Q4 2023 MANAGEMENT'S DISCUSSION & ANALYSIS

CALFRAC WELL SERVICES

Three Months and Year Ended December 31, 2023

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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 13, 2024 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the three months and years ended December 31, 2023 and 2022. It should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2023, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2022.

Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used are included on page 16.

CALFRAC'S BUSINESS FROM CONTINUING OPERATIONS

Calfrac is an independent provider of specialized oilfield services in North America and Argentina, including hydraulic fracturing, coiled tubing, cementing and other well stimulation services.

The Company's reportable business segments during the three months ended December 31, 2023, were as follows:

Segment	Active	Idle	Total	Crewed Fleets
	(000's hhp)	*(000's hhp)*	*(000's hhp)*	*(#)*
North America	1,034	72	1,106	15
Argentina	139	—	139	7
Total	1,173	72	1,245	22

- The Company's North America segment provides fracturing services to oil and natural gas companies operating in the Williston Basin located in North Dakota as well as the broader Rockies region, which includes the Piceance Basin in Colorado, the Uinta Basin in Utah and the Powder River Basin in Wyoming. Calfrac also provides fracturing services in the United States to natural gas-focused customers operating in the Appalachia Basin in Pennsylvania, Ohio and West Virginia. The Company provides fracturing and coiled tubing services in Canada to a diverse group of oil and natural gas exploration and production companies operating in the Western Canadian Sedimentary Basin, primarily in Alberta and northeast British Columbia. At December 31, 2023, Calfrac's North America segment had 15 fracturing fleets utilizing combined active horsepower of approximately 1.0 million of which approximately 35 percent was dual-fuel capable. At the end of the fourth quarter, the North America segment had approximately 72,000 of idled horsepower.

- The Argentinean segment provides fracturing, coiled tubing and cementing services to oil and natural gas companies operating in the Neuquén, Las Heras, and Comodoro Rivadavia regions. The Company had one large and six conventional fracturing spreads utilizing approximately 139,000 active and total horsepower, 10 active cementing units and five active coiled tubing units in its Argentinean segment at December 31, 2023. The Company also had one idle cementing unit in Argentina.

- At December 31, 2023, Calfrac's continuing operations had 22 fracturing fleets utilizing combined active horsepower of approximately 1.2 million. The Company had the equivalent of two Tier IV dynamic gas blending ("DGB") fleets operating in North America at the end of the fourth quarter.

- The Company remains committed to its plan to sell its Russia segment, and the associated assets and liabilities continue to be classified as held for sale and presented as discontinued operations in the annual consolidated financial statements.

HIGHLIGHTS – CONTINUING OPERATIONS

Years Ended December 31,	2023	2022	Change
(C$000s, except per share amounts)	*($)*	*($)*	*(%)*
(unaudited)			
Revenue	**1,864,281**	1,499,220	24
Adjusted EBITDA[(1)(2)(3)]	**325,456**	233,741	39
Consolidated cash flows provided by operating activities	**281,634**	107,532	162
Capital expenditures[(3)]	**165,414**	87,940	88
Net income	**197,569**	35,303	460
Per share – basic	**2.43**	0.83	193
Per share – diluted	**2.24**	0.47	377
Cash and cash equivalents	**34,140**	8,498	302
Working capital, end of year	**236,392**	183,580	29
Total assets, end of year	**1,126,197**	995,753	13
Long-term debt, end of year	**250,777**	329,186	(24)
Net debt[(4)]	**241,065**	346,414	(30)
Total consolidated equity, end of year	**615,903**	422,972	46

(1) Adjusted EBITDA reflects a change in definition effective October 1, 2022, and excludes all foreign exchange gains and losses.
(2) Refer to "Non-GAAP Measures" on page 16 for further information.
(3) Effective January 1, 2023, the Company recorded expenditures related to fluid end components as an operating expense rather than as a capital expenditure. This change in accounting estimate was recorded on a prospective basis.
(4) Refer to note 14 of the consolidated annual financial statements for further information.

