2009 ANNUAL REPORT

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

CALFRAC WELL SERVICES

THE RIGHT PLACE

Calfrac Well Services Ltd. is a specialized provider of pressure pumping services – fracturing, coiled tubing and cementing – to the oil and natural gas industry (TSX:CFW). Approximately 88 percent of Calfrac's 2009 revenues of $592 million were generated from fracturing activities. Based in Calgary, Alberta, Calfrac has positioned its operations in North America's premier unconventional natural gas and light oil plays and in strategic international growth markets. All of these areas continue to be economic for energy producers at current commodity prices – and profitable for service providers like Calfrac. In short: the right place.

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THE RIGHT PEOPLE

In this competitive service environment, having the right people is key to success at home and abroad. Calfrac has always prided itself on its people. Our ever-increasing focus on training, health and safety, and strategic workforce planning, has given us the best team of people we've ever had. Success in developing our own people shows in the quality of our customer base – producers with leading positions in the best unconventional plays that continue to expand in oil and natural gas development.

THE RIGHT TIME

Calfrac's business model is right for our times. We were early in repositioning ourselves to serve the energy sector's growing focus on unconventional plays including shale gas and tight oil and gas reservoirs – and today we have a significant presence in several of North America's premier unconventional plays. We've also spent the past number of years nurturing selected international markets. Last year those markets generated record results – and are set to grow further in 2010.

Disciplined Financial Management

Calfrac focused on organic growth and declined to make premium-priced asset acquisitions during the previous commodities boom. That meant we could face the recent downturn with a clean balance sheet and unutilized borrowing capacity. Our program of cost rationalization, implemented as soon as the downturn set in, included reducing our Canadian and United States workforce by 30 percent and saved the Company related costs beginning in May 2009. The financial strength that came from our disciplined financial management enabled us to act on growth opportunities created by the downturn.

Purpose-Driven Diversification

While remaining highly focused in its service lines, Calfrac has diversified where it counts: by geography, commodity and resource play. Years of geographic diversification created new growth opportunities – and today we're drawing the majority of our revenue from outside Canada and substantial operating income from four separate geographic segments. Commodity diversification into new unconventional light oil plays is reducing price-driven volatility. Customer diversification stabilizes cash flows. Resource play diversification positioned us in North America's premier growth areas. We've been among the first into the Fayetteville, Horn River and Marcellus gas shales. And we're a growing presence in the Bakken play and active in the new Cardium oil play.

Technologies that Unlock Today's Reservoirs

The evolving hydraulic fracturing and pressure pumping markets impose greater technical demands on service providers. To thrive in these markets – where the potential rewards are also large – requires detailed geological knowledge, continually improving chemistry, sound engineering and direct involvement throughout the drilling and completions cycle. Calfrac is positioned on all counts. We have all the custom-designed modern equipment, horsepower, proppant and state-of-the-art fluid systems – plus an in-house lab facility that creates the right chemical solutions to yield productive wells in the areas in which we operate. That's why our customers include some of the world's largest producers. And one of the reasons why we received the Supplier of the Year award for 2009 for Royal Dutch Shell's Upstream Americas division.

Providing Value for Customers

Today's hydraulic fracturing customers are drilling high-impact wells, some costing more than $5 million per well. They're the ones continuing to develop large-scale, multi-year, multi-well unconventional plays in a volatile commodity price environment – so they have steep demands. They want top-quality and reliable equipment, on-site. They need large amounts of pressure-pumping horsepower. They want expert crews and technical solutions. They expect outstanding performance from sophisticated HS&E systems. And they need results: productive wells that turn a profit at today's commodity prices. By making it happen for customers, over and over, Calfrac has overcome the barriers to entry for our industry.

Counter-Cyclical Acquisitions

Downturns are always tough – but they open opportunities for financially stronger companies to consolidate their industry and grow their market share. Calfrac avoided over-priced deals during the boom – then jumped in the downturn. Two deals in the second half of 2009, valued at a combined $145 million, added 115,000 horsepower and top-quality equipment and personnel. Calfrac entered 2010 with better positioning in key plays and as Canada's largest fracturing provider, with a market share of over 20 percent.

Experienced Top-Tier People

People count at every stage of what we do. Our R&D team evaluates complex reservoirs and develops sophisticated chemical systems to enhance the productivity of wells. Our international managers know their markets and bring opportunities to the table. Our field crews conduct safe, reliable operations and deliver thousands of successful fractures. We have the systems, people, and track record to work seamlessly with some of the world's largest companies, companies with the highest HS&E standards and expectations of service providers. Helping our customers succeed is the key to our own success.

Levered to Well Completions Spending

The number of wells drilled across North America has been declining – but the amount of capital spent on completing wells is increasing. The shifting capital trend stems from the energy industry's focus on deeper, "tight" or less permeable natural gas and oil reservoirs. These are being developed using long-leg horizontal wells completed with multiple hydraulic fractures that expose more reservoir rock to yield enhanced production of hydrocarbons. Completions services for horizontal wells have increased significantly in comparison to vertical wells. In western Canada, for example, the overall number of fracturing treatments has remained essentially stable when compared to 2007, the industry's peak drilling year, despite the far lower number of wells expected to be drilled. Calfrac is 100 percent levered to well completions, with a primary focus on unconventional wells involving more and larger fracturing stages delivered. In 2009, our business model generated year-over-year growth in revenue per fracturing treatment in spite of a difficult business environment.

Strong Balance Sheet

The recent economic downturn clearly demonstrated the need to maintain a strong balance sheet. Our clean, strong balance sheet, including unutilized borrowing capacity, enabled us to seize acquisition opportunities, continue growing – and emerge stronger. For 2010, we've budgeted capital spending of $70 million, including $14 million of carryforward capital from 2009, to build new high-rate equipment to take advantage of emerging growth opportunities.

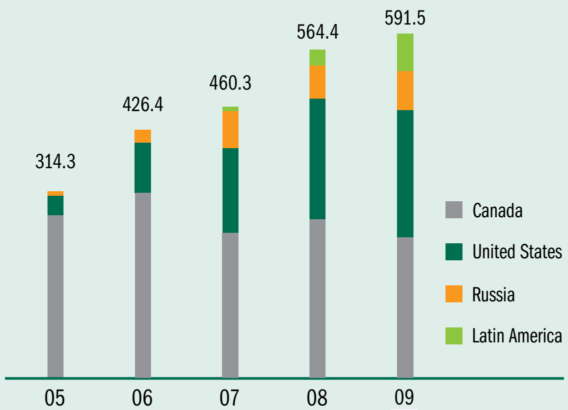
HIGHLIGHTS

Years Ended December 31,	2009	2008	Change
(000s, except per share and unit data)	**($)**	($)	(%)
Revenue	**591,500**	564,363	5
Operating income [1]	**71,135**	81,940	(13)
Net income (loss)	**(5,536)**	17,864	(131)
Per share – basic & diluted	**(0.14)**	0.47	(130)
Funds provided by operations [1]	**54,620**	80,747	(32)
Per share – basic & diluted	**1.42**	2.14	(34)
EBITDA [1]	**68,795**	83,957	(18)
Per share – basic & diluted	**1.79**	2.23	(20)
Capital expenditures	**102,176**	84,807	20
Working capital (end of year)	**128,243**	100,575	28
Total assets (end of year)	**840,890**	691,772	22
Shareholders' equity (end of year)	**459,932**	393,476	17
Market capitalization at year-end	**894,442**	328,352	172
Weighted average shares (basic) outstanding (#)	**38,475**	37,697	2
Operating as at December 31			
Pumping horsepower (000s)	**456**	287	59
Coiled tubing units (#)	**28**	18	56
Cementing units (#)	**21**	18	17

[1] Refer to "Non-GAAP Measures" on page 21 for further information.

THE METRICS OF OUR BUSINESS

Revenues by Geographic Segment ($mm)



Growth in revenues through the recent downturn demonstrates the benefits of geographic diversification.

Operating Income

$71.1 Million

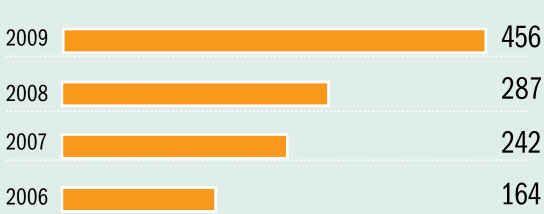
Thanks to disciplined financial management, cost reductions and equipment redeployment, Calfrac generated solid operating income in 2009. Successful, growing international operations are increasing their contributions to the Company's total operating income.

Fracturing Stages by Geographic Segment

	Q1	Q2	Q3	Q4	2009 TOTAL
Canada	865	143	496	868	2,372
United States	593	497	883	867	2,840
Russia	134	157	147	120	558
Latin America	43	81	87	79	290
Calfrac's Total	1,635	878	1,613	1,934	6,060

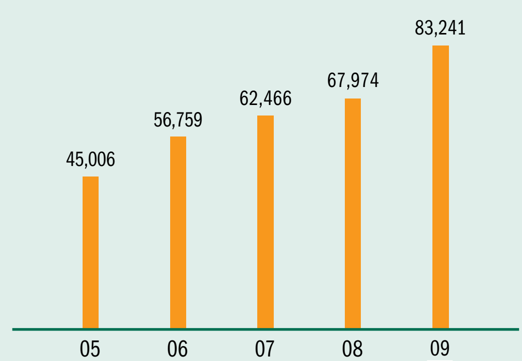
Calfrac's positioning in premier unconventional and international plays drove continued growth in completions work even as overall well-counts declined.

Pressure Pumping Horsepower (000s) (year-end)



Today's unconventional plays have large horsepower requirements, and Calfrac is stepping up. Horsepower growth in 2009 came from two counter-cyclical acquisitions at favourable valuations.

Revenue per Fracturing Treatment ($)



Calfrac's revenue per completed fracturing stage continued to grow, reflecting the industry's evolution to higher-impact, deeper shale gas, tight oil and gas reservoirs.

Calfrac has come through one of the toughest periods in the energy services industry and global economy that any of us in senior management has encountered in our careers. I am pleased to report that the Company has emerged stronger than it was going into the downturn. We have entered 2010:

- Financially strong, with growing revenue, solid operating income and a clean balance sheet including ample working capital;
- Highly active, focused on unconventional resource play areas and growing world markets;
- Larger, with two counter-cyclical acquisitions driving a 59 percent year-over-year increase in our pressure pumping horsepower. We are now Canada's largest fracturing provider and have a bigger U.S. market share and international footprint;
- With our best team of employees ever; and
- Leaner and more cost-efficient.

These advantages are due to the strengths in Calfrac's business model plus the proactive measures we took to deal with the market downturn.

PRESIDENT'S LETTER

Today Calfrac is positioned in:

THE RIGHT PLACE – We have operations in the premier unconventional natural gas and tight oil plays of Canada and the United States, and in growing international markets, all offering strong economics at today's commodity prices;

THE RIGHT TIME – Calfrac has the expertise, financial strength, cost structure and pumping capacity needed to take maximum advantage of the rebound in oil and natural gas activity that is anticipated over the next 18 months; and

THE RIGHT PEOPLE – With our well-trained and dedicated crews, carefully chosen employees, experienced international managers, hands-on executive team and superb HS&E program, Calfrac can execute with effectiveness, reliability and safety. This is key to meeting the high standards of energy producers that are active in the unconventional plays on which Calfrac's future hinges.

OUR CHALLENGES AND RESPONSES

Challenge: Grow in a down market

We levered our capital dollars by adding horsepower at below replacement cost, making two counter-cyclical acquisitions in the second half. For a total of approximately $145 million, we added 115,000 pressure pumping horsepower plus high-quality fracturing support equipment and coiled tubing units, and also strengthened our position in western Canada's premier tight oil play.

Challenge: Cut costs

Calfrac's hands-on executive team adopted serious cost-cutting measures – early. We rolled back wages, salaries and benefits from senior executives on down. We cut discretionary and head office spending. We suspended conventional cementing services in the weak western Canada market. We reduced our western Canada workforce by 40 percent. All by May 2009.

Challenge: Maintain a strong balance sheet

Calfrac entered 2009 with ample working capital and low debt. After two acquisitions worth approximately $145 million, we replaced existing bank debt with US$100 million in new senior notes maturing in 2015. We entered 2010 with total debt of approximately $269 million spread over a larger borrowing base, assets of approximately $840 million and working capital in excess of $128 million.

Challenge: Sustain equipment utilization

Energy sector downturns typically idle vast equipment fleets. International diversification enabled us to redeploy equipment and crews to active, growing markets in Mexico and Russia. Within North America, our leading position in key unconventional plays, where individual wells can require 30,000-50,000 in pressure pumping horsepower, helped to sustain demand for Calfrac equipment.

Challenge: Increase commodity diversification

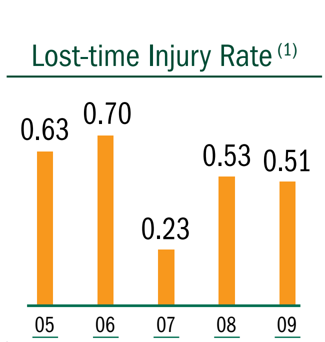
An exciting trend is applying horizontal wells with multi-stage hydraulic fracturing to previously uneconomic tight oil reservoirs. The most well-known is southeast Saskatchewan's Bakken play. The Bakken's been joined by the Lower Shaunavon, the Viking and the Cardium in west-central Alberta. Calfrac's top-quality equipment, deep reservoir understanding and advanced technologies have enabled us to shine in these new growth plays. Calfrac's exposure to oil-related fracturing increased substantially over the last half of 2009, creating leverage to stronger oil prices.

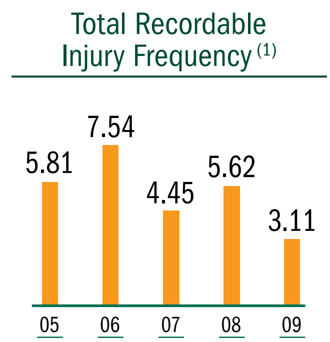
HS&E AND CORPORATE SOCIAL RESPONSIBILITY

Social responsibility is a core value for Calfrac, and the Company conducts itself in a top-tier manner with respect to all aspects of HS&E. We carefully evaluate all chemicals that are utilized during our operations, ensuring that all materials meet or exceed industry standards.

Calfrac is proud of its safety record. Last year, our people achieved a substantial year-over-year improvement in the total recordable injury frequency (TRIF), a broader measure than the lost-time injury rate, which also remained at a low level in 2009.

Calfrac's strong safety performance is due to a high level of engagement by the Company's entire organization, including the Board of Directors, senior management, and its customers, combined with growing awareness of the benefits of following safe work practices on location by Calfrac's field crews.





(1) Canada & United States operating statistics only

2009 in Review: Levering Our Business Model

After our major expansion and record revenues in 2008, 2009 began with poor visibility for revenue and field activities. While we didn't predict the recession, we had a strategy in place to respond to one. Calfrac implemented a thorough cost and workforce realignment that quickly delivered benefits (please see "Challenge: Cut Costs" on the previous page). Our senior management group laid out the road map, and the entire team bought into the rationale and executed it extremely well – and I sincerely thank all of them for it. We continued to focus on our business model's fundamentals: superior service, fair prices, strong and deep customer relationships.

Diversification played an important role. Since 2002, Calfrac has diversified by geography, play area and commodity while remaining focused on its pressure pumping service lines: fracturing, coiled tubing and cementing. Diversification has involved some risks and required a long-term commitment, careful entry, small-scale beginnings and nurturing of customers – but I cannot overstate its benefits in advance of a major economic downturn. Last year, operations outside of Canada accounted for 59 percent of total revenue, up from 52 percent in 2008. Diversification assisted with maintaining equipment utilization and preserving return on capital and operating income in a difficult operating environment.

Diversification within Canada and the U.S. let us participate in growth areas by redeploying equipment and restructuring operations, opening new field locations in northeast British Columbia and southern Saskatchewan, while moving a third fracturing spread to the Fayetteville shale play in Arkansas. Internationally, results in Russia were very strong, with high equipment utilization and cost controls yielding record operating income for this geographical segment. We recently deployed a fourth fracturing spread and a sixth deep coiled tubing unit into Western Siberia. Mexico had a turnaround year in which we added fracturing capacity and cementing services to our operations and achieved a significant improvement in operating income. International regions operate under separate management teams who keenly understand the business environment and opportunities in these markets.

Calfrac has been successful in a competitive marketplace because of our ability to meet the tough demands of the world's largest energy producers. These companies have been repositioning into those North American plays that can continue to grow amid lower commodity prices. To take one example, the Montney shale gas play in northeast B.C. and northwest Alberta has experienced dramatic growth in the last two years amid a low commodity price environment. Calfrac invested in the unconventional style of business very early – in understanding these complex tight reservoirs, in providing the right equipment and chemistry to help producers succeed in these capital-intensive wells. We were early into Arkansas's Fayetteville shale play and are maintaining a leading role in its development.

Operators in these plays have high expectations of their suppliers in terms of technical abilities, field performance, well results, and health, safety and environmental programs. Calfrac has proved its ability to deliver on all these criteria. In fact, we received the Supplier of the Year award for 2009 for Royal Dutch Shell's Upstream Americas division. Calfrac's Canadian fracturing and coiled tubing operations in northern Alberta and northeast British Columbia were recognized by Shell for their excellent health, safety and environmental record, superior service quality and responsiveness. We're very grateful for this recognition.

One motivation for our tight cost control last year was to maintain the financial freedom to take advantage of opportunities in this weaker phase. Calfrac maintained a disciplined approach to pursuing acquisition opportunities and focused on building our own equipment in the previous commodities boom. We made it clear that for us, acquisitions were more of a counter-cyclical tool. Last year, the business environment changed. We acted on two opportunities to acquire regional fracturing companies with modern, high-quality fleets compatible with our own equipment and priced well below replacement cost.

