.70
Volume (#)	**54,858**	42,096	35,092	30,750	45,352
Operating					
Pumping horsepower (000s)	**977**	719	481	456	287
Coiled tubing units (#)	**29**	29	29	28	18
Cementing units (#)	**26**	23	21	21	18

(1) As the Company's IFRS transition date was January 1, 2010, 2008 and 2009 financial information has not been restated.

(2) Refer to "Non-GAAP Measures" on pages 32-33 for further information.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

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

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

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

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

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

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance and Nominating Committee
(4) Member of the Health, Safety and Environment Committee

OFFICERS

Douglas R. Ramsay
Chief Executive Officer

Fernando Aguilar
President &
Chief Operating Officer

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

Lindsay R. Link
President,
United States Operating Division

Robert J. Montgomery
President,
Canadian Operating Division

Robert L. Sutherland
President,
Russian Operating Division

OFFICERS

O. Alberto Bertolin
Director General,
Latin America Division

Armando J. Bertolin
Director General,
Latin America Division

Dwight M. Bobier
Senior Vice President,
Technical Services

Tom J. Medvedic
Senior Vice President,
Corporate Development

R. Leron Crapo
Vice President,
Operations Finance

Chris K. Gall
Vice President,
Global Supply Chain

Roderick P. Kuntz
Vice President, HS&E

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

Umberto Marseglia
Vice President, Global Business

Michael D. Olinek
Vice President, Finance

Edward L. Oke
Vice President,
Human Resources

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

F. Bruce Payne
Vice President,
Global Operations

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

Matthew L. Mignault
Corporate Controller

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

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

Trading Symbol: CFW

OPERATING BASES

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

British Columbia, Canada
Dawson Creek

Saskatchewan, Canada
Estevan

Colorado, United States
Denver – Regional Office
Grand Junction
Platteville

Arkansas, United States
Beebe

Pennsylvania, United States
Philipsburg
Smithfield

North Dakota, United States
Williston

Russia
Moscow – Regional Office
Khanty-Mansiysk
Noyabrsk
Nefteugansk

Mexico
Mexico City – Regional Office
Reynosa
Poza Rica

Argentina
Buenos Aires – Regional Office
Catriel
Neuquén

Colombia
Bogota – Regional Office

REGISTRAR AND TRANSFER AGENT

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

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9th floor, 100 University Avenue,
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