2023 OVERVIEW

In 2023, the Company:

- began reporting the financial and operating performance for the United States and Canada under a single North America division as part of its strategy to streamline its operations and reporting structure;
- generated revenue of $1.9 billion, an increase of 24 percent from 2022 resulting primarily from higher activity in North America and Argentina;
- reported Adjusted EBITDA of $325.5 million versus $233.7 million in 2022, mainly due to significantly improved utilization of its fracturing fleets in North America and Argentina;
- generated consolidated cash flow from operating activities of $281.6 million, which included $21.1 million of interest paid and cash used for working capital of $35.2 million;
- reported net income from continuing operations of $197.6 million or $2.24 per share diluted, which included an impairment recovery of $41.6 million related to an improved business outlook in Canada and a foreign exchange loss of $22.4 million that was primarily related to the significant devaluation of the Argentinean peso in December 2023, compared to net income of $35.3 million or $0.47 per share diluted in 2022;
- amended and restated its $250.0 million credit facilities, which included an extension of the maturity date to the earlier of July 1, 2026 or six months prior to the maturity of the Company's Second Lien Notes on March 15, 2026;
- reduced its net debt by $105.3 million from the start of the year, bringing the amount drawn on the revolving credit facilities to $95.0 million at year end. This exceeded the full-year net debt reduction guidance range of $70.0 million to $80.0 million;
- incurred capital expenditures of $165.4 million, which included approximately $97.8 million related to its Tier IV fleet modernization program; and
- reported year-end working capital of $236.4 million, including a cash balance of $34.1 million.

FINANCIAL OVERVIEW – CONTINUING OPERATIONS

YEARS ENDED DECEMBER 31, 2023 VERSUS 2022

NORTH AMERICA

Years Ended December 31,	**2023**	2022	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)		*Revised [1]*	
Revenue	**1,522,348**	1,248,147	22
Adjusted EBITDA[2]	**282,863**	224,434	26
Adjusted EBITDA (%)	**18.6**	18.0	3
Fracturing revenue per job ($)	**42,329**	42,071	1
Number of fracturing jobs	**34,815**	28,557	22
Active pumping horsepower, end of year (000s)	**1,034**	973	6
Idle pumping horsepower, end of year (000s)	**72**	117	(38)
Total pumping horsepower, end of year (000s)	**1,106**	1,090	1
Active coiled tubing units, end of year (#)	**6**	6	—
Idle coiled tubing units, end of year (#)	**1**	4	(75)
Total coiled tubing units, end of year (#)	**7**	10	(30)
US$/C$ average exchange rate[3]	**1.3497**	1.3011	4

[1] Prior period amounts revised due to changes in segment reporting.
[2] Refer to "Non-GAAP Measures" on page 16 for further information.
[3] Source: Bank of Canada.

REVENUE

Revenue from Calfrac's North American operations increased significantly to $1.5 billion during 2023 from $1.2 billion in 2022. The 22 percent increase in revenue was primarily due to higher customer activity and a larger operating scale as the Company operated 15 fracturing fleets during the year with more consistent utilization compared to 13 fleets in 2022. Pricing during 2023 was relatively consistent with the second half of 2022, but was partially offset by job mix as a greater amount of customer-supplied product resulted in a similar year-over-year fracturing revenue per job. Coiled tubing revenue increased by 7 percent as compared to 2022 mainly due to higher utilization for its six crewed units.

ADJUSTED EBITDA

The Company's operations in North America generated Adjusted EBITDA of $282.9 million during 2023 compared to $224.4 million in 2022. This increase in Adjusted EBITDA was largely driven by higher fracturing and coiled tubing utilization. In 2023, Calfrac's Adjusted EBITDA included $37.7 million of maintenance expense related to fluid ends versus $27.7 million of capital expenditures that were recorded in the comparable period in 2022. The Company's North American operations generated an Adjusted EBITDA percentage of 19 percent compared to 16 percent in 2022, after adjusting for the change in fluid end accounting treatment.