In August, we purchased the U.S.-based fracturing assets of Pure Energy Services Ltd. of Calgary, and in November we acquired Century Oilfield Services Inc. of Calgary. The combined value was approximately $145 million. Pure provided us with 45,000 pumping horsepower, some of which was deployed to the emerging Marcellus shale play. Century was a strategic acquisition that assisted in Calfrac's participation in the Bakken, North America's premier tight oil play. It lifted our presence in the oil-focused fracturing market in western Canada. It also tripled our regional coiled tubing capacity and added 70,000 pressure pumping horsepower, making Calfrac the largest fracturing provider in western Canada, with over 20 percent of the market. Our diversified operations provided the confidence that we could quickly put the new equipment to work.

We also renegotiated our debt facility, broadened our banking syndicate and recapitalized our balance sheet with a new, US$100 million offering of five-year senior notes due in 2015.

Momentum Returns

Things picked up in the second half of the year. Natural gas prices recovered somewhat towards year-end while crude oil moved from below US$60 per barrel in July to the mid-$70s in the final months. Thanks to today's technologies – long-leg horizontal wells completed using multiple hydraulic fractures – North America's high-quality unconventional natural gas and oil plays were proving consistently profitable at these commodity prices.

Opportunity: Unconventional natural gas

Today's natural gas prices are high enough to generate strong returns and drive the growth of North America's better shale gas and tight sands plays. Calfrac is superbly positioned. We're one of the leaders in Arkansas' Fayetteville shale play, where we foresee thousands of fractures over the next five years. We're an early entrant into the even larger Marcellus play, where we performed our first fracturing job in October 2009. In western Canada we're in the thick of the three best natural gas plays: the Horn River, Montney and Deep Basin.

Opportunity: International

International producing fields are typically at an earlier stage of reservoir maturity and generally use older extraction methods. That creates broad opportunity for Calfrac to apply its proven equipment, chemistry and knowledge to help international customers succeed. With a broader customer base in Russia – now the world's third-largest fracturing market – and momentum from strong oil prices, we expect sizable growth in this market. In Mexico, the national oil company's focus of resources on increasing onshore production, as well as the large number of recently drilled wells requiring completion, suggest an active year ahead.

Opportunity: Tight light oil plays

Calfrac will lever its much larger position in the Bakken and its early entry into the Cardium play. These plays generate good returns even at US$50-per-barrel crude oil, and are highly profitable at $70 per barrel. Producers have signalled larger capital budgets for 2010. Cardium and Bakken drilling is expected to grow – driving demand for fracturing and coiled tubing services.

OUR OUTLOOK

In 2009, we saw continued growth in activity in the Deep Basin, Montney and Horn River natural gas plays and the Bakken, Cardium, Viking and Lower Shaunavon tight oil plays in Canada. In the U.S. as referenced above, we maintained our strong position in the Fayetteville. Late last year Calfrac entered the Marcellus shale play, an enormous gas-in-place reservoir in New York, Pennsylvania and West Virginia. We performed our first fracture in October – another example of being in the right place at the right time with the right people.

Concurrently, new approaches are reviving older plays. In Alberta's Deep Basin, where a huge tight sands reservoir delivered solid vertical well results for two decades, horizontal drilling with multi-stage fracturing gained significant momentum in 2009. On the oil side, there was a dramatic revival of the 1950s-era Cardium oil play in west central Alberta. The Cardium had been declining for decades, but was suddenly yielding new riches thanks to multi-stage fracturing of horizontal wells. Calfrac is active in both plays.

In 2009, Calfrac performed over 6,000 fracture-stimulation stages throughout our operations. Average revenue per stage grew by more than 20 percent over 2008 to $83,241 per stage. Combined revenue increased to $592 million and we delivered operating income of approximately $71 million. We incurred a modest loss of $0.14 per share. To approach break-even in the most difficult economic environment we've ever seen is a real testimony to the business model, financial strength and efforts that our employees put in.

2010 Outlook

We're bullish about our business model and foresee growth in all geographic segments this year. The excess horsepower plaguing the U.S. market in 2009 is being absorbed and prices have begun to rebalance. The U.S. remains the world's largest fracturing market, so any percentage growth in activity represents numerous fracturing jobs. Internationally, we expect revenue growth in Russia with high utilization from six annual contracts signed with two of that country's largest oil and natural gas companies. In Mexico, we will benefit from a full year's revenue from our expanded fleet of three fracturing spreads and six cementing crews.

Although western Canada's drilling forecasts range from under 10,000 to 13,000 oil and natural gas wells, this is expected to include an increase in horizontal drilling to at least 2,800 wells. This suggests the industry's focus on generally deeper, longer-leg horizontal oil and natural gas wells completed with multi-stage fractures is intensifying. These wells can require 20 or more fractures each, making one of them the equivalent in completions activity and revenue of 20 traditional shallow gas wells.

Capital spending by our customer base in Canada is expected to increase year-over-year although this growth will likely remain lower than in the years preceding 2009. The ratio of spending on well completions, however, has changed as completion costs as a percentage of total well costs for today's unconventional horizontal wells are significantly higher than bringing a new vertical well on production. Result: the number of fracturing jobs and associated producer spending in unconventional natural gas and oil reservoirs continues to climb, even as the overall number of wells drilled in North America declines. Calfrac's weighting to multi-stage fracturing in both countries and commodities creates tremendous growth opportunity.

We foresee growing momentum in the second half of 2010 and a further upswing in 2011. Calfrac is built to take full advantage. Our enlarged pumping capacity and positioning in North America's best unconventional plays plus active international markets create powerful leverage for our operating income. We have unutilized debt capacity creating flexibility to pursue further growth opportunities or build new equipment. I know that everyone on the Calfrac team will work hard in the year ahead to maintain Calfrac's advantages of right place, right time and right people – so that we can continue to deliver strong operating and financial results and safety performance into the future.

On behalf of the Board of Directors,

D.R. Ramsay

Doug Ramsay
President and Chief Executive Officer
March 3, 2010

CANADA AND THE UNITED STATES

CANADA	Snapshot	Activity Drivers	2009 Key Events
Calfrac faced the conventional oil and natural gas downturn in its founding core market by aggressively repositioning into growing unconventional plays, redeploying equipment abroad, downsizing its workforce and suspending an unprofitable service line. A counter-cyclical acquisition elevated Calfrac to Canada's largest fracturing service provider exiting 2009.	• Operating Bases – Fort Nelson and Dawson Creek, B.C.; Grande Prairie, Edson, Red Deer and Medicine Hat, Alberta; Estevan, Saskatchewan • Service Lines – Fracturing, coiled tubing • Operating Horsepower (year-end) – approximately 211,000 • Employees (year-end) – approximately 770 • 2009 Revenue – $241.8 million • 2009 Operating Income – $32.9 million	• Sharp decline in conventional natural gas well completions reduced industry-wide equipment utilization and pricing. • Strength in unconventional tight sands and shale gas plays. • Emergence of new tight oil plays developed with multi-stage-fractured horizontal wells. • Royalty and fiscal incentives promoting development of light oil and deeper natural gas plays.	• Reduced Canadian workforce by approximately 40 percent, performed major cost rationalization. • Suspended shallow coiled tubing and conventional cementing services, redeployed a portion of the cementing equipment fleet to Mexico and the United States. • Opened operating bases in Fort Nelson and Dawson Creek, B.C. • Acquired Century Oilfield Services Inc., which provided 70,000 horsepower, a considerable amount of support equipment and ten deep coiled tubing units, an improved position in the Bakken tight oil play and an operating base in Estevan, Saskatchewan. • Acted as lead completions contractor (wireline, coiled tubing, fracturing) on a major project in Horn River play, executing 27 fracturing stages in 30 days. • Increased focus on unconventional light oil reservoirs; including the Cardium, Viking, Lower Shaunavon and Bakken plays. • Exited 2009 with the largest pressure pumping horsepower capacity in Canada. • Received the Supplier of the Year award for 2009 from Royal Dutch Shell's Upstream Americas division. • In 2010, the number of horizontal wells drilled in western Canada is expected to increase which is anticipated to result in higher demand for fracturing and coiled tubing services.

UNITED STATES	Snapshot	Activity Drivers	2009 Key Events
This is the world's largest fracturing and pressure pumping market, driven mainly by natural gas. Despite lower commodity prices in 2009, the ongoing shift to unconventional shale gas plays drove overall U.S. natural gas production, approximately half of which now comes from unconventional sources. U.S. shale gas wells are amongst the most economic in North America. Virtually all such wells require fracturing, the majority with multiple stages. Calfrac expects some recovery in service pricing during 2010.	• Operating Bases – Beebe, Arkansas; Grand Junction and Platteville, Colorado; Mt. Morris, Pennsylvania • Service Lines – Fracturing, cementing • Operating Horsepower (year-end) – approximately 182,000 • Employees (year end) – approximately 410 • 2009 Revenue – $218.3 million • 2009 Operating Income – $25.9 million	• Lower natural gas prices reduced natural gas drilling and fracturing activities in conventional plays and higher-cost tight sands plays such as the Piceance Basin. • Relatively strong activity but pricing pressure on fracturing and pressure pumping providers in unconventional plays. • Continued strength in horizontal drilling and completions – horizontal rigs outnumbered vertical rigs for much of 2009. • Well completions activity continued to grow in major unconventional shale gas plays, which remained economic at current commodity prices.	• Full year's activity with three fracturing spreads and approximately 100,000 horsepower in Fayetteville shale play, anchored by strong relationships with two of the most active operators in this play. • Acquired U.S.-based fracturing assets of Pure Energy Services Ltd. in August, adding 45,000 pressure pumping horsepower at significantly below replacement cost. • Performed first fracturing job in Marcellus shale in October and opened an operating base in Mt. Morris, Pennsylvania.


Horn River
Fort Nelson
ALBERTA
Dawson Creek
Montney
SASKATCHEWAN
Grande Prairie
BRITISH COLUMBIA
Edson
Cardium
Deep Basin
Red Deer
Viking
Calgary
Lower Shaunavon
Bakken
Medicine Hat
Estevan
Bakken
NORTH DAKOTA
WYOMING
Jonah
Green River
UTAH
Platteville
Denver-Julesburg
Uintah
Denver
Grand Junction
Piceance
COLORADO
PENNSYLVANIA
Marcellus
Mt. Morris
WEST VIRGINIA
Fayetteville
OKLAHOMA
Woodford Shale
Beebe
ARKANSAS
Barnett
Haynesville
Eagleford
Calfrac operating base
Calfrac service area
Major basin/unconventional play

Horn River Shale Gas

The Horn River play's remarkable productivity, requiring up to 20 fracturing stages per well, generates strong economics even at lower commodity prices. This has continued to draw major capital commitments from the large producers that dominate this play. Located in remote terrain in the extreme northeast of British Columbia, its tough operating conditions and high stakes impose steep barriers to entry on service providers. Calfrac is a leading player in the Horn River, where well completions typically require 30,000-40,000 horsepower and some up to 50,000 horsepower. Revenues and profitability are strong in the Horn River, which is forecast to grow robustly over the next several years.

RESOURCE PLAY HIGHLIGHTS

Montney Shale Gas/Tight Sands

This very extensive, complex set of intervals underlying large areas of northeast B.C. and northwest Alberta is a major focus of activity for a range of junior through senior producers. Exploiting its bases in Edson, Grande Prairie, Fort Nelson and Dawson Creek, Calfrac has grown into a leading service provider to Montney producers since becoming active there in 2006. Montney horizontal wells typically involve 6-12 fracturing stages requiring approximately 15,000-20,000 horsepower. Natural gas production from the Montney (which also has oil potential) has soared by 40 percent over the past two years. Independent research suggests the Montney can be profitable at natural gas prices below $6 per mcf. Thanks to this combination of productivity and profitability, producers are expected to drill an increased number of Montney wells in 2010.

Tight Light Oil Plays – Bakken

Producers are applying the techniques of unconventional gas drilling and completions to long-known but historically uneconomic light oil reservoirs in western Canada and the northern U.S. Plains. Some producers suggest that these wells are highly economic at oil prices as low as US$50 per barrel. Calfrac has repositioned aggressively into the premier tight oil play, the Bakken of southeast Saskatchewan, taking advantage of a recent acquisition and ending the year with three fracturing spreads active there. At 1,600 metres depth, this part of the Bakken is estimated to hold 4 billion barrels of oil-in-place. Producers are experimenting with numerous horizontal well configurations, resulting in up to 20 fractures per well and 120 fractures per section (640 acres) of land area. Calfrac's reservoir understanding, in-house lab, and proprietary chemistry are helping customers achieve highly productive wells.

Deep Basin Tight Sands

This 400-kilometre-long, multiple-zone tight sands play along the Alberta Foothills has been producing for nearly 35 years using vertical wells completed with one fracturing treatment per productive zone. This approach has remained economic even at recent low natural gas prices. Over the past two years numerous producers have achieved even stronger technical success and economic returns drilling horizontal Deep Basin wells with typically 8-10 fractures each. Calfrac is a major player in the Deep Basin, serving a range of customers from its Grande Prairie, Edson and Red Deer bases.

Fayetteville Shale Gas

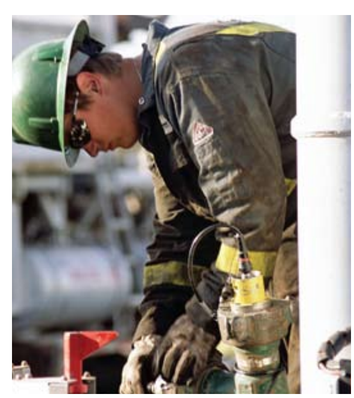
U.S. shale gas production grew by an estimated 71 percent year-over-year in 2008, topping 2 trillion cubic feet, and the Fayetteville is a leading source of this growth. Covering approximately 9,000 square miles in Arkansas and Oklahoma, this reservoir occurs in a wide depth range from 300-2,200 metres and emerged as a producing play in 2005. Within two years, Calfrac had entered the play and today is one of the Fayetteville's largest fracturing providers. Calfrac had three fracturing spreads with a combined 100,000 horsepower active in the Fayetteville throughout 2009 and was consistently pumping 60-70 million pounds of sand per month. In 2009, deployment of a third fracturing crew enabled Calfrac to perform approximately 86 percent more fracturing jobs than in 2008 and field-wide production approached 1 billion cubic feet per day near year-end. The Fayetteville has still not reached its peak, and Calfrac foresees continued growth.

Marcellus Shale Gas

Although situated well outside the historical U.S. gas supply areas, the emerging Marcellus Shale could prove even larger than the Barnett, Haynesville or Fayetteville plays. Located at depths of 1,200-2,600 metres with pay zones of 16-60 metres, the Marcellus underlies about 95,000 square miles and is estimated to hold recoverable gas of up to 500 trillion cubic feet. Recognizing this immense opportunity, Calfrac expanded its operations into the Marcellus, performing its first fracturing job there in October 2009. During 2009, activity in the Marcellus increased from barely 20 active horizontal drilling rigs to approximately 65 – the largest percentage growth of the major U.S. shale plays.

Tight Light Oil Plays – Cardium

An estimated 1,850 horizontal oil wells will be drilled in western Canada in 2010 – more than the number of horizontal gas wells – each requiring an average of ten fracturing stages. Last year Calfrac moved quickly to participate in west central Alberta's emerging Cardium play. One of Alberta's oldest oil pools, discovered in 1953, the Cardium holds an estimated 10 billion barrels of original-oil-in-place but its reservoir characteristics have kept the overall recovery factor low, and the Cardium was considered in terminal decline. The latest techniques were first applied in 2008, and by early 2010, at least 30 new Cardium horizontal wells had been drilled yielding initial production rates of up to 630 barrels per day of premium-priced light oil, with average reserves of 200,000 barrels per well. Two Calfrac crews commenced fracturing in the third quarter of 2009 and activity ramped up dramatically in December 2009 and January 2010.



INTERNATIONAL

RUSSIA	Snapshot	Activity Drivers	2009 Key Events
Russia is the world's third-largest hydraulic fracturing market, after the United States and Canada, and is primarily focused on oil reservoirs developed with deviated wells. Calfrac entered Russia in 2005 and our experienced, locally-based management team has developed strong customer relationships. Fracturing and coiled tubing services each generate approximately equal revenues for Calfrac in Russia.	• Operating Bases – Noyabrsk, Khanty-Mansiysk (both in Western Siberia) • Service Lines – Fracturing (four spreads), coiled tubing (six units) • Operating Horsepower (year-end) – approximately 36,000 • Employees – approximately 530 • 2009 Revenue – $66.6 million • 2009 Operating Income – $19.0 million	• Customer demand is driven largely by commodity prices, particularly crude oil. Moderate commodity pricing shifts activities away from high-cost frontier areas to historical fields, where Calfrac is active. • Service provider revenues are determined by the annual contracting process that is completed during the first quarter. • Fracturing focuses on a mix of new exploration/development drilling and re-stimulation of existing wells. • Calfrac is diversifying its customer base.	• Contract renewals in early 2009 assured high equipment utilization. • Strengthening oil prices drove growing fracturing and coiled tubing activity in second half. • Development of new customers enabled redeployment of a deep coiled tubing unit and a fracturing spread from Canada in December. • Strong utilization and effective internal cost controls generated record operating income and highest Company-wide margins in 2009. • Calfrac foresees another active year in 2010, resulting from six annual contracts signed with two of Russia's largest oil and natural gas companies.

LATIN AMERICA	Snapshot	Activity Drivers	2009 Key Events
Calfrac reorganized its Latin America operations under a single, locally-based and experienced management team effective January 1, 2009. Activities and operating income grew significantly in Mexico, while cementing services continued at a moderate level in Argentina. Latin America operations generated approximately 15 percent of Calfrac's 2009 operating income.	• Operating Bases – Reynosa and Poza Rica, Mexico; Catriel, Argentina • Service Lines – Fracturing (three spreads), cementing (nine units), nitrogen/acidizing (one unit) • Operating Horsepower (year-end) – approximately 27,000 • Employees – approximately 160 • 2009 Revenue – $64.8 million • 2009 Operating Income – $10.6 million	• Mexico activities driven primarily by Pemex Exploracion y Produccion's ("Pemex") need to increase onshore production to offset declining offshore production. • Year-to-year activity levels are determined by Pemex's capital budget allocations as foreign producers are barred from owning hydrocarbon reserves or controlling fields. • Calfrac has generated strong growth, is building a larger equipment fleet and is optimistic about future growth.	• Currently working under a three-year, $93 million contract with Pemex in Mexico. • Entered Chicontepec oil development play in Mexico in the second quarter of 2009 by redeploying equipment. • Added cementing services in Mexico in the third quarter, by redeploying six units. • Deployed a third cementing unit and acidizing equipment to Argentina in the third quarter. • Ended 2009 with a total of six cementing crews and three fracturing spreads in Mexico, and three cementing crews and one nitrogen/acidizing crew in Argentina. • Calfrac expects relatively high well completion activity in Mexico during 2010, with a full year of operations in the Chicontepec field.