ARGENTINA

Years Ended December 31,	2023	2022	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	*($)*	*($)*	*(%)*
Revenue	**341,933**	251,073	36
Adjusted EBITDA[1]	**63,569**	30,979	105
Adjusted EBITDA (%)	**18.6**	12.3	51
Fracturing revenue per job ($)	**80,989**	74,181	9
Number of fracturing jobs	**2,481**	1,973	26
Active pumping horsepower, end of year (000s)	**139**	139	—
Idle pumping horsepower, end of year (000s)	**—**	—	—
Total pumping horsepower, end of year (000s)	**139**	139	—
Active coiled tubing units, end of year (#)	**5**	5	—
Idle coiled tubing units, end of year (#)	**—**	1	(100)
Total coiled tubing units, end of year (#)	**5**	6	(17)
Active cementing units, end of year (#)	**10**	11	(9)
Idle cementing units, end of year (#)	**1**	1	—
Total cementing units, end of year (#)	**11**	12	(8)
US$/C$ average exchange rate[2]	**1.3497**	1.3011	4

[1] *Refer to "Non-GAAP Measures" on page 16 for further information.*
[2] *Source: Bank of Canada.*

REVENUE

Calfrac's Argentinean operations generated revenue of $341.9 million during 2023 compared to $251.1 million in 2022. Activity in the Vaca Muerta shale play continued to increase while activity in southern Argentina also achieved significant growth compared to 2022. Overall fracturing activity increased by 26 percent compared to 2022 while revenue per job was 9 percent higher primarily due to overall inflation in operating costs and better pricing that was realized during the second half of 2022 combined with a stronger U.S. dollar. Higher coiled tubing and cementing revenue also contributed to the overall increase in revenue. The number of coiled tubing jobs increased by 32 percent as activity increased in Neuquén and southern Argentina while revenue per job was consistent with the prior year. Cementing activity increased by 7 percent and revenue per job increased by 9 percent due to changes in job mix as a greater number of pre-fracturing projects, which are typically larger job sizes, were completed during 2023.

ADJUSTED EBITDA

The Company's operations in Argentina generated Adjusted EBITDA of $63.6 million or 19 percent of revenue in 2023 versus $31.0 million or 12 percent of revenue in 2022 primarily due to higher utilization and pricing across all service lines and, to a lesser extent, the impact of the peso devaluation that occurred in the fourth quarter of 2023. Adjusted EBITDA in 2023 included $5.8 million of maintenance expense related to fluid end components that would have been recorded as capital expenditures in 2022.

CORPORATE

Years Ended December 31,	**2023**	2022	Change
(C$000s) *(unaudited)*	*($)*	*($)*	*(%)*
Adjusted EBITDA[1]	**(20,976)**	(21,672)	(3)
% of revenue from continuing operations	**(1.1)**	(1.4)	(21)

[1] *Refer to "Non-GAAP Measures" on page 16 for further information.*

ADJUSTED EBITDA

Corporate expenses from continuing operations were $21.0 million during 2023 versus $21.7 million in 2022. The slight decrease in corporate expenses was primarily due to lower insurance costs during 2023.

DEPRECIATION

Depreciation expense from continuing operations decreased by $5.4 million from $122.0 million in 2022 to $116.6 million in 2023 primarily due to the mix and timing of major component capital expenditures, including the impact of the change in estimate relating to fluid end components, which were no longer treated as a capital expenditure in 2023.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss from continuing operations of $22.4 million in 2023 versus a gain of $3.0 million in 2022. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada and net monetary assets or liabilities that were held in pesos in Argentina. The Company's foreign exchange loss in 2023 was largely attributable to the revaluation of net monetary assets that were held in pesos in Argentina as the peso devalued significantly against the U.S. dollar during the year.

INTEREST

The Company's interest expense from continuing operations of $29.7 million in 2023 was $16.9 million lower than in 2022. The decrease in interest expense was primarily due to a reduction in the number of 1.5 Lien Notes outstanding following the Company's early conversion incentive program that was completed during the fourth quarter in 2022. The Company maintained lower average borrowings on its revolving credit facility during 2023 which also contributed to the reduction in reported interest expense. The Company's interest expense was net of $5.0 million of interest income generated in Argentina (2022 - $2.2 million).

INCOME TAXES

The Company recorded an income tax expense from continuing operations of $4.1 million in 2023 compared to a recovery of $11.0 million in 2022. The Company had current tax expense of $6.2 million which was primarily comprised of $4.1 million related to the United States and $1.9 million in Argentina. The deferred tax recovery of approximately $2.2 million consists of $14.0 million in Canada, partially offset by a deferred tax expense of $11.8 million in the United States. The Company reinstated a portion of its Canadian deferred tax assets during the period as they are expected to be utilized in the future.