FIELD HIGHLIGHTS
INTERNATIONAL

Mexico

Calfrac's activities are focused in two fields, the Burgos Basin of northern Mexico and the Chicontepec field near Poza Rica in central Mexico. Both are mature but underdeveloped fields, discovered 20-50 years ago, and in urgent need of redevelopment with modern technologies.

The complex geology of sandstone plus some carbonate intervals yields vertical drilling and well recompletion opportunities in numerous productive zones at 1,500-2,000 metres depth. For Calfrac, this creates opportunity to perform multiple fractures in many wellbores as well as providing cementing services. The Company's response to the technical challenges in Mexico has not gone unnoticed by its customer. In the Burgos Basin the commodities are dry gas and condensate, while in the Chicontepec field production consists of light through heavy crude oil and condensate. Typical initial production rates are approximately 2 million cubic feet per day for natural gas wells and 80 barrels per day for oil wells. Calfrac is now solidly positioned in the Chicontepec region of Mexico where the majority of Pemex's onshore development capital is likely to be focused for the next number of years.

Russia

Calfrac conducts operations in three main areas of Western Siberia that collectively hold dozens of separate producing fields, the most active and important being the Nefteugansk – Prirazlomnoye, Khanty-Mansiysk – South Priobskoye and Noyabrsk – Vyngapouroskoye fields. Calfrac's activities are focused on reviving productivity in mature producing oil fields where applying technologies originally developed for North America can achieve dramatic improvements in flow rates and resource recovery factors. Calfrac is providing a mixture of hydraulic fracturing services and coiled tubing services such as nitrogen and acidizing to stimulate wellbores.

Development of these fields includes a combination of existing well recompletions and drilling of new infill development wells plus some exploratory drilling. The targeted commodity is medium-gravity sweet crude oil. It is produced from deeper Cretaceous and Jurassic sandstone targets, generally blanket-type deposits in multiple zones at approximately 3,000 metres depth, with pay zones of 5-30 metres thickness. The pools are accessed using deviated wells drilled from pads with up to 15 wells per pad, and are stimulated using conventional fracturing techniques with typically one to three fractures per well. Russia's energy producers do not disclose well productivity rates or reserve additions.

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 March 3, 2010 and is a review of the financial condition and results of operations of the Company based on Canadian generally accepted accounting principles (GAAP). Its focus is primarily a comparison of the financial performance for the years ended December 31, 2009 and 2008 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009. Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used have been included on page 21.

CALFRAC'S BUSINESS

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

The Company's reportable business segments are as follows:

- The Canadian segment is focused on the provision of fracturing and coiled tubing services to a diverse group of oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia and southern Saskatchewan. The Company's customer base in Canada ranges from large multi-national public companies to small private companies. Calfrac had combined hydraulic horsepower of approximately 211,000, 22 coiled tubing units and six cementing units in Canada at December 31, 2009.

- The United States segment provides pressure pumping services from operating bases in Colorado, Arkansas and Pennsylvania. In the United States, the Company provides fracturing services to a number of oil and natural gas companies operating in the Piceance Basin of western Colorado, the Uintah Basin of northeastern Utah and the Denver-Julesburg Basin centred in eastern Colorado but extending into southeast Wyoming, western Nebraska and western Kansas, as well as fracturing and cementing operations in the Fayetteville shale play of Arkansas. In the fourth quarter of 2009, Calfrac commenced fracturing operations for several oil and natural gas companies in the Marcellus shale play which is located in Pennsylvania and West Virginia. At December 31, 2009, the Company deployed approximately 182,000 hydraulic horsepower and operated six cementing units in the United States segment.

- The Company's Russian segment is focused on the provision of fracturing and coiled tubing services in Western Siberia. In 2009, the Company operated under the terms of five annual contracts signed with two of Russia's largest oil and natural gas producers. At December 31, 2009, the Company operated six coiled tubing units and deployed approximately 36,000 hydraulic horsepower forming four fracturing spreads in Russia.

- The Company began reporting a Latin America segment at the beginning of 2009, which provides pressure pumping services from operating bases in central and northern Mexico and central Argentina. The Company provides hydraulic fracturing services to Pemex Exploracion y Produccion in the Burgos field of northern Mexico and the Chicontepec field of central Mexico. The Company also provides cementing services in the Chicontepec field. In Argentina, the Company provides cementing and acidizing services to local oil and natural gas companies. In the Latin America segment, the Company deployed approximately 27,000 hydraulic horsepower forming three fracturing spreads and nine cementing units at December 31, 2009.

CONSOLIDATED HIGHLIGHTS

Years Ended December 31,	2009	2008	Change
(000s, except per share amounts)	($)	($)	(%)
(unaudited)			
Revenue	**591,500**	564,363	5
Operating income [1]	**71,135**	81,940	(13)
Net income (loss)	**(5,536)**	17,864	(131)
Per share – basic & diluted	**(0.14)**	0.47	(130)
Funds provided by operations [1]	**54,620**	80,747	(32)
Per share – basic & diluted	**1.42**	2.14	(34)
EBITDA [1]	**68,795**	83,957	(18)
Per share – basic & diluted	**1.79**	2.23	(20)
Working capital, end of period	**128,243**	100,575	28
Total assets, end of period	**840,890**	691,772	22
Long-term debt, end of period	**267,351**	159,899	67
Shareholders' equity, end of period	**459,932**	393,476	17
Cash dividends per share	**0.10**	0.10	–

[1] Refer to “Non-GAAP Measures” on page 21 for further information.

2009 OVERVIEW

In 2009, the Company:

- responded to difficult economic conditions by significantly reducing costs and North American personnel beginning in the first quarter;
- increased revenue by 5 percent to $591.5 million from $564.4 million in 2008 driven primarily by strong growth in Calfrac's international operations;
- reported operating income of $71.1 million, a decrease of 13 percent from 2008, which included the impact of cost reduction measures undertaken in Canada and the United States early in the second quarter offset partially by restructuring costs of approximately $1.5 million;
- reported a net loss of $5.5 million or $0.14 per share compared to net income of $17.9 million or $0.47 per share in 2008, which included a foreign exchange loss of $3.8 million versus a foreign exchange gain of $1.9 million in 2008;
- generated funds provided by operations of $54.6 million or $1.42 per share versus $80.7 million or $2.14 per share in 2008;
- incurred capital expenditures of $102.2 million, including $42.3 million for the acquisition of the fracturing assets of Pure Energy Services Ltd. ("Pure"), primarily to bolster the Company's fracturing fleet;
- completed the acquisition of Century Oilfield Services Inc. ("Century") for a total purchase price for accounting purposes of $100.9 million, including transaction costs of $5.2 million, and assumed $29.0 million of indebtedness and other liabilities, net of working capital;
- increased its conventional pumping horsepower by 59 percent to approximately 450,000 at the end of 2009 as a result of the acquisition of Century, organic growth and the purchase of Pure's fracturing equipment;
- negotiated an increase to the Company's credit facilities to $175.0 million with a syndicate of Canadian financial institutions, which assisted with the funding of the Century acquisition;
- closed a private offering of an additional US$100.0 million of senior notes due in February 2015, the proceeds of which were used to repay a portion of Calfrac's outstanding credit facilities; and
- paid dividends of $4.0 million or $0.10 per share from funds provided by operations compared to $3.8 million or $0.10 per share in 2008.

NON-GAAP MEASURES

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

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

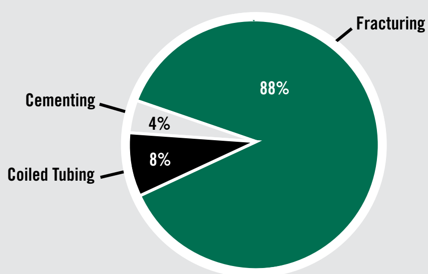
Years Ended December 31,	2009	2008
(000s) (unaudited)	($)	($)
Net income (loss)	**(5,536)**	17,864
Add back (deduct):		
Depreciation	**63,188**	51,147
Interest, net	**15,248**	11,572
Equity share of net income from long-term investments	**–**	(122)
Foreign exchange losses (gains)	**3,823**	(1,904)
Loss (gain) on disposal of capital assets	**(1,483)**	9
Income taxes	**(4,229)**	3,515
Non-controlling interest	**124**	(141)
Operating income	**71,135**	81,940

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

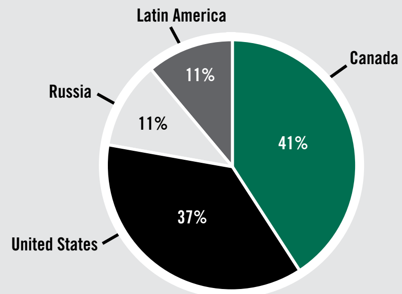
Years Ended December 31,	2009	2008
(000s) (unaudited)	($)	($)
Cash provided by (used in) operating activities	**55,927**	50,111
Add back:		
Net change in non-cash operating assets and liabilities	**(1,307)**	30,636
Funds provided by operations	**54,620**	80,747

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

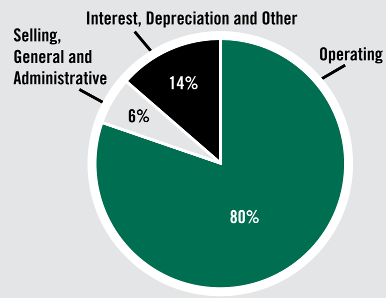
Years Ended December 31,	2009	2008
(000s) (unaudited)	($)	($)
Net income (loss)	**(5,536)**	17,864
Add back (deduct):		
Depreciation	**63,188**	51,147
Interest, net	**15,248**	11,572
Income taxes	**(4,229)**	3,515
Non-controlling interest	**124**	(141)
EBITDA	**68,795**	83,957



2009 Revenue by Service Line



2009 Revenue by Geographic Segment



2009 Expenses

FINANCIAL OVERVIEW – YEAR ENDED DECEMBER 31, 2009 VERSUS 2008

Canada

Years Ended December 31,	2009	2008	Change
(000s, except operational information) (unaudited)	($)	($)	(%)
Revenue	**241,821**	273,398	(12)
Expenses			
Operating	**199,214**	222,362	(10)
Selling, General and Administrative (SG&A)	**9,743**	10,742	(9)
	208,957	233,104	(10)
Operating income [(1)]	**32,864**	40,294	(18)
Operating income (%)	**13.6%**	14.7%	(7)
Fracturing revenue per job ($)	**90,741**	62,657	45
Number of fracturing jobs	**2,372**	3,620	(34)
Coiled tubing revenue per job ($)	**19,280**	10,182	89
Number of coiled tubing jobs	**1,193**	2,953	(60)

(1) Refer to "Non-GAAP Measures" on page 21 for further information.

Revenue

Revenue from Calfrac's Canadian operations during 2009 decreased by 12 percent to $241.8 million from $273.4 million in 2008 primarily due to lower fracturing and coiled tubing activity resulting from lower drilling and completion activity levels in the Western Canada Sedimentary Basin combined with the impact of suspending the Company's shallow coiled tubing operations and primary cementing operations in April 2009. This decline in activity was partially offset by an increase in the proportion of larger jobs completed in the unconventional resource plays located in northwest Alberta and northeast British Columbia resulting in a 45 percent increase in fracturing revenue per job. In addition, incremental revenue was generated as a result of the acquisition of Century in mid-November 2009.

Operating Expenses

Operating expenses in Canada were $199.2 million during 2009 versus $222.4 million in 2008 mainly due to lower activity levels and reflect the impact of cost rationalization measures initiated in the second quarter of 2009. This was offset by an increase in equipment repair expenses due primarily to a higher proportion of fracturing activity in the unconventional resource plays of western Canada and a larger equipment fleet combined with $1.3 million of restructuring costs.

SG&A Expenses

SG&A expenses for Calfrac's Canadian operations were $9.7 million during 2009, a decrease of 9 percent from the corresponding period of 2008 due primarily to lower personnel costs arising from restructuring initiatives implemented early in the second quarter.

United States

Years Ended December 31,	2009	2008	Change
(000s, except operational and exchange rate information) (unaudited)	($)	($)	(%)
Revenue	**218,276**	205,999	6
Expenses			
Operating	**184,973**	143,247	29
SG&A	**7,410**	9,964	(26)
	192,383	153,211	26
Operating income [1]	**25,893**	52,788	(51)
Operating income (%)	**11.9%**	25.6%	(54)
Fracturing revenue per job ($)	**71,515**	67,669	6
Number of fracturing jobs	**2,840**	2,872	(1)
Cementing revenue per job ($)	**20,259**	14,904	36
Number of cementing jobs	**749**	782	(4)
Cdn$/US$ average exchange rate [2]	**1.1420**	1.0660	7

[1] Refer to "Non-GAAP Measures" on page 21 for further information.
[2] Source: Bank of Canada.

Revenue

Revenue from Calfrac's United States operations increased during 2009 to $218.3 million from $206.0 million in 2008 primarily due to the impact of the 7 percent appreciation in the value of the United States dollar versus the Canadian dollar. Higher fracturing activity levels in Arkansas, the positive impact of acquiring Pure's fracturing assets in August 2009 and the completion of larger cementing jobs were largely offset by competitive pricing pressures and lower fracturing activity in the Rocky Mountain region of Colorado.

Operating Expenses

Operating expenses in the United States were $185.0 million for 2009, an increase of 29 percent from 2008. This increase in operating expenses was primarily due to the impact of the appreciation of the United States dollar against the Canadian dollar, increased usage of proppant resulting from the completion of larger fracturing jobs in Arkansas and higher equipment repair expenses from the increase in fracturing activity in the unconventional resource plays of the United States.

SG&A Expenses

SG&A expenses in the United States during 2009 decreased by 26 percent from 2008 to $7.4 million primarily due to lower compensation expenses, offset partially by the appreciation of the United States dollar.

Russia

Years Ended December 31,	2009	2008	Change
(000s, except operational and exchange rate information) (unaudited)	($)	($)	(%)
Revenue	**66,630**	57,355	16
Expenses			
Operating	**44,032**	44,577	(1)
SG&A	**3,631**	3,936	(8)
	47,663	48,513	(2)
Operating income [(1)]	**18,967**	8,842	115
Operating income (%)	**28.5%**	15.4%	85
Fracturing revenue per job ($)	**75,204**	132,636	(43)
Number of fracturing jobs	**558**	234	138
Coiled tubing revenue per job ($)	**46,983**	61,924	(24)
Number of coiled tubing jobs	**525**	425	24
Cdn$/rouble average exchange rate [(2)]	**0.0360**	0.0429	(16)

(1) Refer to "Non-GAAP Measures" on page 21 for further information.
(2) Source: Bank of Canada.

Revenue

During 2009, the Company's revenue from Russian operations increased by 16 percent to $66.6 million from $57.4 million in 2008 primarily due to higher fracturing and coiled tubing activity being partially offset by smaller job sizes, lower annual contract pricing and the depreciation of the Russian rouble by 16 percent against the Canadian dollar.

Operating Expenses

Operating expenses in Russia in 2009 were $44.0 million compared to $44.6 million in 2008 primarily due to the depreciation in the Russian rouble versus the Canadian dollar offset by higher fracturing and coiled tubing activity.

SG&A Expenses

SG&A expenses in Russia were $3.6 million for 2009 versus $3.9 million in 2008 primarily due to the depreciation of the Russian rouble, offset partially by higher insurance costs and professional fees.

Latin America

Years Ended December 31,	2009	2008	Change
(000s, except operational and exchange rate information) (unaudited)	($)	($)	(%)
Revenue	**64,773**	27,611	135
Expenses			
Operating	**52,046**	28,552	82
SG&A	**2,115**	876	141
	54,161	29,428	84
Operating income (loss) [1]	**10,612**	(1,817)	684
Operating income (loss) (%)	**16.4%**	-6.6%	348
Cdn$/Mexican peso average exchange rate [2]	**0.0845**	0.0959	(12)
Cdn$/Argentine peso average exchange rate [2]	**0.3037**	0.3319	(8)

[1] Refer to "Non-GAAP Measures" on page 21 for further information.
[2] Source: Bank of Canada.

Revenue

Calfrac's Latin America operations generated total revenue of $64.8 million during 2009 versus $27.6 million in 2008. The increase in revenue was primarily due to higher fracturing activity and larger job sizes in Mexico as a result of the Company's expansion into the Chicontepec region during the second quarter of 2009 and the addition of a third fracturing crew during the third quarter. In addition, the Company commenced cementing operations in Mexico during the third quarter of 2009 to service the Chicontepec region. Cementing activity in Argentina, which commenced during the second quarter of 2008, generated higher revenue with a full year of operations in 2009. These factors were offset partially by the 12 percent and 8 percent declines in the Mexican and Argentine pesos, respectively, versus the Canadian dollar.

Operating Expenses

Operating expenses in Latin America for 2009 increased by 82 percent from 2008 to $52.0 million. This increase was primarily due to a higher revenue base related to the start-up and commencement of fracturing operations and cementing operations in the Chicontepec region during the second and third quarters of 2009, respectively, combined with incremental expenses related to the Company's operations in Argentina, which began during the second quarter of 2008. In addition, Calfrac's Mexican operations incurred higher proppant costs as a result of the completion of larger fracturing jobs. These factors were partially offset by the depreciation of the Mexican and Argentine pesos.