REVERSAL OF IMPAIRMENT

The Company completed a comparison of the recoverable and carrying value amounts for its Canadian cash-generating unit during the third quarter of 2023 due to improved financial performance over the past year coupled with a strong business outlook, which supported the reversal of the remaining impairment loss from 2020 of $41.6 million.

LIQUIDITY AND CAPITAL RESOURCES – CONSOLIDATED

	Years Ended Dec. 31,	
	2023	2022
(C$000s) *(unaudited)*	***($)***	*($)*
Cash provided by (used in):		
Operating activities	**281,634**	107,532
Financing activities	**(84,132)**	(33,533)
Investing activities	**(144,770)**	(74,325)
Effect of exchange rate changes on cash and cash equivalents	**(25,935)**	20,070
Increase in cash and cash equivalents[1]	**26,797**	19,744

[1] All amounts in the table above include the results from the Company's Russia operations.

OPERATING ACTIVITIES

The Company's cash provided by operating activities for the year ended December 31, 2023 was $281.6 million versus $107.5 million during the comparable period in 2022. The increase in cash provided by operations was primarily due to improved operating results in all areas where the Company operates, while the Company used $35.2 million to fund the Company's working capital during 2023 compared to $75.0 million during 2022.

FINANCING ACTIVITIES

Net cash used by financing activities for the year ended December 31, 2023 was $84.1 million compared to $33.5 million in 2022. During the year, the Company had net repayments of $75.0 million on its credit facility and repaid the remaining $2.5 million principal amount of its 1.5 Lien Notes, incurred $7.8 million of debt issuance costs related to bankers' acceptance borrowings, paid lease principal payments of $11.2 million, and received proceeds of $12.3 million from the exercise of a portion of the Company's outstanding warrants and stock options.

On September 28, 2023, the Company amended its revolving credit facility agreement, a copy of which is available on SEDAR+. The principal amendments to the $250.0 million credit facilities included, among others, the following items:

a. extended the maturity date from July 1, 2024 to the earlier of: (a) July 1, 2026 or (b) six months prior to the maturity of the Company's Second Lien Notes on March 15, 2026;

b. increased the syndicated facility to $215.0 million from $205.0 million and decreased the operating facility to $35.0 million from $45.0 million;

c. removed the borrowing base requirement as well as the Funded Debt to Capitalization and Current Ratio covenants; and

d. introduced an Interest Coverage Ratio covenant of greater than 2.75:1:00 and a Total Debt to EBITDA Ratio covenant of less than 4.00:1:00, which along with a Funded Debt to EBITDA Ratio covenant of 3.00:1:00, based on EBITDA from continuing operations, comprises the amended financial covenant package.

The credit agreement can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.25 percent to prime plus 3.00 percent. For SOFR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.25 percent to 4.00 percent above the respective base rates.

At December 31, 2023, the Company had used $3.4 million of its credit facilities for letters of credit and had $95.0 million of borrowings under its credit facilities, leaving $151.6 million in available liquidity. The Company was in compliance with its financial covenants associated with its credit facilities at December 31, 2023. Based on currently available information, the Company anticipates maintaining compliance with covenants during the next twelve months.

During 2022, the Company reduced the principal amount of its 1.5 Lien Notes by $56.1 million. This reduction was achieved, in part, through a 1.5 Lien Notes early conversion incentive program that was completed during the fourth quarter which

resulted in the conversion of $44.8 million of 1.5 Lien Notes, the issuance of 33.6 million common shares and a reduction of future interest payments otherwise payable by $2.3 million. An additional $11.3 million of 1.5 Lien Notes were converted into equity in 2022 outside of the early conversion program. On December 18, 2023, the remaining $2.5 million principal amount of its 1.5 Lien Notes were repaid along with its corresponding interest. The Company made all interest payments on the 1.5 Lien Notes in cash rather than utilizing the payment-in-kind option.

During the second quarter of 2022, the Company repaid and cancelled the $25.0 million secured bridge loan from G2S2 Capital Inc., of which the Company had drawn $15.0 million prior to its repayment. The loan was executed during the first quarter of 2022 to fund the Company's short-term working capital requirements during a period of improved activity in North America.

INVESTING ACTIVITIES

Calfrac's consolidated net cash used in investing activities was $144.8 million during the year ended December 31, 2023 versus $74.3 million in 2022. Capital expenditures from continuing operations were $165.4 million for the year ended December 31, 2023 versus $87.9 million in 2022. Calfrac's Board of Directors approved a 2024 total capital budget of approximately $210.0 million in December 2023, which was an increase of $45.0 million from the previous year, primarily to continue its fracturing fleet modernization program in North America and dedicate $40.0 million to support its Argentinean operations while implementing new company-wide field-based technologies. On March 13, 2024, the Board of Directors approved a deferral of up to $50.0 million of capital allocated to its North American fleet modernization program to align with current market conditions.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the year ended December 31, 2023 was a loss of $25.9 million versus a gain of $20.1 million in 2022. The loss was primarily related to the the significant devaluation of the Argentinean peso and the impact this movement had on cash, working capital and monetary liabilities held by the Company in that currency during the period.

With its working capital position, available credit facilities, access to capital markets and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2024 and beyond.

At December 31, 2023, the Company had a cash position of $34.1 million of which approximately 50 percent was held in Argentina. The Company faces certain restrictions on the amount of cash that can be repatriated out of Argentina. However, these restrictions are not expected to have a material impact on the Company's liquidity position. The Company invests excess cash held in Argentina in various short-term investments to protect against inflation and the devaluation of the peso. The Company's cash balance excludes all cash held in Russia. The Company is not expecting to repatriate any material cash amounts from Russia other than through any proceeds received through a sale of its Russian business.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares and performance share units under the Company's shareholder-approved omnibus incentive plan. The number of shares reserved for issuance under the plan is equal to 10 percent of the Company's issued and outstanding common shares. As at March 13, 2024, the Company had issued and outstanding 85,716,129 common shares, 1,218,384 performance share units, 2,842,895 performance share options, and 3,251,654 options to purchase common shares.

SUMMARY OF QUARTERLY RESULTS – CONTINUING OPERATIONS

Three Months Ended	Mar. 31, 2022	Jun. 30, 2022	Sep. 30, 2022	Dec. 31, 2022	Mar. 31, 2023	Jun. 30, 2023	Sep. 30, 2023	**Dec. 31, 2023**
(C$000s, except per share and operating data)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
(unaudited)	*Revised [1]*	*Revised [1]*	*Revised [1]*					
Financial								
Revenue	294,524	318,511	438,338	447,847	493,323	466,463	483,093	**421,402**
Adjusted EBITDA[1][2][3]	22,763	40,734	94,289	75,954	83,794	87,785	91,286	**62,591**
Net income (loss)	(18,030)	(6,776)	45,352	14,757	36,313	50,531	97,523	**13,202**
Per share – basic	(0.47)	(0.18)	1.15	0.27	0.45	0.62	1.20	**0.16**
Per share – diluted	(0.47)	(0.18)	1.10	0.17	0.41	0.58	1.09	**0.15**
Capital expenditures[3]	12,145	15,240	24,745	35,810	34,474	30,718	50,825	**49,397**
Working capital (end of period)	130,246	144,456	207,974	183,580	232,370	282,850	283,680	**236,392**
Total equity (end of period)	302,195	292,515	358,866	422,972	458,826	502,928	596,141	**615,903**
Operating (end of period)								
Active pumping horsepower (000s)	936	934	1,010	1,112	1,155	1,159	1,174	**1,173**
Idle pumping horsepower (000s)	346	344	270	117	79	79	70	**72**
Total pumping horsepower (000s)	1,282	1,278	1,280	1,229	1,234	1,238	1,244	**1,245**
Active coiled tubing units (#)	13	13	12	11	11	11	11	**11**
Idle coiled tubing units (#)	6	6	7	5	5	2	2	**1**
Total coiled tubing units (#)	19	19	19	16	16	13	13	**12**
Active cementing units (#)	10	10	11	11	10	10	10	**10**
Idle cementing units (#)	4	2	1	1	1	1	1	**1**
Total cementing units (#)	14	12	12	12	11	11	11	**11**

[1] Adjusted EBITDA reflects a change in definition and excludes all foreign exchange gains and losses.
[2] Refer to "Non-GAAP Measures" on page 16 for further information.
[3] Effective January 1, 2023, recorded expenditures related to fluid end components as an operating expense rather than as a capital expenditure. This change in accounting estimate was recorded on a prospective basis.