SG&A Expenses

SG&A expenses in Latin America increased by $1.2 million from 2008 to $2.1 million in 2009 primarily due to the Company's expanded scale of operations in Mexico and Argentina.

Corporate

Years Ended December 31,	2009	2008	Change
(000s) (unaudited)	($)	($)	(%)
Expenses			
Operating	**2,418**	2,520	(4)
SG&A	**14,783**	15,647	(6)
	17,201	18,167	(5)
Operating loss [1]	**(17,201)**	(18,167)	5

[1] Refer to "Non-GAAP Measures" on page 21 for further information.

Operating Expenses

Operating expenses primarily relate to global operations and research and development ("R&D") personnel located in the Corporate headquarters who directly support the Company's global field operations. The 4 percent decrease in Corporate operating expenses from 2008 is mainly due to cost reduction measures implemented early in the second quarter.

SG&A Expenses

For 2009, Corporate SG&A expenses decreased by 6 percent to $14.8 million, mainly due to lower expenses arising from restructuring initiatives implemented early in the second quarter, offset slightly by higher stock-based compensation expenses.

Interest and Depreciation Expenses

The Company's net interest expense of $15.2 million for 2009 represented an increase of $3.6 million from $11.6 million in 2008. This increase was primarily due to higher interest expense related to the Company's unsecured senior notes resulting from the appreciation in the value of the United States dollar and additional interest expense related to the utilization of a portion of the Company's revolving term credit facilities.

For 2009, depreciation expense increased by 24 percent to $63.2 million from $51.1 million in 2008. This increase was mainly due to the Company's larger fleet of equipment operating in North America as a result of the 2009 capital program, the acquisition of fracturing assets from Pure, the appreciation in the value of the United States dollar and the fracturing and coiled tubing equipment acquired in the corporate acquisition of Century.

Foreign Exchange Losses or Gains

The Company incurred a foreign exchange loss of $3.8 million during 2009 versus a foreign exchange gain of $1.9 million in 2008. Foreign exchange gains and losses arise primarily from the translation of Calfrac's international operations in Russia, Mexico and Argentina using the temporal method. The change from a foreign exchange gain to a loss was mainly due to the appreciation of the Canadian dollar as at December 31, 2009 versus December 31, 2008 and the effect this change had on foreign net assets denominated in United States dollars, Russian roubles, Mexican pesos or Argentine pesos.

Income Tax Expenses

The Company recorded an income tax recovery of $4.2 million during 2009 versus income tax expense of $3.5 million during 2008. The effective income tax rate for 2009 was 44 percent compared to an effective tax rate of 17 percent in 2008. The change in the effective income tax rate period-over-period is due to the change in the mix of taxable earnings and losses incurred in the countries in which the Company operates and the differing rates of income tax attributable to those earnings and losses. In addition, Canadian losses for 2009 are being recovered at full statutory rates; however, the provision for income taxes on Canadian income in 2008 was tax-affected at a significantly lower effective rate due to the offsetting impact of drawing down the deferred credit related to the Denison Energy Inc. ("Denison") amalgamation in 2004.

LIQUIDITY AND CAPITAL RESOURCES

Years Ended December 31,	2009	2008
(000s) (unaudited)	($)	($)
Cash provided by (used in):		
Operating activities	**55,927**	50,111
Financing activities	**70,282**	19,172
Investing activities	**(129,114)**	(81,837)
Effect of exchange rate changes on cash and cash equivalents	**(8,517)**	9,942
Decrease in cash and cash equivalents	**(11,422)**	(2,612)

Operating Activities

The Company's cash provided by operating activities for the year ended December 31, 2009 was $55.9 million versus $50.1 million in 2008. The change was primarily due to a $31.9 million net increase in non-cash working capital that was offset by a $26.1 million reduction in funds provided by operations (refer to "Non-GAAP Measures" on page 21). At December 31, 2009, Calfrac's working capital was approximately $128.2 million, an increase of 28 percent from December 31, 2008. The Company reviewed its year-end accounts receivable in detail and determined that a provision for doubtful accounts receivable totalling $1.4 million was adequate. The majority of this provision related to a customer that filed for Chapter 11 restructuring under United States bankruptcy law.

Financing Activities

Net cash provided by financing activities for 2009 was $70.3 million compared to $19.2 million in 2008. During 2009, the Company issued long-term debt for a total of $216.1 million, and repaid $107.2 million of its revolving term credit facility and $34.6 million of its operating credit facility. In addition, Calfrac received proceeds of $0.2 million from the issuance of common shares during 2009 versus $8.9 million during 2008.

On September 29, 2009, the Company increased its credit facilities from $90.0 million to $170.0 million with a syndicate of Canadian chartered banks, and further increased these facilities on December 22, 2009 to $175.0 million. The facilities consist of an operating facility of $10.0 million and an extendible revolving term syndicated facility of $165.0 million. The terms of the renewed credit facility are based upon parameters of certain bank covenants with advances bearing interest at rates ranging from prime plus 1 percent to prime plus 1.75 percent. As of December 31, 2009, the Company had drawn $27.0 million on its syndicated facility, including letters of credit and bank overdraft, leaving a further $148.0 million in available credit.

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

At December 31, 2009, the Company had cash and cash equivalents of $25.1 million. A portion of these funds was invested in short-term investments, which consisted primarily of an overnight money market fund.

The Company pays semi-annual dividends to shareholders of $0.05 per common share at the discretion of the Board of Directors, which qualify as "eligible dividends" as defined by the Canada Revenue Agency. These dividends were funded by funds provided by operations (refer to "Non-GAAP Measures" on page 21) and totalled $4.0 million and $3.8 million in 2009 and 2008, respectively.

Investing Activities

For 2009, Calfrac's net cash used for investing activities was $129.1 million versus $81.8 million for 2008. Capital expenditures were $102.2 million in 2009 compared to $84.8 million in 2008. Capital expenditures included the acquisition of the fracturing assets of Pure during the third quarter of 2009 for $42.3 million, and the remainder was primarily related to increasing the pumping capacity of the Company's fracturing equipment fleet throughout North America.

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

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

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

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

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during 2009 was a loss of $8.5 million versus a gain of $9.9 million during 2008. These gains and losses relate to cash and cash equivalents held by the Company in a foreign currency.

With its strong working capital position, unutilized credit facilities and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2010 and beyond.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares under the Company's shareholder-approved stock option plan. The number of shares reserved for issuance under the stock option plan is equal to 10 percent of the Company's issued and outstanding common shares. As at February 28, 2010, there were 43,022,515 common shares issued and outstanding, and 3,311,849 options to purchase common shares.

Normal Course Issuer Bid

The Company filed a Notice of Intention to Make a Normal Course Issuer Bid (the "Notice") with the TSX on October 20, 2008. Under the rules of the TSX, in the period commencing on October 23, 2008, and ending on October 22, 2009, the Company could have acquired up to 1,892,217 of its outstanding common shares, being approximately 5 percent of the common shares outstanding as at October 14, 2008. During the fourth quarter of 2008, the Company purchased and cancelled 102,782 common shares under the terms of the Normal Course Issuer Bid for a total cost of approximately $0.9 million. The Company did not make any purchases pursuant to the Notice in 2009. All shares purchased pursuant to the Notice were cancelled. Shares were purchased at the market price at the time of purchase and were purchased on behalf of the Company by a registered investment dealer through the facilities of the TSX. The funding of the purchase of common shares pursuant to the Normal Course Issuer Bid was financed out of working capital. A copy of the Notice may be obtained by any shareholder, without charge, by contacting the Corporate Secretary of the Company at 411 – 8th Avenue S.W., Calgary, Alberta T2P 1E3, telephone 403-266-6000.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

		Payment Due by Period			
	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
(000s) (unaudited)	**($)**	($)	($)	($)	($)
Operating and capital leases	**32,689**	11,405	13,515	6,080	1,689
Purchase obligations	**62,458**	31,805	24,156	6,497	–
Total contractual obligations	**95,147**	43,210	37,671	12,577	1,689

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

Greek Legal Proceedings

As described in note 19 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. As these proceedings have yet to reach a status where the direction and financial consequences of the potential decisions can be determined with any reliability, management is unable to evaluate its potential financial exposure to these legal proceedings at this time.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the year ended December 31, 2009, which were prepared in accordance with Canadian GAAP. Management is required to make assumptions, judgments and estimates in the application of GAAP. Calfrac's significant accounting policies are described in note 2 to the annual consolidated financial statements. 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 anticipating future events involves uncertainty and, consequently, the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired or the environment in which the Company operates changes. The following accounting policies and practices involve the use of estimates that have a significant impact on the Company's financial results.

Allowance for Doubtful Accounts Receivable

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

Depreciation

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

Financial Instruments

The Company's financial instruments that are included in the consolidated balance sheet are comprised of cash and cash equivalents, accounts receivable, current liabilities, long-term debt and capital lease obligations.

Fair Values of Financial Assets and Liabilities

The fair values of financial instruments that are included in the consolidated balance sheet, 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, 2009 was $239.6 million before deduction of unamortized debt issue costs and unamortized debt discount of $11.8 million. The fair values of the remaining long-term debt and capital lease obligations approximate their carrying values, as described in notes 5 and 6 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 the financial condition of its customers. At December 31, 2009, the Company had a provision for doubtful accounts receivable of approximately $1.4 million related primarily to a customer who filed for Chapter 11 restructuring under U.S. bankruptcy law.

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, 2009, excluding provision for doubtful accounts, is as follows:

As at December 31,	2009
(000s)	($)
Current	**89,461**
31 – 60 days	**35,269**
61 – 90 days	**5,937**
91+ days	**2,721**
Total	**133,388**

Interest Rate Risk

The Company is exposed to interest rate cash flow risk on debt subject to floating interest rates. The increase or decrease in interest expense for each 1 percent change in interest rates on floating rate debt outstanding at December 31, 2009 amounts to $0.2 million.

The Company's effective interest rate for the year ended December 31, 2009 was 7.53 percent.

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 on an ongoing basis to ensure it has sufficient funds to complete planned capital and other expenditures. Liquidity risk is mitigated by maintaining adequate banking and credit facilities and continuously monitoring its forecast and actual cash flows. The Company may also adjust its capital spending and dividends to shareholders to maintain liquidity.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk associated with foreign operations where revenues and costs may be denominated in currencies other than Canadian dollars. These currencies include the U.S. dollar, Russian rouble, Mexican peso and Argentine peso. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases of products and capital assets from vendors in the U.S. 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 U.S. dollar/Canadian dollar foreign exchange rate; however, this risk is mitigated by the Company's sizable U.S. operations and related revenue streams.

At December 31, 2009, 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:

	Increase (Decrease) to Net Income	Increase (Decrease) to Other Comprehensive Income
(000s)	($)	($)
1% decrease in value of U.S. dollar	698	1,331
1% increase in value of U.S. dollar	(698)	1,331
1% decrease in value of Russian rouble	(88)	–
1% increase in value of Russian rouble	88	–

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 on an annual basis. Goodwill is allocated to reporting segments and any potential goodwill impairment is identified by comparing the carrying value of a reporting segment with its fair value. If any potential impairment is indicated, then it is quantified by comparing the carrying value of goodwill to its fair value. The offset would be charged to the Consolidated Statement of Operations and Retained Earnings as goodwill impairment.

Income Taxes

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

Revenue Recognition

Revenue is recognized for services upon completion provided reasonable assurance exists regarding the collectability and measurement of the consideration that will be derived.

Stock-Based Compensation

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

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

Goodwill and Intangible Assets

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

Financial Instruments

Section 3862, *Financial Instruments: Disclosures,* provides revised and enhanced disclosure requirements for liquidity disclosure risks and the fair value measurement of financial instruments. Fair value measurements are to be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The adoption of this revised standard has not had an impact on the disclosures in the Company's consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

There are no new Canadian or United States accounting pronouncements that have been issued but are not yet effective for the 2010 fiscal year.

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

The President & 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 is 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 GAAP.

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, 2009. 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.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

Analysis of Differences Between IFRS and Canadian GAAP

The Company has completed its initial diagnostic phase and is currently analyzing accounting policy alternatives for the areas of greatest potential impact to the Company's consolidated financial statements or the greatest risk in terms of complexity to implement. This analysis includes assessing available exemptions under IFRS 1 *First-time Adoption of International Financial Reporting Standards* as well as any required system and process changes. The key areas where changes in accounting standards are expected to impact the Company's consolidated financial statements are described below. The standard-setting bodies that promulgate Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements in future years. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years. The differences described below are those existing based on Canadian GAAP and IFRS at year-end 2009. At this stage, the impact of adopting IFRS on the Company's consolidated financial statements is not reasonably determinable.

Most of the adjustments required upon transition to IFRS will be made retrospectively against opening retained earnings for the year ended December 31, 2010, which is the first comparative balance sheet presented based on standards applicable at that time. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the first day of the year of adoption.

Property, Plant and Equipment

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

The Company is in the process of finalizing its significant components of property, plant and equipment and their respective useful lives. Depending on the number of components identified during this process and the impact of their useful lives on depreciation, the adoption of this standard may have a significant impact on the financial results of the Company.

Foreign Currency Translation

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

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

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

Impairment of Assets

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

However, the extent of any provisions for impairment may be partially offset by the requirements under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. The adoption of this standard may have a significant impact on the financial results of the Company.

Information Systems and Processes

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

Training

Calfrac expects to complete its IFRS training during the third and fourth quarters of 2010.

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties, including those listed below. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth in the Company's most recently filed Annual Information Form, which 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 North American, Russian and Argentinean natural gas and, to a lesser extent, oil. Industry conditions are influenced by numerous factors over which the Company has no control, including the level of 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, Argentinean 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. Because of the current economic environment and related decrease in demand for energy, natural gas exploration and development in North America has decreased significantly from peak levels in 2008. Warmer than normal winters in North America, among other factors, may adversely impact demand for natural gas and, therefore, demand for oilfield services. If the economic conditions deteriorate further or do not improve, the decline in natural gas exploration and development 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.

Seasonality

The Company's financial results are directly affected by the seasonal nature of the North American oil and natural gas industry. The first quarter incorporates the winter drilling season when a disproportionate amount of the activity takes place in western Canada. During the second quarter, soft ground conditions typically curtail oilfield activity in all of the Company's Canadian operating areas such that many rigs are unable to move about due to road bans. This period, commonly referred to as "spring breakup", occurs earlier in the year in southeastern Alberta than it does in northern Alberta and northeastern British Columbia. Consequently, this is the Company's weakest three-month revenue period. Additionally, if an unseasonably warm winter prevents sufficient freezing, the Company may not be able to access well sites and the Company's operating results and financial condition may 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 revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which can 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 over 180 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, Calfrac has four significant customers that collectively accounted for approximately 49 percent of the Company's revenue for the year ended December 31, 2009 and of such customers one customer accounted for approximately 17 percent of the Company's revenue for the year ended December 31, 2009. The Company's strong relationship with the most active exploration and production companies in the countries in which it operates results in increased concentration of revenues during periods of reduced activity levels such as the first nine months of 2009. However, there can be no assurance that the Company's relationship with these four 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 Calfrac 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. Calfrac competes with large national and multinational oilfield service companies that have greater financial and other resources. These companies offer a wide range of well stimulation services in all geographic regions in which Calfrac operates. In addition, Calfrac competes with several regional competitors. As a result of competition, it may suffer from a significant reduction in revenue or be unable to pursue additional business opportunities.

Equipment Inventory 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 inventory 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. This capital overbuild could cause the Company's competitors to lower their rates 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.

Volatility in Credit Markets

The ability to make scheduled payments on or to refinance debt obligations 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 the Company's control. The credit markets have recently experienced and continue to experience adverse conditions. Continuing volatility in the credit markets may increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or affect the Company's ability, or third parties it seeks to do business with, to access those markets.

In addition, access to financing remains uncertain. This condition could have an adverse effect on the industry in which Calfrac operates and on the Company's business, including future operating results. The Company's customers may curtail their drilling and completion programs, which could result in a decrease in demand for the Company's services and could increase pricing pressures. In addition, certain customers could become unable to pay suppliers, including Calfrac, 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.

Sources, Pricing and Availability of Raw Materials and Component Parts

Calfrac sources its raw materials, such as proppant, chemicals, nitrogen, carbon dioxide and diesel fuel, and component parts, such as coiled tubing, from a variety of suppliers in North America, Russia and Argentina.

Should the Company's current suppliers be unable to provide the necessary raw materials and component parts at an acceptable price or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Government Regulations

The Company's operations are subject to a variety of federal, provincial, state and local laws, regulations and guidelines in all the 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 the Company's operations. The Company has invested financial and managerial resources to ensure such compliance and expects to continue to make such investments in the future. Such 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 Calfrac to predict the cost or impact of such laws and regulations on the Company's future operations.

In particular, the Company is subject to increasingly stringent laws and regulations relating to importation and use of hazardous materials, radioactive materials and explosives, environmental protection, 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. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and expensive to implement. These laws may provide for "strict liability" for damages to natural resources or threats to public health and safety. Strict liability can render a party liable for damages without regard to negligence or fault on the part of the party. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances.

The Company uses and generates hazardous substances and wastes in its operations. In addition, some of the Company's current properties are, or have been, used for industrial purposes. 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 the Company's earnings and cash available for operations. The Company believes it is currently in substantial compliance with applicable environmental laws and regulations.

The Company is a provider of hydraulic fracturing services, a process that creates fractures extending from the well bore through the rock formation to enable natural gas or oil to move more easily through the rock pores to a production well. Bills pending in the United States House of Representatives and Senate have asserted that chemicals used in the fracturing process could adversely affect drinking water supplies. The proposed legislation would require the reporting and public disclosure of chemicals used in the fracturing process. This legislation, if adopted, could establish an additional level of regulation at the federal level that could lead to operational delays and increased operating costs. The adoption of any future federal or state laws or implementing regulations imposing reporting obligations on, or otherwise limiting, the hydraulic fracturing process could make it more difficult to complete natural gas and oil wells and could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Income Tax Attributes

The Company has reduced the Company's Canadian income tax liabilities from March 2004 through the end of 2009 by using 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. 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, but could do so in the future.