VOLATILITY OF INDUSTRY CONDITIONS

The demand, pricing and terms for the Company's services largely depend upon the level of expenditures made by oil and gas companies on exploration, development and production activities in North America and Argentina. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively, high, demand for the Company's services is high. The converse is also true (refer to "Business Risks" below).

SEASONALITY OF OPERATIONS

The Company's North American business is seasonal. The lowest activity is typically experienced during the second quarter of the year when road weight restrictions are in place due to "spring break-up" weather conditions and access to well sites may be reduced in Canada and the broader Rockies region in the United States where the Company operates (refer to "Business Risks" below). Activity in the fourth quarter is typically impacted by customer budget exhaustion and seasonal holidays.

FOREIGN EXCHANGE FLUCTUATIONS

The Company's financial statements are reported in Canadian dollars. Accordingly, the quarterly results from Calfrac's continuing operations are directly affected by fluctuations in the United States and Argentinean foreign currency exchange rates (refer to "Business Risks" below).

QUARTERLY CONSOLIDATED HIGHLIGHTS - CONTINUING OPERATIONS

Three Months Ended December 31,	**2023**	2022	Change
(C$000s, except per share amounts)	*($)*	*($)*	*(%)*
(unaudited)			
Revenue	**421,402**	447,847	(6)
Adjusted EBITDA[(1)(2)]	**62,591**	75,954	(18)
Consolidated cash flows provided by operating activities	**121,284**	68,838	76
Capital expenditures	**49,397**	35,810	38
Net income	**13,202**	14,757	(11)
Per share – basic	**0.16**	0.27	(41)
Per share – diluted	**0.15**	0.17	(12)
Cash and cash equivalents	**34,140**	8,498	302
Working capital, end of year	**236,392**	183,580	29
Total assets, end of year	**1,126,197**	995,753	13
Long-term debt, end of year	**250,777**	329,186	(24)
Net debt[(3)]	**241,065**	346,414	(30)
Total consolidated equity, end of year	**615,903**	422,972	46

(1) Refer to "Non-GAAP Measures" on page 16 for further information.
(2) Effective January 1, 2023, the Company recorded expenditures related to fluid end components as an operating expense rather than as a capital expenditure. This change in accounting estimate was recorded on a prospective basis.
(3) Refer to note 14 of the consolidated annual financial statements for further information.

FOURTH QUARTER 2023 OVERVIEW

In the fourth quarter of 2023, the Company:

- generated revenue of $421.4 million, a decrease of 6 percent from the comparative quarter in 2022 primarily due to a larger proportion of jobs completed in North America where sand was supplied by the customer, which resulted in a 29 percent reduction in revenue per job compared with the same period in 2022;
- reported Adjusted EBITDA of $62.6 million versus $76.0 million in the fourth quarter of 2022 primarily due to the change in accounting estimate that was adopted for fluid ends at the beginning of 2023. In the fourth quarter of 2023, Calfrac incurred $12.6 million of maintenance expense related to fluid end components during the quarter;
- deployed the equivalent of two new Tier IV Dynamic Gas Blending ("DGB") fracturing fleets in North America;
- received cash proceeds of $11.4 million during the quarter from the exercise of warrants;
- reduced its outstanding credit facility borrowings by $55.0 million that resulted in a total draw amount of $95.0 million at the end of the year;
- reduced its net debt to Adjusted EBITDA ratio to 0.74:1.00;
- reported net income of $13.2 million or $0.15 per share diluted compared to a net income of $14.8 million or $0.17 per share diluted in 2022;
- reported period-end working capital of $236.4 million versus $183.6 million at December 31, 2022; and
- incurred capital expenditures of $49.4 million which included $33.7 million related to the Tier IV fleet modernization program.