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 Calfrac 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. Calfrac continuously monitors its activities for quality control and safety, and although it maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance may not be adequate to cover the Company's liabilities and may not be available in the future at rates that Calfrac considers reasonable and commercially justifiable.

Regulations Affecting the Oil and Natural Gas Industry

The operations of the Company's customers are 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, the Company's customers' operations could be disrupted or curtailed by governmental authorities. The high cost of compliance with applicable regulations could 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 negatively impact demand for the Company's services. For example, oil and natural gas exploration and production may decline as a result of environmental requirements (including land use policies responsive to environmental concerns). A decline in exploration and production, in turn, could materially and adversely affect the Company.

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 and Argentinean currency exchange rates. For example, net income from the Company's United States operations is denominated in United States dollars, so that a decrease in the value of the United States dollar would decrease the Canadian dollar amount of net income from United States operations. Other than natural hedges arising from the normal course of business in foreign jurisdictions, Calfrac does not currently have any hedging positions in place.

Liabilities of Prior Operations

From time to time, there may be legal proceedings pending or threatened against Calfrac relating to the business of Denison prior to its reorganization and subsequent acquisition of Calfrac. 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 corporations 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 Calfrac may be found responsible for claims or losses relating to the assets and liabilities transferred by Denison and that claims or losses might 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. Calfrac 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.

Greek Legal Proceedings

As a result of the acquisition and amalgamation with Denison in 2004, Calfrac assumed certain legal obligations related to Denison's Greek operations. In 1998, a consortium, in which a Greek subsidiary of Denison, North Aegean Petroleum Company E.P.E. ("NAPC"), participated, terminated employees in Greece as a result of the cessation of its oil and natural gas operations in that country. Several groups of employees have filed claims 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 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 has been further appealed to the Supreme Court of Greece, and on November 3, 2009 was postponed until March 16, 2010. Counsel to NAPC has obtained a judicial order entitling NAPC to obtain certain employment information in respect of the plaintiffs which is required in order to assess the extent to which the plaintiffs have mitigated any damages which might otherwise be payable. NAPC intends to vigorously defend the appeal decision before the Supreme Court of Greece both in relation to the merits of the plaintiffs' case as well as in respect of the quantum of any damages which might be awarded. In the event that an adverse ruling is issued by the Supreme Court of Greece, NAPC intends to assess available rights of appeal to any other levels of court in any jurisdiction where such an appeal is warranted.

Several other smaller groups of former employees have filed similar cases in various courts in Greece. One of these cases was heard by the Athens Court of First Instance on January 18, 2007. By judgment rendered November 23, 2007, the plaintiff's allegations were partially accepted, and the plaintiff was awarded compensation for additional work. 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 rejected the additional claim of the plaintiff. Another one of the lawsuits seeking salaries in arrears was heard by the Supreme Court of Greece on November 6, 2007, at which date the appeal of the plaintiffs was denied for technical reasons due to improper service. A rehearing of this appeal scheduled for September 22, 2009 was postponed until September 21, 2010. The remaining action, which is seeking salaries in arrears, was scheduled to be heard before the Athens Court of First Instance on October 1, 2009, but was adjourned as a result of the recently held Greek elections. No date has been set for the adjourned hearing. The direction and financial 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 the Company's business, financial condition and results of operations.

Management Stewardship

The successful operation of the Company's business depends upon the abilities, expertise, judgment, discretion, integrity and good faith of the Company's 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 Calfrac loses 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 may also be financed partially or wholly with debt, which could increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair the Company's 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 the Company's 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.

Management Ownership Concentration

Collectively, the Company's directors and officers own or control common shares representing approximately 29 percent of the total voting power of the Company's common shares. As a result, the Company's management may have the ability to direct the election of members of the Company's Board of Directors and to exercise a controlling influence over the Company's business and affairs, including any determinations with respect to mergers or other business combinations involving Calfrac, the Company's acquisition or disposition of assets, the Company's incurrence of indebtedness, the Company's issuance of any additional common shares or other equity securities, the Company's repurchase or redemption of common shares or preferred shares and the Company's payment of dividends. Additionally, the Company's management may have the power to determine or significantly influence the outcome of matters submitted to a vote of the Company's shareholders, including the power to prevent an acquisition or any other change in control of Calfrac. In any particular transaction, the interests of the Company's management as shareholders may differ from the interests of other shareholders and the interests of holders of the senior notes, and actions taken by the Company's management as shareholders with respect to Calfrac may not be favourable to the other shareholders and creditors.

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 to be 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, any of which 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 has adopted the Kyoto Protocol established thereunder to set legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". Details regarding Canada's implementation of the Kyoto Protocol remain unclear. On April 26, 2007, the Government of Canada released its Regulatory Framework for Air Emissions which outlines proposed new requirements governing the emission of greenhouse gases and industrial air pollutants in accordance with the Government's Notice of Intent to Develop and Implement Regulations and Other Measures to Reduce Air Emissions, which was released on October 19, 2006. A further plan setting out the federal government's proposed framework for regulating greenhouse gas emissions was released on March 10, 2008. The framework and associated public documents provide some, but not full, detail on new greenhouse gas and industrial air pollutant limits and compliance mechanisms that the government intends to apply to various industrial sectors, including oil and natural gas producers. Details on potential legislation to enact the proposed regulatory framework for greenhouse gases remain unavailable.

Since November 2008, the Government of Canada has expressed an interest in pursuing a potential harmonization of future Canadian greenhouse gas regulation with future regulation in the United States, pursuant to a bilateral treaty, raising uncertain implications for greenhouse gas emission requirements to be applied to Canadian industry, including the oil and natural gas sector. 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 the Company's services economically. Calfrac is unable to predict the impact of current and pending emission reduction legislation on the Company and it is possible that such impact may 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. Calfrac cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

SUMMARY OF QUARTERLY RESULTS

Quarters Ended	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Total
(000s, except per share and operating data) (unaudited)	($)	($)	($)	($)	($)
2009					
Financial					
Revenue	180,388	104,727	133,261	173,124	591,500
Operating income [1]	27,427	4,052	16,499	23,157	71,135
Net income (loss)	5,528	(14,770)	2,842	864	(5,536)
Per share – basic	0.15	(0.39)	0.08	0.02	(0.14)
Per share – diluted	0.15	(0.39)	0.08	0.02	(0.14)
Funds provided by operations [1]	22,713	128	12,199	19,580	54,620
Per share – basic	0.60	–	0.32	0.48	1.42
Per share – diluted	0.60	–	0.32	0.48	1.42
EBITDA [1]	25,945	4,340	15,112	23,398	68,795
Per share – basic	0.69	0.11	0.40	0.58	1.79
Per share – diluted	0.69	0.11	0.40	0.57	1.79
Capital expenditures	15,857	9,862	58,212	18,245	102,176
Working capital (end of period)	129,532	111,864	103,331	128,243	128,243
Shareholders' equity (end of period)	402,537	380,515	378,972	459,932	459,932
Operating (end of period)					
Pumping horsepower (000s)	303	319	371	456	
Coiled tubing units (#)	18	18	18	28	
Cementing units (#)	20	20	21	21	

[1] Refer to "Non-GAAP Measures" on page 21 for further information.

Quarters Ended	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Total
(000s, except per share and operating data) (unaudited)	($)	($)	($)	($)	($)
2008					
Financial					
Revenue	145,627	94,657	151,650	172,430	564,363
Operating income (loss) [(1)]	29,477	(1,008)	27,812	25,658	81,940
Net income (loss)	14,269	(15,469)	11,203	7,861	17,864
Per share – basic	0.38	(0.41)	0.30	0.21	0.47
Per share – diluted	0.38	(0.41)	0.30	0.21	0.47
Funds provided by operations [(1)]	28,790	(9)	27,128	24,838	80,747
Per share – basic	0.77	–	0.72	0.66	2.14
Per share – diluted	0.77	–	0.72	0.66	2.14
EBITDA [(1)]	31,047	(813)	26,983	26,740	83,957
Per share – basic	0.83	(0.02)	0.71	0.71	2.23
Per share – diluted	0.83	(0.02)	0.71	0.71	2.23
Capital expenditures	14,820	19,341	18,414	32,233	84,807
Working capital (end of period)	111,989	94,056	104,700	100,575	100,575
Shareholders' equity (end of period)	377,056	364,068	378,890	393,476	393,476
Operating (end of period)					
Pumping horsepower (000s)	232	255	287	287	
Coiled tubing units (#)	18	18	18	18	
Cementing units (#)	17	17	18	18	

(1) Refer to "Non-GAAP Measures" on page 21 for further information.

FINANCIAL OVERVIEW – THREE MONTHS ENDED DECEMBER 31, 2009 VERSUS 2008

Canada

Three Months Ended December 31,	2009	2008	Change
(000s, except operational information) (unaudited)	($)	($)	(%)
Revenue	**84,754**	82,788	2
Expenses			
Operating	**63,344**	67,905	(7)
SG&A	**2,653**	3,069	(14)
	65,997	70,974	(7)
Operating income [1]	**18,757**	11,814	59
Operating income (%)	**22.1%**	14.3%	55
Fracturing revenue per job ($)	**91,134**	70,102	30
Number of fracturing jobs	**868**	988	(12)
Coiled tubing revenue per job ($)	**23,442**	11,251	108
Number of coiled tubing jobs	**241**	904	(73)

[1] Refer to "Non-GAAP Measures" on page 21 for further information.

Revenue

Revenue from Calfrac's Canadian operations during the fourth quarter of 2009 was $84.8 million versus $82.8 million in the comparable three-month period of 2008. The 2 percent increase in revenue was primarily due to the completion of larger jobs in the unconventional resource plays located in northern Alberta and northeast British Columbia and an increase in oil-related fracturing in the resource plays of southeast Saskatchewan and west central Alberta. This increase was partially driven by incremental revenue as a result of the acquisition of Century in mid-November 2009. These factors were partially offset by lower shallow gas fracturing activity in southern Alberta and the impact of suspending shallow coiled tubing and cementing operations in Canada during the second quarter of 2009.

Operating Expenses

Operating expenses in Canada decreased by 7 percent to $63.3 million during the fourth quarter of 2009 from $67.9 million in the same period of 2008. The decrease in Canadian operating expenses was mainly due to lower overall fracturing and coiled tubing activity levels combined with lower personnel costs attributable to the impact of restructuring initiatives undertaken during the second quarter of 2009.

SG&A Expenses

SG&A expenses for Calfrac's Canadian operations during the fourth quarter of 2009 decreased from the corresponding period in 2008 by 14 percent to $2.7 million primarily due to lower compensation expenses as a result of restructuring initiatives undertaken early in the second quarter of 2009.

United States

Three Months Ended December 31,	2009	2008	Change
(000s, except operational and exchange rate information) (unaudited)	($)	($)	(%)
Revenue	**54,256**	68,790	(21)
Expenses			
Operating	**48,760**	47,026	4
SG&A	**2,091**	4,007	(48)
	50,851	51,033	–
Operating income [(1)]	**3,405**	17,757	(81)
Operating income (%)	**6.3%**	25.8%	(76)
Fracturing revenue per job ($)	**59,263**	87,615	(32)
Number of fracturing jobs	**867**	733	18
Cementing revenue per job ($)	**21,458**	18,347	17
Number of cementing jobs	**134**	249	(46)
Cdn$/US$ average exchange rate [(2)]	**1.0563**	1.2124	(13)

(1) Refer to "Non-GAAP Measures" on page 21 for further information.
(2) Source: Bank of Canada.

Revenue

Revenue from Calfrac's United States operations decreased during the fourth quarter of 2009 to $54.3 million from $68.8 million in the comparable quarter of 2008. The decrease in United States revenue was due primarily to the depreciation in the value of the United States dollar, competitive pricing pressures, lower fracturing activity levels and smaller job sizes in the Rocky Mountain region and lower cementing activity levels. This was partially offset by higher fracturing activity levels and job sizes in Arkansas, the commencement of fracturing operations in Pennsylvania and the completion of larger cementing jobs.

Operating Expenses

Operating expenses in the United States were $48.8 million for the fourth quarter of 2009, an increase of 4 percent from the comparative period in 2008. The increase in operating expenses was primarily due to the increased usage of proppant resulting from the completion of larger fracturing jobs in Arkansas and start-up expenses related to the commencement of fracturing operations in the Marcellus shale play of Pennsylvania. In addition, higher equipment repair expenses due to the increase in fracturing activity in the unconventional resource plays of the United States also contributed to this increase in operating expenses. These factors were offset partially by the impact of the depreciation in the value of the United States dollar.

SG&A Expenses

SG&A expenses in the United States during the fourth quarter of 2009 decreased by 48 percent from the comparable period in 2008 to $2.1 million primarily due to lower personnel expenses and the impact of the depreciation in the value of the United States dollar. This decrease was offset partially by a $0.4 million provision for doubtful accounts receivable related to a customer that filed for Chapter 11 restructuring under United States bankruptcy law.

Russia

Three Months Ended December 31,	2009	2008	Change
(000s, except operational and exchange rate information) (unaudited)	($)	($)	(%)
Revenue	**14,698**	12,223	20
Expenses			
Operating	**10,667**	10,540	1
SG&A	**984**	1,156	(15)
	11,651	11,696	–
Operating income [1]	**3,047**	527	478
Operating income (%)	**20.7%**	4.3%	381
Fracturing revenue per job ($)	**74,379**	129,217	(42)
Number of fracturing jobs	**120**	49	145
Coiled tubing revenue per job ($)	**52,959**	61,369	(14)
Number of coiled tubing jobs	**109**	96	14
Cdn$/rouble average exchange rate [2]	**0.0358**	0.0444	(19)

(1) Refer to "Non-GAAP Measures" on page 21 for further information.
(2) Source: Bank of Canada.

Revenue

During the fourth quarter of 2009, the Company's revenue from Russian operations increased by 20 percent to $14.7 million from $12.2 million in the corresponding three-month period of 2008. The increase in revenue was mainly due to higher fracturing and coiled tubing activity levels being partially offset by smaller job sizes, lower annual contract pricing, extremely cold weather conditions in Western Siberia during December 2009 and the depreciation of the Russian rouble by 19 percent versus the Canadian dollar.

Operating Expenses

Operating expenses in Russia in the fourth quarter of 2009 were $10.7 million compared to $10.5 million in the corresponding period of 2008. The increase in operating expenses was primarily due to the higher revenue base and equipment utilization combined with higher fuel expenses as a result of the extremely cold weather conditions in Western Siberia during December 2009, offset partially by the depreciation in the Russian rouble against the Canadian dollar.

SG&A Expenses

SG&A expenses in Russia were $1.0 million for the three-month period ended December 31, 2009 versus $1.2 million in the same quarter of 2008. The decrease was primarily due to the depreciation of the Russian rouble.

Latin America

Three Months Ended December 31,	2009	2008	Change
(000s, except operational and exchange rate information) (unaudited)	($)	($)	(%)
Revenue	**19,416**	8,629	125
Expenses			
Operating	**16,389**	7,692	113
SG&A	**430**	282	52
	16,819	7,974	111
Operating income [(1)]	**2,597**	655	296
Operating income (%)	**13.4%**	7.6%	76
Cdn$/Mexican peso average exchange rate [(2)]	**0.0809**	0.0928	(13)
Cdn$/Argentine peso average exchange rate [(2)]	**0.2765**	0.3574	(23)

(1) Refer to "Non-GAAP Measures" on page 21 for further information.
(2) Source: Bank of Canada.

Revenue

Calfrac's Latin America operations generated total revenue of $19.4 million during the fourth quarter of 2009 versus $8.6 million in the comparable three-month period in 2008. For the three months ended December 31, 2009 and 2008, revenue generated through subcontractors was $4.4 million and $2.4 million, respectively. The increase in revenue was primarily due to higher fracturing activity with the expansion of the Company's fracturing operations into the Chicontepec region during the second quarter and the completion of larger jobs in Mexico. In addition, revenue in the Latin America division increased due to the commencement of cementing operations in Mexico during the third quarter of 2009 combined with higher cementing activity levels in Argentina. This increase was partially offset by the depreciation of the Mexican and Argentine peso versus the Canadian dollar and smaller job sizes in Argentina.

Operating Expenses

Operating expenses in Latin America for the three months ended December 31, 2009 increased by 113 percent from the comparative period in 2008 to $16.4 million. This increase was primarily due to higher fracturing activity and higher product costs related to the completion of more and larger fracturing jobs in Mexico. In addition, operating expenses increased as a result of costs related to the start-up and commencement of cementing operations in Mexico during the third quarter of 2009 and incremental expenses related to higher activity levels in Argentina.

SG&A Expenses

SG&A expenses in Latin America increased to $0.4 million from $0.3 million in the comparable quarter of 2008 primarily due to the Company's expanded scale of operations in Mexico and Argentina.

Corporate

Three Months Ended December 31,	2009	2008	Change
(000s) (unaudited)	($)	($)	(%)
Expenses			
Operating	**520**	747	(30)
SG&A	**4,129**	4,348	(5)
	4,649	5,095	(9)
Operating loss [1]	**(4,649)**	(5,095)	9

[1] Refer to "Non-GAAP Measures" on page 21 for further information.

Operating Expenses

Operating expenses primarily relate to global operations and R&D personnel located in the Corporate headquarters who directly support the Company's global field operations. The 30 percent decrease in Corporate operating expenses from the fourth quarter of 2008 is mainly due to lower compensation expenses as a result of a decrease in the number of personnel supporting the Company's operations and the impact of cost-saving initiatives implemented during the second quarter of 2009.

SG&A Expenses

For the three months ended December 31, 2009, Corporate SG&A expenses decreased by 5 percent from the comparable 2008 period to $4.1 million, mainly due to lower expenses resulting from cost-saving measures implemented early in the second quarter of 2009, offset partially by higher stock-based compensation expenses.

Interest and Depreciation Expenses

The Company's net interest expense of $4.3 million for the fourth quarter of 2009 represented an increase of $0.8 million from $3.5 million in the comparable period of 2008. This increase was primarily due to higher overall long-term debt levels, offset partially by lower interest expense related to the Company's unsecured senior notes resulting from the depreciation in the value of the United States dollar.

For the three months ended December 31, 2009, depreciation expense increased by 23 percent to $17.6 million from $14.3 million in the corresponding quarter of 2008. The increase in depreciation expense is mainly a result of a larger fleet of equipment operating in North America, the Company's acquisition of fracturing assets from Pure and the fracturing and coiled tubing equipment acquired in the acquisition of Century, offset partially by the depreciation in the value of the United States dollar.

Foreign Exchange Losses or Gains

The Company realized a foreign exchange gain of $0.1 million during the fourth quarter of 2009 versus $1.1 million in the comparative three-month period of 2008. Foreign exchange gains and losses arise primarily from the translation of Calfrac's international operations in Russia, Mexico and Argentina using the temporal method. On a quarter-over-quarter basis, the decrease in the foreign exchange gain was mainly due to the impact of the significant depreciation of the Canadian dollar on foreign net assets denominated in United States dollars during the fourth quarter of 2008.

Income Tax Expenses

The Company recorded an income tax expense of $0.6 million during the fourth quarter of 2009 compared to income tax expense of $1.1 million in the comparable period of 2008. The effective income tax rate for the three months ended December 31, 2009 was 41 percent compared to an effective tax rate of 12 percent in the same quarter of 2008. The decrease in total income tax expense was primarily due to pre-tax losses in the United States and lower profitability in Canada, offset partially by higher profitability in Mexico, Russia and Argentina combined with the impact of lower enacted Canadian future income tax rates on the Company's future income tax asset. The increase in the effective tax rate was primarily due to Canadian income for the fourth quarter of 2009 being taxed at full statutory rates; however, the provision for income taxes on Canadian income in the fourth quarter of 2008 was tax-affected at a significantly lower effective rate due to the offsetting impact of drawing down the deferred credit related to Denison amalgamation in 2004.

OUTLOOK

As a result of the recent improvement in global economic conditions, oil and natural gas prices have strengthened, leading to higher levels of drilling and completion activity in Canada and the United States during the fourth quarter of 2009 and the early part of 2010. Well completions activity in Canada and the United States during 2010 is expected to remain focused on horizontal wells incorporating multi-stage fracturing technology within unconventional oil and natural gas resource plays, which is expected to increase overall utilization levels for the pressure pumping service industry during 2010.

The Company closed the acquisition of Century during the fourth quarter and has integrated these operations within its Canadian operating structure. This acquisition is expected to help drive future growth in Canada with the energy sector's ongoing focus on unconventional natural gas and oil plays. Stronger commodity price fundamentals are anticipated during 2010, which are expected to result in higher fracturing and coiled tubing equipment utilization in Canada. The recent industry trend toward using multi-stage fracturing completion technology within horizontal wells drilled into oil reservoirs such as the Cardium, Viking, Lower Shaunavon and Bakken is expected to provide additional demand for pressure pumping services in the Western Canada Sedimentary Basin. Calfrac has allocated a portion of its 2010 capital budget to augmenting the infrastructure required to support its newest operating districts in Dawson Creek and Fort Nelson, British Columbia and Estevan, Saskatchewan, which support the Montney, Horn River and Bakken unconventional resource plays, respectively. Overall, the financial performance of Calfrac's western Canada operations during 2010 is anticipated to improve significantly from 2009.

In the United States, fracturing and cementing activity in the Fayetteville shale play of Arkansas is expected to remain strong in 2010 and, as a result of higher overall demand for pressure pumping services, pricing levels in this market are anticipated to improve from the fourth quarter of 2009. Well completions activity in the Rocky Mountain region of Colorado is also expected to be higher than in the previous year due to increased pipeline infrastructure, which has alleviated most of the takeaway constraints experienced by Calfrac's customers. The fracturing assets acquired from Pure during the third quarter provided Calfrac with the operational flexibility to enter the Marcellus shale play of Pennsylvania during the fourth quarter. The Company expects that drilling and completion activity in this new play will increase significantly and provide further growth opportunities for Calfrac in this market.

Calfrac was recently awarded work with two of Russia's largest oil and natural gas companies and currently operates four fracturing spreads and six coiled tubing units in this oil-focused market. With a larger equipment fleet and broader customer base, the Company expects continued strong financial performance in this region during 2010.

The Company expanded its Mexican pressure pumping operations in the Poza Rica area during 2009 with the commencement of fracturing operations during the second quarter and cementing operations in September. Calfrac currently operates two fracturing spreads and six cementing units in the Chicontepec oil and natural gas field for Pemex, where completion activity levels are expected to remain strong in 2010. However, activity for the Company's fracturing crew in the Burgos field of northern Mexico is anticipated to decline slightly from 2009 levels as Pemex focuses on the development of the Chicontepec region. In Argentina, utilization of Calfrac's three cementing units is expected to be relatively strong during the coming year. The Company's Latin America management team is continuing to evaluate future opportunities for growth in the Latin America market.

Calfrac is also pleased to announce that its Board of Directors has approved an $11 million increase to the 2010 capital budget for a revised total of $56 million. The majority of this additional capital will be focused on new sand storage and handling equipment related to the Company's upcoming activity in the Horn River Basin and the addition of 7,500 hydraulic horsepower to its equipment fleet currently operating in the Marcellus shale play. The total approved capital budget for 2010, including $14 million of carryforward capital from 2009, is now $70 million.

On February 18, 2010, Calfrac and seven other pressure pumping companies received a request for information from the Congress of the United States, Committee on Energy and Commerce, in relation to the practice of hydraulic fracturing. The Company confirmed to the Committee that it will voluntarily provide the requested information on a timely basis. Calfrac is committed to developing energy resources in an environmentally sound manner and in accordance with all applicable laws and regulations. Calfrac does not view this Congressional request as a criticism of the Company or its hydraulic fracturing operations.

Overall, demand for pressure pumping services in North America over the short term is expected to increase from the previous year and the long-term outlook for the pressure pumping industry remains strong. Calfrac continues to focus on streamlining its cost structure and improving operating efficiencies. The Company will continue to execute its strategic business model by capitalizing on future growth opportunities while using a conservative approach in order to maintain financial flexibility and a strong balance sheet.

ADVISORIES

Forward-Looking Statements

In order to provide Calfrac shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of Calfrac's plans and future operations, certain statements contained in this MD&A, including statements that contain words such as "anticipates", "can", "may", "could", "expect", "believe", "intend", "forecast", "will", or similar words suggesting future outcomes, are forward-looking statements. Forward-looking statements in this document include, but are not limited to, statements with respect to future capital expenditures, future financial resources, future oil and natural gas well activity, future costs or potential liabilities, outcome of specific events, trends in the oil and natural gas industry and the Company's growth prospects including, without limitation, its international growth strategy and prospects. These statements are derived from certain assumptions and analyses made by the Company based on its experience and interpretation of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including assumptions related to commodity pricing, North American drilling activity and the expectation that access to capital will continue to be restricted for many of Calfrac's customers. Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. The most significant risk factors to Calfrac relate to prevailing economic conditions; commodity prices; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; dependence on major customers; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; and regional competition. Readers are cautioned that the foregoing list of risks and uncertainties is not exhaustive. Further information about these risks and uncertainties may be found 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 Canadian generally accepted accounting principles ("GAAP") 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 Canadian GAAP. The MD&A compares the audited financial results for the years ended December 31, 2009 and December 31, 2008.

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 Canadian GAAP and provide an independent professional opinion.

The Audit Committee of the Board of Directors, which is comprised of three 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
President and Chief Executive Officer

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

March 1, 2010
Calgary, Alberta

AUDITORS' REPORT

To the Shareholders of Calfrac Well Services Ltd.

We have audited the consolidated balance sheets of Calfrac Well Services Ltd. as at December 31, 2009 and 2008 and the consolidated statements of operations and retained earnings, comprehensive income and accumulated other comprehensive income and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

March 1, 2010
Calgary, Alberta

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As at December 31,	2009	2008
(000s)	($)	($)
ASSETS		
Current assets		
Cash and cash equivalents	**25,070**	36,492
Accounts receivable	**135,775**	120,048
Income taxes recoverable	**1,780**	6,681
Inventory	**44,297**	41,123
Prepaid expenses and deposits	**6,746**	5,813
	213,668	210,157
Capital assets (note 3)	**579,233**	459,874
Goodwill	**10,523**	10,523
Future income taxes (note 11)	**37,466**	11,218
	840,890	691,772
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**82,212**	94,582
Bank loan (note 4)	**–**	15,000
Current portion of long-term debt (note 5)	**1,996**	–
Current portion of capital lease obligations (note 6)	**1,217**	–
	85,425	109,582
Long-term debt (note 5)	**267,351**	159,899
Capital lease obligations (note 6)	**3,808**	–
Other long-term liabilities	**1,227**	1,368
Future income taxes (note 11)	**20,474**	24,815
Deferred credit (note 12)	**2,505**	2,588
Non-controlling interest (note 13)	**168**	44
	380,958	298,296
Shareholders' equity		
Capital stock (note 7)	**251,282**	168,813
Contributed surplus (note 9)	**10,808**	7,297
Retained earnings	**202,083**	211,652
Accumulated other comprehensive income (loss) (note 2)	**(4,241)**	5,714
	459,932	393,476
	840,890	691,772

Commitments and contingencies (notes 14 and 19).
See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors,

Ronald P. Mathison
Director

Gregory S. Fletcher
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years Ended December 31,	2009	2008
(000s, except per share data)	($)	($)
Revenue	**591,500**	564,363
Expenses		
Operating	**482,682**	441,259
Selling, general and administrative	**37,683**	41,164
Depreciation	**63,188**	51,147
Interest, net	**15,248**	11,572
Equity share of income from long-term investments	**–**	(122)
Foreign exchange losses (gains)	**3,823**	(1,904)
Loss (gain) on disposal of capital assets	**(1,483)**	9
	601,141	543,125
Income (loss) before income taxes and non-controlling interest	**(9,641)**	21,238
Income tax expense (recovery) (note 11)		
Current	**1,853**	(4,058)
Future	**(6,082)**	7,573
	(4,229)	3,515
Income (loss) before non-controlling interest	**(5,412)**	17,723
Non-controlling interest	**124**	(141)
Net income (loss) for the year	**(5,536)**	17,864
Retained earnings, beginning of year	**211,652**	198,039
Dividends	**(4,033)**	(3,779)
Premium on purchase of shares (note 8)	**–**	(472)
Retained earnings, end of year	**202,083**	211,652
Earnings (loss) per share (note 7)		
Basic	**(0.14)**	0.47
Diluted	**(0.14)**	0.47

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Years Ended December 31,	2009	2008
(000s)	($)	($)
Net income (loss) for the year	**(5,536)**	17,864
Other comprehensive income (loss)		
Change in foreign currency translation adjustment	**(9,955)**	11,918
Comprehensive income (loss)	**(15,491)**	29,782
Accumulated other comprehensive income (loss), beginning of year	**5,714**	(6,204)
Other comprehensive income (loss) for the year	**(9,955)**	11,918
Accumulated other comprehensive income (loss), end of year	**(4,241)**	5,714

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	2009	2008
(000s)	($)	($)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	**(5,536)**	17,864
Items not involving cash		
Depreciation	**63,188**	51,147
Amortization of debt issue costs and debt discount	**849**	649
Stock-based compensation	**3,560**	3,768
Equity share of income from long-term investments	**–**	(122)
Loss (gain) on disposal of capital assets	**(1,483)**	9
Future income taxes	**(6,082)**	7,573
Non-controlling interest	**124**	(141)
	54,620	80,747
Net change in non-cash operating assets and liabilities (note 17)	**1,307**	(30,636)
	55,927	50,111
FINANCING ACTIVITIES		
Bank loan proceeds	**5,000**	25,000
Issuance of long-term debt	**216,103**	65,000
Bank loan repayments	**(39,634)**	(10,000)
Long-term debt repayments	**(107,201)**	(65,000)
Capital lease obligation repayments	**(166)**	–
Purchase of common shares (note 8)	**–**	(932)
Net proceeds on issuance of common shares	**213**	8,883
Dividends	**(4,033)**	(3,779)
	70,282	19,172
INVESTING ACTIVITIES		
Purchase of capital assets	**(102,176)**	(84,807)
Proceeds on disposal of capital assets	**2,288**	318
Acquisitions, net of cash acquired (note 16)	**(18,692)**	(6,117)
Long-term investments and other	**–**	326
Net change in non-cash working capital from purchase of capital assets (note 17)	**(10,534)**	8,443
	(129,114)	(81,837)
Effect of exchange rate changes on cash and cash equivalents	**(8,517)**	9,942
Decrease in cash and cash equivalents	**(11,422)**	(2,612)
Cash and cash equivalents, beginning of year	**36,492**	39,104
Cash and cash equivalents, end of year	**25,070**	36,492

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2009 and 2008
(000s in text and tables, except certain figures 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. on March 24, 2004 under the Business Corporations Act (Alberta). The Company provides specialized oilfield services, including fracturing, coiled tubing, cementing and other well completion services to the oil and natural gas industries in Canada, the United States, Russia, Mexico and Argentina.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). 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, revenue recognition, and stock-based compensation.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) 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 subsidiary in Argentina.

(b) Foreign Currency Translation

The Company's U.S. subsidiaries are classified as self-sustaining foreign operations and are translated into Canadian dollars using the current rate method whereby assets and liabilities are translated at the rate of exchange at the balance sheet date, revenues and expenses are translated at average monthly exchange rates, and gains and losses in translation are deferred and included in the shareholders' equity section as accumulated other comprehensive income in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*. All of the Company's other foreign subsidiaries are classified as integrated foreign operations and are translated into Canadian dollars using the temporal method whereby monetary assets and liabilities are translated at the rate of exchange at the balance sheet date, and non-monetary items are translated at the historical rate applicable on the date of the transaction giving rise to the non-monetary balance. Revenues and expenses are translated at monthly average exchange rates and gains or losses in translation are recognized in income as they occur.

(c) Comprehensive Income

The Company follows CICA Handbook Section 1530, *Comprehensive Income*, which requires the reporting of comprehensive income, which consists of net income and other comprehensive income (OCI). For the Company, OCI is currently comprised of the changes in the foreign currency translation adjustment balance.

The cumulative changes in OCI are included in accumulated other comprehensive income (AOCI), which is presented as a separate category within shareholders' equity in the consolidated balance sheets. The Company's consolidated financial statements include a statement of AOCI, which provides the continuity of the AOCI balance.

(d) Financial Instruments

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

Cash and cash equivalents are designated as "held-for-trading" and are measured at fair value. Accounts receivable are designated as "loans and receivables" and are carried at amortized cost. Accounts payable and accrued liabilities are designated as "other financial liabilities" and are carried at amortized cost. Bank loans, long-term debt and capital lease obligations are designated as "other financial liabilities" and carried at amortized cost using the effective interest rate method. The financing costs associated with the Company's US$135,000 private placement of senior unsecured notes on February 13, 2007 and the US$100,000 private placement of senior unsecured notes on December 16, 2009 are included in the amortized cost of the debt. These costs are amortized to interest expense over the term of the debt.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with original maturities within 90 days.

(f) Inventory

Inventory consists of chemicals, proppants, coiled tubing, cement, nitrogen and carbon dioxide used to stimulate oil and 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. For the year ended December 31, 2009, approximately $229,000 of inventory was expensed to operating costs (year ended December 31, 2008 – $191,000).

(g) Capital Assets

Capital assets are recorded at cost and are depreciated over their estimated economic useful lives using the straight-line method over the following periods:

Field equipment	10 years
Buildings	20 years
Shop, office and other equipment	5 years
Computers and computer software	3 years
Leasehold improvements	Term of the lease

Assets under construction are not depreciated until put into service.

(h) Long-Term Investments

The Company uses the equity method of accounting for investments in shares of entities over which it has significant influence. Under the equity method of accounting, investments are carried at their original cost plus the Company's cumulative share of earnings, less any dividends received.

(i) Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of net assets acquired. Goodwill is not amortized but rather assessed by the Company for impairment at least annually. The impairment test is carried out in two steps. In the first step, the carrying amount is compared with its fair value. When the fair value exceeds its carrying amount, goodwill is considered not to be impaired and performance of the second step of the impairment test is unnecessary. The second step compares the implied fair value of the goodwill with its carrying amount to measure the amount of the impairment loss, if any. The Company completed its annual assessment for goodwill impairment and determined there was no goodwill impairment for the years ended December 31, 2009 and 2008. Intangible assets are recognized apart from goodwill and are amortized over their estimated useful lives.

(j) Income Taxes

The Company follows the liability method of determining income taxes, whereby future income taxes are determined based on temporary differences between the tax bases of assets or liabilities and their carrying amounts in the financial statements.

(k) Revenue Recognition

Revenue is recognized for services upon completion provided reasonable assurance exists regarding collectability and the measurement of the consideration that will be derived.

(l) 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 over their vesting period as a charge to compensation expense and a credit to contributed surplus.

(m) Variable Interest Entities

Canadian Accounting Guideline 15, *Consolidation of Variable Interest Entities* (VIE) requires consolidation of a VIE where an entity absorbs a majority of a VIE's losses, receives a majority of its returns, or both. Under these rules, it was determined that the Company is required to consolidate the Trust, which was established to purchase and hold Company stock as described in note 8.

(n) Comparatives

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

(o) Recently Issued Accounting Pronouncements

The following changes in accounting policies were adopted pursuant to the CICA's Handbook on January 1, 2009:

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

Section 3862, *Financial Instruments: Disclosures,* provides revised and enhanced disclosure requirements for liquidity disclosure risks and the fair value measurement of financial instruments. Fair value measurements are to be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The adoption of this revised standard has not had an impact on the disclosures in the Company's consolidated financial statements (see note 15).

The following CICA Handbook sections will become effective January 1, 2011:

Section 1582, *Business Combinations,* replaces the previous business combinations standard. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard will impact the accounting treatment of future business combinations.