FINANCIAL OVERVIEW – CONTINUING OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2023 VERSUS 2022

NORTH AMERICA

Three Months Ended December 31,	**2023**	2022	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)		*Revised* [1]	
Revenue	**331,688**	369,126	(10)
Adjusted EBITDA[2]	**48,070**	68,839	(30)
Adjusted EBITDA (%)	**14.5**	18.6	(22)
Fracturing revenue per job ($)	**38,678**	54,481	(29)
Number of fracturing jobs	**8,343**	6,532	28
Active pumping horsepower, end of year (000s)	**1,034**	973	6
Idle pumping horsepower, end of year (000s)	**72**	117	(38)
Total pumping horsepower, end of year (000s)	**1,106**	1,090	1
Active coiled tubing units, end of year (#)	**6**	6	—
Idle coiled tubing units, end of year (#)	**1**	4	(75)
Total coiled tubing units, end of year (#)	**7**	10	(30)
US$/C$ average exchange rate[3]	**1.3622**	1.3578	—

(1) Prior period amounts revised due to changes in segment reporting.
(2) Refer to "Non-GAAP Measures" on page 16 for further information.
(3) Source: Bank of Canada.

REVENUE

Revenue from Calfrac's North American operations decreased to $331.7 million during the fourth quarter of 2023 from $369.1 million in the comparable quarter of 2022. The lower revenue was primarily due to a larger proportion of jobs completed where sand was supplied by the customer, which resulted in a 29 percent reduction in revenue per job compared with the same period in 2022. The impact on revenue was partially offset by a 28 percent increase in the number of completed fracturing jobs. The increase in job count was mainly due to the Company operating 15 fracturing fleets during the quarter, including deploying the equivalent of two new Tier IV DGB fleets, compared to an average of 13.5 operating fleets in the respective quarter of 2022. Coiled tubing revenue decreased by 32 percent as compared to the fourth quarter in 2022 mainly due to lower utilization of Calfrac's six deep coiled tubing units.

ADJUSTED EBITDA

The Company's operations in North America generated Adjusted EBITDA of $48.1 million or 14 percent of revenue during the fourth quarter of 2023 compared to $68.8 million or 19 percent of revenue in the same period in 2022. This decrease was partially due to the change in accounting estimate that was adopted for fluid ends at the beginning of 2023. In the fourth quarter of 2023, Calfrac incurred $11.4 million of maintenance expense related to fluid end components versus $8.8 million of capital expenditures in the same quarter of 2022. Additionally, utilization during the fourth quarter of 2023 was impacted by a reduction in activity, mainly in Canada, as a result of customer budget exhaustion.

ARGENTINA

Three Months Ended December 31,	**2023**	2022	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**89,714**	78,721	14
Adjusted EBITDA[1]	**19,946**	14,616	36
Adjusted EBITDA (%)	**22.2**	18.6	19
Fracturing revenue per job ($)	**75,225**	84,445	(11)
Number of fracturing jobs	**697**	558	25
Active pumping horsepower, end of year (000s)	**139**	139	—
Idle pumping horsepower, end of year (000s)	**—**	—	—
Total pumping horsepower, end of year (000s)	**139**	139	—
Active coiled tubing units, end of year (#)	**5**	5	—
Idle coiled tubing units, end of year (#)	**—**	1	(100)
Total coiled tubing units, end of year (#)	**5**	6	(17)
Active cementing units, end of year (#)	**10**	11	(9)
Idle cementing units, end of year (#)	**1**	1	—
Total cementing units, end of year (#)	**11**	12	(8)
US$/C$ average exchange rate[2]	**1.3622**	1.3578	—

[1] *Refer to "Non-GAAP Measures" on page 16 for further information.*
[2] *Source: Bank of Canada.*

REVENUE

Calfrac's Argentinean operations generated revenue of $89.7 million during the fourth quarter of 2023 versus $78.7 million in the comparable quarter in 2022 primarily due to higher activity across all service lines. This increase in revenue was due to the strategic repositioning of certain fracturing and cementing equipment from southern Argentina into the Vaca Muerta shale play during the first half of 2023. Coiled tubing revenue also increased due to an increase in overall activity with both existing and new customers.