Section 1601, *Consolidated Financial Statements,* which, together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Section 1602, *Non-controlling Interests,* establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

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

3. CAPITAL ASSETS

As at December 31,	2009	2008
(000s)	($)	($)
Cost		
Assets under construction	**12,395**	30,972
Field equipment	**676,447**	519,076
Field equipment under capital lease	**5,127**	–
Buildings	**39,879**	25,453
Land	**21,221**	12,235
Shop, office and other equipment	**8,006**	8,099
Computers and computer software	**7,126**	6,475
Leasehold improvements	**2,296**	1,962
	772,497	604,272
Accumulated Depreciation		
Assets under construction	**–**	–
Field equipment	**177,041**	131,830
Field equipment under capital lease	**104**	–
Buildings	**4,812**	3,585
Land	**–**	–
Shop, office and other equipment	**3,863**	3,165
Computers and computer software	**6,544**	5,256
Leasehold improvements	**900**	562
	193,264	144,398
Net Book Value		
Assets under construction	**12,395**	30,972
Field equipment	**499,406**	387,246
Field equipment under capital lease	**5,023**	–
Buildings	**35,067**	21,868
Land	**21,221**	12,235
Shop, office and other equipment	**4,143**	4,934
Computers and computer software	**582**	1,219
Leasehold improvements	**1,396**	1,400
	579,233	459,874

4. BANK LOAN

At December 31, 2008, the Company had an operating loan facility of $25,000 payable on demand and bearing interest at the prime rate plus 0.75 percent, of which $15,000 was drawn. The facility was secured by a general security agreement over all Canadian and U.S. assets of the Company.

Bank loan repayments during the year include the repayment of Century Oilfield Services Inc.'s operating facility of $19,634 subsequent to the acquisition as described in note 16.

5. LONG-TERM DEBT

As at December 31,	2009	2008
(000s)	($)	($)
US$235,000 senior unsecured notes (December 31, 2008 – US$135,000), due February 15, 2015, bearing interest at 7.75%, payable semi-annually	**246,985**	164,430
Less: unamortized debt issue costs and unamortized debt discount	**(11,768)**	(4,531)
	235,217	159,899
$165,000 extendible revolving term loan facility currently bearing interest at the Canadian prime rate plus 1%, secured by the Canadian and U.S. assets of the Company	**24,699**	–
Less: unamortized debt issue costs	**(1,128)**	–
	23,571	–
Mortgage obligations maturing between June 2012 and April 2013 bearing interest at rates ranging from 4.94% to 6.69%, repayable $69 per month principal and interest, secured by certain real property	**7,379**	–
US$3,107 mortgage maturing May 16, 2018 bearing interest at U.S. prime less 1%, repayable US$35 per month principal and interest, secured by certain real property	**3,180**	–
	269,347	159,899
Less: current portion of long-term debt	**(1,996)**	–
	267,351	159,899

The fair value of the senior unsecured notes based on the closing market price at December 31, 2009 was $239,575 (December 31, 2008 – $77,282). The carrying value of the revolving credit facility approximates its fair value due to its variable interest rate and first priority security position. The carrying values of the mortgage obligations approximate their fair values as the interest rates are not significantly different than current mortgage rates for similar loans.

The interest rate on the term revolving facility is based upon the parameters of certain bank covenants, and ranges from prime plus 1 percent to prime plus 1.75 percent. The facility is repayable in seven equal quarterly principal instalments of $1,235 commencing December 31, 2010 plus a final payment of $16,054 on September 28, 2012, assuming the facility is not extended. The term and commencement of principal repayments under the facility may be extended by one year on each anniversary at the request of the Company and acceptance by the lenders. The Company also has the ability to prepay principal without penalty.

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

The aggregate scheduled principal repayments required in each of the next five years as at December 31, 2009 are as follows:

	Amount
(000s)	($)
2010	**1,996**
2011	**5,733**
2012	**22,655**
2013	**2,553**
2014	**956**
	33,893

6. OBLIGATIONS UNDER CAPITAL LEASES

As at December 31,	2009	2008
(000s)	($)	($)
Capital lease contracts bearing interest at rates ranging from 5.68% to 6.58%, repayable $124 per month, secured by certain equipment	**5,599**	–
Less: interest portion of contractual payments	**(574)**	–
	5,025	–
Less: current portion of capital lease obligations	**(1,217)**	–
	3,808	–

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

The minimum lease payments required in each of the next five years, from December 31, 2009, are as follows:

	Amount
(000s)	($)
2010	**1,490**
2011	**1,490**
2012	**1,868**
2013	**751**
2014	**–**
	5,599
Less: interest portion of contractual payments	**(574)**
	5,025

7. CAPITAL STOCK

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

Continuity of Common Shares	2009		2008	
	Shares	Amount	Shares	Amount
	(#)	($000s)	(#)	($000s)
Balance, January 1	**37,741,561**	**168,813**	37,201,872	155,254
Issued upon exercise of stock options	**12,975**	**262**	492,311	11,379
Issued on acquisitions (note 16)	**5,144,344**	**82,207**	150,160	2,640
Purchased under Normal Course Issuer Bid	**–**	**–**	(102,782)	(460)
Balance, December 31	**42,898,880**	**251,282**	37,741,561	168,813

The weighted average number of common shares outstanding for the year December 31, 2009 was 38,475,444 basic and 38,475,444 diluted (year ended December 31, 2008 – 37,696,924 basic and 37,716,914 diluted). The difference between basic and diluted shares for the year ended December 31, 2008 was attributable to the dilutive effect of stock options issued by the Company and shares held in trust. All of the outstanding options disclosed in note 10 could be potentially dilutive in the future; however, they were not included in the calculation of diluted shares for the year ended December 31, 2009, as they would have an anti-dilutive effect.

8. SHARES HELD IN TRUST AND NORMAL COURSE ISSUER BID

The Company has established an Employee Matching Investment Plan Trust to purchase and hold Company stock on behalf of certain employees who have elected to receive a portion of their annual bonus entitlement in the form of Company shares. At December 31, 2009 and December 31, 2008, no shares were held by the Trust. Shares held by the Trust vest with employees in March of the year following their purchase at which time they are distributed to those individuals participating in the plan. Such shares are not considered outstanding for purposes of calculating basic earnings per share, but are included in the calculation of diluted earnings per share.

The Company received regulatory approval under Canadian securities laws to purchase its own common shares in accordance with a Normal Course Issuer Bid for the one-year period October 23, 2008 through October 22, 2009. During the year ended December 31, 2009, no common shares were purchased by the Company. For the year ended December 31, 2008, 102,782 common shares were purchased at a cost of $932 and, of the amount paid, $460 was charged to capital stock and $472 was charged to retained earnings. The common shares purchased were cancelled prior to December 31, 2008.

9. CONTRIBUTED SURPLUS

Continuity of Contributed Surplus	2009	2008
(000s)	($)	($)
Balance, January 1	**7,297**	6,025
Stock options expensed	**3,560**	3,768
Stock options exercised	**(49)**	(2,496)
Balance, December 31	**10,808**	7,297

10. STOCK-BASED COMPENSATION

(a) Stock Options

Continuity of Common Shares	2009		2008	
	Options	Average Exercise Price	Options	Average Exercise Price
	(#)	($)	(#)	($)
Balance, January 1	**2,043,344**	**21.69**	1,224,223	22.90
Granted during the period	**865,000**	**8.60**	1,429,400	19.66
Exercised for common shares	**(12,975)**	**16.43**	(492,311)	18.04
Forfeited	**(222,826)**	**22.59**	(87,468)	23.79
Expired	**(164,400)**	**32.59**	(30,500)	27.80
Balance, December 31	**2,508,143**	**16.70**	2,043,344	21.69

Stock options vest equally over three or four years and expire three-and-one-half or five years from the date of grant. The exercise price of outstanding options ranges from $8.35 to $29.79 with a weighted average remaining life of 3.06 years. When stock options are exercised the proceeds, together with the amount of compensation expense previously recorded in contributed surplus, are added to capital stock.

(b) Stock Units

The Company grants deferred stock units to its outside directors. These units vest one year from the date 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 one-year vesting period, based on the current market price of the Company's shares. During the year ended December 31, 2009, $669 of compensation expense was recognized for deferred stock units (year ended December 31, 2008 – $307).

The Company grants performance stock units to the Company's most senior officers who are not included in the stock option plan. The amount of the grants earned is linked to corporate performance and the grants vest one year from the date of grant. As with the deferred stock units, performance stock units are settled either in cash or Company shares purchased on the open market. During the year ended December 31, 2009, $506 of compensation expense was recognized for performance stock units (year ended December 31, 2008 – $217).

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.

11. INCOME TAXES

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

As at December 31,	2009	2008
(000s)	($)	($)
Capital assets	**(61,377)**	(55,495)
Losses carried forward	**65,993**	26,967
Canadian exploration expenses	**8,137**	9,730
Research and development expenses	**1,823**	2,013
Alternative minimum tax credits	**893**	2,109
Capital lease obligations	**1,257**	–
Deferred compensation payable	**142**	891
Deferred financing and share issue costs	**175**	146
Other	**(51)**	42
	16,992	(13,597)

Net future income taxes at December 31, 2009 are represented by future income tax assets of $37,466 (December 31, 2008 – $11,218) less future income tax liabilities of $20,474 (December 31, 2008 – $24,815). Loss carry-forwards expire at various dates ranging from December 31, 2015 to December 31, 2029.

The provision for income taxes in the statement of operations and retained earnings varies from the amount that would be computed by applying the expected tax rate of 29 percent (2008 – 29.50 percent) to income before income taxes and non-controlling interest. The main reasons for differences between such expected income tax expense and the amount actually recorded are:

Years Ended December 31,	2009	2008
(000s except percentages)	($)	($)
Income (loss) before income tax and non-controlling interest	**(9,641)**	21,238
Income tax rate (%)	**29.00**	29.50
Computed expected income tax expense	**(2,796)**	6,265
Increase (decrease) in income taxes resulting from:		
Drawdown of deferred credit	**(83)**	(1,517)
Non-deductible expenses/non-taxable income	**2,072**	3,012
Foreign tax rate and other foreign differences	**(4,091)**	(7,484)
Translation of foreign subsidiaries	**(993)**	1,355
Foreign withholding taxes	**3**	258
Future income tax adjustment from tax rate reductions	**1,805**	1,127
Other	**(146)**	499
	(4,229)	3,515

12. DEFERRED CREDIT

On the amalgamation of Denison Energy Inc. ("Denison") and the Company on March 24, 2004, a future income tax asset associated with Denison's income tax pools was recognized in the accounts. Denison had tax pools of approximately $220,000 for federal income tax purposes and $170,000 for provincial income tax purposes. After tax affecting these pools at applicable federal and provincial income tax rates, a future income tax asset of $70,771 was recorded. The fair value paid for the tax pools acquired was estimated to be $11,000. The difference between the future income tax asset recognized and the fair value of these tax pools was recorded as a deferred credit in the amount of $59,771. The deferred credit is reduced as these tax pools are utilized.

13. NON-CONTROLLING INTEREST

The continuity of the 20 percent non-controlling interest in a subsidiary of the Company is as follows:

	2009	2008
(000s)	($)	($)
Balance, January 1	**44**	–
Share capital contributed	**–**	185
Share of income (loss)	**124**	(141)
Balance, December 31	**168**	44

14. COMMITMENTS

The Company has lease commitments for premises, equipment, vehicles and storage facilities under agreements requiring aggregate minimum payments over the next six years, from December 31, 2009, as follows:

	Amount
(000s)	($)
2010	**11,405**
2011	**7,687**
2012	**5,828**
2013	**3,896**
2014	**2,184**
2015	**1,689**
	32,689

The Company has obligations for the purchase of products, services and capital assets over the next four years that total approximately $62,458.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments that are included in the consolidated balance sheet are comprised of cash and cash equivalents, accounts receivable, current liabilities, long-term debt and capital lease obligations.

(a) Fair Values of Financial Assets and Liabilities

The fair values of financial instruments that are included in the consolidated balance sheet, 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, 2009 was $239,575 before deduction of unamortized debt issue costs and unamortized debt discount of $11,768 (December 31, 2008 – $77,282 before deduction of unamortized debt issue costs of $4,531). The fair values of the remaining long-term debt and capital lease obligations approximate their carrying values, as described in notes 5 and 6.

(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, 2009, the Company had a provision for doubtful accounts receivable of $1,445 related primarily to a customer who filed for Chapter 11 restructuring under U.S. bankruptcy law.

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, 2009, excluding provision for doubtful accounts, is as follows:

As at December 31,	2009
(000s)	($)
Current	**89,461**
31 – 60 days	**35,269**
61 – 90 days	**5,937**
91+ days	**2,721**
Total	**133,388**

(c) Interest Rate Risk

The Company is exposed to interest rate cash flow risk on debt subject to floating interest rates. The increase or decrease in interest expense for each 1 percent change in interest rates on floating rate debt outstanding at December 31, 2009 amounts to $247 (2008 – $nil).

The Company's effective interest rate for the year ended December 31, 2009 was 7.53 percent (December 31, 2008 – 8.21 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 on an ongoing basis 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 continuously monitoring its forecast and actual cash flows. The Company may also adjust its capital spending and dividends to shareholders to maintain liquidity.

(e) Foreign Exchange Risk

The Company is exposed to foreign exchange risk associated with foreign operations where revenues and costs may be denominated in currencies other than Canadian dollars. These currencies include the U.S. dollar, Russian rouble, Mexican peso and Argentine peso. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases of products and capital assets from vendors in the U.S. 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.

At December 31, 2009, 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:

(000s)	Increase (Decrease) to Net Income ($)	Increase (Decrease) to Other Comprehensive Income ($)
1% decrease in value of U.S. dollar	**698**	**1,331**
1% increase in value of U.S. dollar	**(698)**	**(1,331)**
1% decrease in value of Russian rouble	**(88)**	–
1% increase in value of Russian rouble	**88**	**–**

16. ACQUISITIONS

(a) 1368303 Alberta Ltd.

On January 4, 2008, the Company acquired all the shares of 1368303 Alberta Ltd. from a Canadian competitor for cash and share consideration totalling $2,720. The Company issued 78,579 common shares with a value of $1,357 in conjunction with the acquisition, in addition to $1,363 of cash. All of the consideration paid was assigned to capital assets, as the acquired company had no assets or liabilities other than fracturing equipment.

(b) ChemErgy Ltd.

On January 11, 2008, the Company acquired the remaining 70 percent of the common shares of ChemErgy Ltd. ("ChemErgy") that it did not previously own for aggregate consideration of $6,638. The purchase price was satisfied through the payment to the vendors of $4,843 in cash, the transfer of real property at a value of $512, and the issuance of 71,581 common shares of the Company with a value of $1,283. ChemErgy's operations were subsequently wound up into the Company's and ChemErgy was dissolved on January 31, 2008. Net assets acquired were as follows:

(000s)	Amount ($)
Goodwill	**4,520**
Cash	**89**
Other working capital	**1,658**
Capital assets	**371**
Total consideration	**6,638**

(c) Asset Acquisition

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

(d) Century Oilfield Services Inc.

On November 10, 2009, the Company acquired all of the issued and outstanding shares of Century Oilfield Services Inc. for aggregate consideration of $100,898. The Company issued 5,144,344 common shares at a value of $15.98 per share (based on the volume-weighted average share price for the three days prior to and after the announcement date of September 20, 2009) with a value of $82,207 in conjunction with the acquisition, in addition to cash of $13,506 and transaction costs of $5,185. Net assets acquired and liabilities assumed were as follows:

	Amount
(000s)	**($)**
Working capital	**18,216**
Capital assets	**108,930**
Future income tax asset	**21,014**
Bank loan and long-term debt	**(42,069)**
Obligation under capital leases	**(5,193)**
Total consideration	**100,898**

17. SUPPLEMENTAL INFORMATION

Changes in non-cash operating assets and liabilities for the years ended December 31, 2009 and 2008 are as follows:

Years Ended December 31,	2009	2008
(000s)	**($)**	($)
Accounts receivable	**605**	(30,670)
Income taxes recoverable	**4,901**	(6,443)
Inventory	**4,224**	(15,806)
Prepaid expenses and deposits	**3,183**	(202)
Accounts payable and accrued liabilities	**(11,465)**	22,999
Other long-term liabilities	**(141)**	(514)
	1,307	(30,636)
Interest paid	**12,070**	11,139
Income taxes paid (received)	**(3,048)**	1,837

Changes in non-cash working capital from the purchase of capital assets for the years ended December 31, 2009 and 2008 are as follows:

Years Ended December 31,	2009	2008
(000s)	**($)**	($)
Accounts payable and accrued liabilities	**(10,534)**	8,443
	(10,534)	8,443

The preceding amounts exclude any changes in working capital resulting from the acquisitions described in note 16(b) and 16(c).

18. CAPITAL STRUCTURE

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

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

The Company monitors its capital structure and financing requirements using, amongst other parameters, the ratio of long-term debt to cash flow. Cash flow for this purpose is defined as cash provided by operating activities before the net change in non-cash operating assets and liabilities as reflected in the consolidated statement of cash flows. The ratio of long-term debt to cash flow does not have any standardized meaning prescribed under GAAP and may not be comparable to similar measures used by other companies.

At December 31, 2009, the long-term debt to cash flow ratio was 4.93:1 (December 31, 2008 – 1.98:1) calculated on a 12-month trailing basis as follows:

As at December 31,	2009	2008
(000s)	($)	($)
Long-term debt (net of unamortized debt issue costs and debt discount) (note 5)	**269,347**	159,899
Cash flow	**54,620**	80,747
Long-term debt to cash flow ratio	**4.93:1**	1.98:1

The higher ratio at December 31, 2009 as compared to December 31, 2008 is partially due to the fact that additional long-term debt was assumed as part of the Century acquisition (note 16d). Also, the additional cash flow contributed as a result of this acquisition was only included in the Company's results for the period November 10, 2009 through December 31, 2009.

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

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

19. CONTINGENCIES

Greek Operations

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

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $10,270 (6,846 euros) plus interest was due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision has been further appealed to the Supreme Court of Greece, and on November 3, 2009 was postponed until March 16, 2010. Counsel to NAPC has obtained a judicial order entitling NAPC to obtain certain employment information in respect of the plaintiffs which is required in order to assess the extent to which the plaintiffs have mitigated any damages which may otherwise be payable. NAPC intends to vigorously defend the appeal decision before the Supreme Court of Greece both in relation to the merits of the plaintiffs' case as well as in respect of the quantum of any damages which may be awarded. In the event that an adverse ruling is issued by the Supreme Court of Greece, NAPC and the Company intend to assess available rights of appeal to any other levels of court in any jurisdiction where such an appeal is warranted.

Several other smaller groups of former employees have filed similar cases in various courts in Greece. One of these cases was heard by the Athens Court of First Instance on January 18, 2007. By judgment rendered November 23, 2007, the plaintiff's allegations were partially accepted, and the plaintiff was awarded compensation for additional work of approximately $53 (35 euros), plus interest. The appeal of this decision was heard on June 2, 2009, at which time an additional claim by the plaintiff seeking damages of $335 (223 euros), plus interest, was also heard. A decision in respect of the hearing has been rendered which accepted NAPC's appeal and rejected the additional claim of the plaintiff. Another one of the lawsuits seeking salaries in arrears of $192 (128 euros), plus interest, was heard by the Supreme Court of Greece on November 6, 2007, at which date the appeal of the plaintiffs was denied for technical reasons due to improper service. A rehearing of this appeal scheduled for September 22, 2009 was postponed until September 21, 2010. The remaining action, which is seeking salaries in arrears of approximately $659 (439 euros) plus interest, was scheduled to be heard before the Athens Court of First Instance on October 1, 2009, but was adjourned as a result of the recently held Greek elections. No date has been set for the adjourned hearing.

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

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

20. SEGMENTED INFORMATION

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

	Canada	Russia	United States	Latin America	Corporate	Consolidated
(000s)	($)	($)	($)	($)	($)	($)
Year Ended December 31, 2009						
Revenue	**241,821**	**66,630**	**218,276**	**64,773**	**–**	**591,500**
Operating income (loss) [1]	**32,864**	**18,967**	**25,893**	**10,612**	**(17,201)**	**71,135**
Segmented assets	**447,889**	**110,372**	**240,975**	**41,654**	**–**	**840,890**
Capital expenditures	**35,196**	**7,798**	**56,558**	**2,624**	**–**	**102,176**
Goodwill	**7,236**	**979**	**2,308**	**–**	**–**	**10,523**
Year Ended December 31, 2008						
Revenue	273,398	57,355	205,999	27,611	–	564,363
Operating income (loss) [1]	40,294	8,842	52,788	(1,817)	(18,167)	81,940
Segmented assets	299,487	110,207	262,266	19,812	–	691,772
Capital expenditures	36,585	6,343	37,534	4,345	–	84,807
Goodwill	7,236	979	2,308	–	–	10,523

[1] Operating income (loss) is defined as net income (loss) plus depreciation, interest, equity share of net income from long-term investments, foreign exchange gains or losses, gains or losses on disposal of capital assets, income taxes and non-controlling interest.

The following table sets forth consolidated revenue by service line:

Years Ended December 31,	2009	2008
(000s)	($)	($)
Fracturing	**504,441**	468,274
Coiled tubing	**47,667**	56,386
Cementing	**25,696**	30,116
Other	**13,696**	9,587
	591,500	564,363

The Company's customer base consists of over 180 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, Calfrac has four significant customers that collectively accounted for approximately 49 percent of the Company's revenue for the year ended December 31, 2009 (year ended December 31, 2008 – three significant customers for approximately 35 percent) and of such customers, one customer accounted for approximately 17 percent of the Company's revenue for the year ended December 31, 2009 (year ended December 31, 2008 – 12 percent).

21. RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian GAAP which, in most respects, conforms to U.S. GAAP. Any differences in accounting principles between Canadian GAAP and U.S. GAAP as they apply to the Company are not material, except as described below. The adjustments below are measurement differences only and do not reflect any disclosure differences that may exist between Canadian GAAP and U.S. GAAP.

The application of U.S. GAAP would affect consolidated net income, comprehensive income and accumulated other comprehensive income for the years ended December 31, 2009 and 2008 as follows:

Years Ended December 31,	2009	2008
(000s, except per share data)	($)	($)
Net income (loss) under Canadian GAAP	**(5,536)**	17,864
Adjustments		
Selling, general and administrative expenses (a)	**(5,185)**	–
Depreciation (a)	**(242)**	–
Future income tax recovery (a)	**1,357**	–
Non-controlling interest (b)	**124**	(141)
Net income (loss) under U.S. GAAP	**(9,482)**	17,723
Attributable to:		
Calfrac	**(9,606)**	17,864
Non-controlling interest	**124**	(141)
	(9,482)	17,723
Other comprehensive income (loss)		
Change in foreign currency translation adjustment	**(9,955)**	11,918
Comprehensive income (loss)	**(19,437)**	29,641
Basic		
Income (loss) per share under U.S. GAAP	**(0.25)**	0.47
Diluted		
Income (loss) per share under U.S. GAAP	**(0.25)**	0.47
Accumulated other comprehensive income (loss)		
Balance, beginning of year – U.S. GAAP	**5,714**	(6,204)
Other comprehensive income	**(9,955)**	11,918
Balance, end of year – U.S. GAAP	**(4,241)**	5,714

The application of U.S. GAAP would have the following effect on the consolidated balance sheets as reported:

As at December 31,	2009		2008	
	Canadian GAAP	**U.S. GAAP**	Canadian GAAP	U.S. GAAP
	(#)	**($)**	(#)	($)
Assets				
Cash and cash equivalents (f)	**25,070**	**28,182**	36,492	36,492
Capital assets (a)	**579,233**	**592,311**	459,874	459,874
Deferred charges (d)	**–**	**7,168**	–	4,531
Future income taxes (a)	**37,466**	**35,493**	11,218	11,218
Liabilities				
Bank indebtedness (f)	**–**	**3,112**	–	–
Long-term debt (d)	**267,351**	**274,519**	159,899	164,430
Non-controlling interest (b)	**168**	**–**	44	–
Shareholders' Equity				
Capital stock	**251,282**	**266,457**	168,813	168,813
Non-controlling interest	**–**	**168**	–	44
Retained earnings	**202,083**	**198,013**	211,652	211,652
Accumulated other comprehensive income	**(4,241)**	**(4,241)**	5,714	5,714

(a) Business Combinations

Effective January 1, 2009 the Company adopted new U.S. GAAP standards on "Business Combinations". The new standard maintains the use of the acquisition method of accounting for all business combinations and requires that an acquirer be identified for each business combination. The standard also establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and non-controlling interests in an acquiree and any goodwill acquired in a business combination. Equity securities issued as consideration in a business combination are recorded at fair value as of the acquisition date. In addition, entities are required to expense transaction costs associated with the transaction. Effective January 1, 2009 the Company also adopted new guidance on "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination". Under this statement, an acquirer is required to recognize at fair value an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. These statements have been applied to transactions after January 1, 2009.

On the acquisition of Century in November 2009, consideration comprised cash and common shares of the Company. Under U.S. GAAP, the total consideration and the purchase price allocation would be recorded differently as a result of the following:

1) Share consideration – U.S. GAAP requires the share price on the date of closing the acquisition ($18.93) be used in determining share consideration for the purchase equation. For Canadian GAAP purposes, the volume-weighted average share price of $15.98 for the three days prior to and after the announcement date was used.

2) Transaction costs of $5,185 were expensed when incurred.

3) Depreciation costs are higher due to the higher carrying value of capital assets for U.S. GAAP purposes. Under Canadian GAAP, negative goodwill on the transaction was allocated on a pro rata basis to the capital assets acquired. For U.S. GAAP purposes, the difference in consideration that arose from the use of the acquisition closing date was included in the value ascribed to capital assets.

4) Future income tax assets would be decreased as a result of the higher value ascribed to the capital assets.

5) Future tax expense (recovery) for U.S. GAAP purposes would be higher due to lower net income arising from increased depreciation and transaction costs.

Under Canadian GAAP, the Company's purchase of fracturing assets of a competitor is considered an asset acquisition. Under U.S. GAAP, this transaction is considered a business combination. There were no significant differences in the values assigned in the purchase price allocation between the Canadian and US GAAP. The purchase price was allocated to capital assets $42,252, inventory $2,261 and long-term debt of $3,442 using fair values of the net assets at the date of acquisition. Transaction costs were not significant.

(b) Non-controlling Interests

Effective January 1, 2009 the Company adopted new guidance on "Non-Controlling Interests in Consolidated Financial Statements – An Amendment of Accounting Research Bulletin (ARB) No. 51." This statement recognizes that a non-controlling interest in a subsidiary is an ownership interest in a consolidated entity that should be reported as equity in the consolidated financial statements. This statement also changed the way the consolidated statements of income (loss) and comprehensive income (loss) are presented by requiring consolidated net income (loss) and comprehensive income (loss) to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest.

Under U.S. GAAP, the non-controlling interests on the statements of operations and balance sheets would be reclassified from current presentation. On the balance sheets, non-controlling interests would be presented as a separate component of shareholders' equity. On the statements of operations, net income (loss) for the year ended December 31, 2009 includes both the Company's and the non-controlling interests' share of net income (loss) for the period. Net income (loss) attributable to the Company for the year ended December 31, 2009 would be disclosed separately, below net income (loss). The reclassification would have no impact on earnings (loss) per share for either period presented.

(c) Stock-Based Compensation

Under Canadian GAAP, the Company recognizes compensation cost for the fair value of stock option grants over the vesting period of these grants as a charge to compensation expense and a credit to contributed surplus. The Company also recognizes compensation cost, over the vesting period, for the fair value of its deferred stock units and performance stock units, estimated based on the current market price of the Company's shares.

The Company uses the revised standards outlined under "Share-Based Payment" for U.S. GAAP. Under these standards, the Company is required to determine and incorporate a forfeiture multiplier into its calculation of stock-based compensation cost for its stock options and stock units. Under Canadian GAAP the Company accounts for forfeitures as they occur. The Company estimates that the impact of any forfeiture multiplier would not result in a significant difference between Canadian and U.S. GAAP.

(d) Long-Term Debt Issue Costs

Under Canadian GAAP, the Company includes financing costs in the amortized cost of the long-term debt. Under U.S. GAAP, financing costs associated with the long-term debt would be classified separately as a deferred long-term asset and amortized over the term of the long-term debt also using the effective interest rate method.

The consolidated balance sheet as at December 31, 2009, as a result, would be adjusted to reflect a deferred long-term asset of $7,168 with an offsetting increase to long-term debt (December 31, 2008 – $4,531).

(e) Future Income Taxes

On January 1, 2007, the Company adopted U.S. GAAP guidance on "Accounting for Uncertainty in Income Taxes" clarifying the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with "Accounting for Income Taxes". This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The cumulative effect, if any, of applying the guidance for income tax uncertainties is to be reported as an adjustment to opening retained earnings in the year of adoption. The adoption of the standard did not have a material impact on the consolidated financial statements.

The Company and its entities are subject to income taxation and related audits in the various tax jurisdictions in which it operates. The tax years from 2003 to 2009 remain open to examination in Canada, the tax years from 2006 to 2009 remain open to examination in the U.S, the tax years from 2008 to 2009 remain open to examination in Russia, the tax years from 2007 to 2009 remain open to examination in Mexico and the tax years 2008 to 2009 remain open to examination in Argentina.

In addition, pursuant to Canadian GAAP, substantively enacted tax rates are used to calculate future income tax, whereas U.S. GAAP applies enacted tax rates. There are no differences for the year ended December 31, 2009 and 2008 relating to tax rate differences.

(f) Statements of Cash Flows and Operations

The differences between Canadian GAAP and U.S. GAAP have not resulted in any significant variances concerning the consolidated statements of cash flows as reported except for the following:

1) Under U.S. GAAP the presentation of funds provided by operations as a sub-total in the operating activities section of the consolidated statements of cash flows would not be permitted;

2) Operating activities would be $5,185 lower and investing activities would be higher by the same amount as a result of expensing transaction costs under U.S. GAAP. Differences in depreciation expense and future income tax recoveries as well as classification of non-controlling interests would impact net loss and non-cash items within operating activities but would have no impact on overall operating activities.

In addition, under Canadian GAAP, bank overdrafts used to manage day-to-day cash can be classified as cash and cash equivalents. Under U.S. GAAP, bank overdrafts are liabilities that should be considered a form of short-term financing and classified as cash flows from financing activities. As at December 31, 2009, the Company had outstanding bank overdrafts of $3,112 (December 31, 2008 – $nil). As at December 31, 2009, the consolidated balance sheet would be adjusted to reflect cash and cash equivalents of $3,112 and bank indebtedness of $3,112. The effect of this is an inflow of cash from financing activities of $3,112 for the year ended December 31, 2009 (year ended December 31, 2008 – $nil).

(g) Recently Issued Accounting Standards

There are no relevant recently issued accounting standards that would impact the Company.

(h) Subsequent Events

Effective January 1, 2009, the Company adopted new U.S. GAAP guidance on "Subsequent Events." This standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The statement sets forth:

1) The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements.

2) The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements.

3) The disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

The Company reviewed all subsequent events to March 1, 2010.

HISTORICAL REVIEW

Years Ended December 31,	2009	2008	2007	2006	2005
(000s, except per share and unit data)	($)	($)	($)	($)	($)
Financial Results					
Revenue	**591,500**	564,363	460,320	426,418	314,325
Operating income (1)	**71,135**	81,940	100,094	107,012	79,631
Net income (loss)	**(5,536)**	17,864	38,568	72,450	60,113
Per share – basic (2)	**(0.14)**	0.47	1.06	2.00	1.66
– diluted (2)	**(0.14)**	0.47	1.06	1.98	1.64
Funds provided by operations (1)	**54,620**	80,747	87,642	101,932	80,592
Per share – basic (2)	**1.42**	2.14	2.40	2.81	2.23
– diluted (2)	**1.42**	2.14	2.40	2.79	2.20
EBITDA (1)	**68,795**	83,957	97,789	109,533	79,611
Per share – basic (2)	**1.79**	2.23	2.68	3.02	2.20
– diluted (2)	**1.79**	2.23	2.68	3.00	2.18
Capital expenditures	**102,176**	84,807	91,939	155,478	97,614
Financial Position					
Current assets	**213,668**	210,157	157,494	110,911	100,057
Total assets	**840,890**	691,772	558,910	454,190	336,815
Working capital	**128,243**	100,575	92,156	31,225	39,396
Long-term debt	**267,351**	159,899	129,535	60,000	8,000
Shareholders' equity	**459,932**	393,476	350,915	303,510	234,021
Common Share Data (2)					
Common shares outstanding (#)					
At December 31	**42,899**	37,742	37,202	36,388	36,333
Weighted average (basic)	**38,475**	37,697	36,463	36,286	36,216
Share trading					
High ($)	**21.52**	32.74	25.58	46.21	41.00
Low ($)	**6.40**	7.90	16.00	18.07	22.50
Close ($)	**20.85**	8.70	17.62	22.10	40.30
Volume (#)	**30,750**	45,352	29,631	39,272	26,774
Operating (end of year)					
Pumping horsepower (000s)	**456**	287	242	164	N/A
Coiled tubing units (#)	**28**	18	18	14	11
Cementing units (#)	**21**	18	16	13	9

(1) Refer to "Non-GAAP Measures" on page 21 for further information.

(2) Historical per share information has been adjusted for the two-for-one stock split approved by shareholders on February 7, 2005.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Fernando Aguilar
President,
Geophysical Services
for the Americas
CGG Veritas

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

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

Martin A. Lambert (3)(4)
Chief Executive Officer
Swan Hills Synfuels L.P.

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

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

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance and Nominating Committee

(4) Member of the Health, Safety and Environment Committee

Printed in Canada

OFFICERS

Douglas R. Ramsay
President &
Chief Executive Officer

Gordon A. Dibb
Chief Operating Officer

F. Bruce Payne
President,
Canadian Division

John L. Grisdale
President,
United States Division

Robert L. Sutherland
President,
Russian Division

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

Tom J. Medvedic
Senior Vice President,
Corporate Development

Dwight M. Bobier
Senior Vice President,
Technical Services

Stephen T. Dadge
Senior Vice President,
Health, Safety & Environment

Donald R. Battenfelder
Vice President,
Global Operations

L. Lee Burleson
Vice President,
Sales & Marketing
United States Division

Robert J. Montgomery
Vice President,
Canadian Operations Division

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

A. Scott Tuttle
Vice President,
Human Resources

Michael D. Olinek
Corporate Controller

Matthew L. Mignault
Controller

HEAD OFFICE

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Calgary, Alberta

BANKERS

HSBC Bank Canada
Alberta Treasury Branches
Royal Bank of Canada
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

British Columbia, Canada
Dawson Creek
Fort Nelson

Saskatchewan, Canada
Estevan

Colorado, United States
Denver – Regional Office
Grand Junction
Platteville

Arkansas, United States
Beebe

Pennsylvania, United States
Mt. Morris

Mexico
Mexico City – Regional Office
Reynosa
Poza Rica

Russia
Moscow – Regional Office
Khanty-Mansiysk
Noyabrsk

Argentina
Buenos Aires – Regional Office
Catriel

REGISTRAR AND TRANSFER AGENT

For information concerning lost share certificates and estate transfers or for a change in share registration or address, please contact the transfer agent and registrar at 1-800-564-6253 or by email at service@computershare.com, or write to:
COMPUTERSHARE INVESTOR SERVICES INC.
9th floor, 100 University Avenue, Toronto, Ontario M5J 2Y1

ANNUAL MEETING

The Annual Meeting of shareholders of Calfrac Well Services Ltd. will be held on May 11, 2010 at 3:30 p.m. (Mountain Daylight Time) in the McMurray Room of the Calgary Petroleum Club, Calgary, Alberta. All shareholders are cordially invited and encouraged to attend. Shareholders who are unable to attend the meeting are requested to complete and return the Instrument of Proxy to Computershare Investor Services Inc. at their earliest convenience.

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