ADJUSTED EBITDA

The Company's operations in Argentina generated Adjusted EBITDA of $19.9 million during the fourth quarter of 2023 compared to $14.6 million in the comparable quarter of 2022, while the Company's Adjusted EBITDA margins also improved to 22 percent from 19 percent. This improvement in Adjusted EBITDA was primarily due to the higher revenue base and changes in the Company's customer and geographic mix which resulted in higher profitability relative to the comparable period in 2022. The significant devaluation of the peso in December also contributed to the margin improvement during the quarter.

CORPORATE

Three Months Ended December 31,	**2023**	2022	Change
(C$000s) *(unaudited)*	*($)*	*($)*	*(%)*
Adjusted EBITDA[1]	**(5,425)**	(7,501)	(28)
% of revenue from continuing operations	**(1.3)**	(1.7)	(24)

[1] Refer to "Non-GAAP Measures" on page 16 for further information.

ADJUSTED EBITDA

Corporate expenses during the fourth quarter of 2023 were $5.4 million or $2.1 million lower than the fourth quarter of 2022 primarily due to lower professional fees combined with a recovery in cash stock-based compensation resulting from a lower share price during the quarter.

DEPRECIATION

For the three months ended December 31, 2023, depreciation expense from continuing operations of $30.4 million was $1.9 million lower than the corresponding quarter in 2022 primarily due to the mix and timing of major component capital expenditures.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss from continuing operations of $14.5 million during the fourth quarter of 2023 versus a loss of $3.7 million in the comparative three-month period of 2022. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in pesos in Argentina and net monetary assets or liabilities that were held in U.S. dollars in Canada. The foreign exchange loss during the fourth quarter was mainly due to net monetary assets that were held in pesos in Argentina as the peso devalued 131 percent against the U.S. dollar during this period, offset partially by the revaluation of net monetary assets that were held in U.S. dollars in Canada as the Canadian dollar weakened relative to the U.S. dollar.

INTEREST

The Company recorded a net interest expense from continuing operations of $6.7 million for the fourth quarter of 2023 compared to $15.0 million in the comparable period in 2022. The decrease in interest expense was primarily due to a reduction in the outstanding 1.5 Lien Notes following the Company's early conversion incentive program that was completed during the fourth quarter in 2022. This program resulted in a $2.3 million early conversion incentive fee and the write-off of $2.2 million of deferred finance costs associated with the converted 1.5 Lien Notes. The Company also had lower average revolving credit facility borrowings during the fourth quarter in 2023 which contributed to the reduction in interest expense despite slightly higher interest rates. The Company's interest expense during the fourth quarter of 2023 included $1.3 million of interest income generated primarily in Argentina.

INCOME TAXES

The Company recorded an income tax recovery from continuing operations of $5.6 million during the fourth quarter of 2023 versus a recovery of $14.2 million in the comparable quarter of 2022. The Company had a current income tax recovery of $7.5 million during the fourth quarter of 2023 which was primarily related to a significant devaluation of the peso in Argentina, offset partially by a current tax expense in the United States. The Company recorded a deferred tax expense of $1.9 million, which was entirely related to the United States during the fourth quarter of 2023.

BUSINESS UPDATE AND OUTLOOK

Calfrac's operations during 2023 generated a new Company record for net income from continuing operations of $197.6 million. The Company converted these strong results into significant free cash flow which it deployed towards reducing long-term debt to its lowest level since 2009, as well as improving the quality of its assets through the deployment of two new Tier IV Dynamic Gas Blending ("DGB") fracturing fleets into North America. This operating performance combined with substantial debt repayment resulted in a trailing twelve-month net debt to Adjusted EBITDA from continuing operations ratio of 0.74x, the lowest in recent years. In addition, Calfrac's commitment to safe and efficient operations decreased the Total Recordable Injury Frequency ("TRIF") rate for continuing operations from 1.19 in 2022 to 1.05 in 2023. This excellent result was accomplished despite adding two fracturing fleets to its operations in North America during the year. The Company expects to continue delivering on its brand promise of "Do it Safely, Do it Right, Do it Profitably" in the year ahead and generate strong, sustainable long-term returns for its shareholders.

NORTH AMERICA

Calfrac's North America division generated revenue of $1.5 billion and Adjusted EBITDA of $282.9 million in 2023, both of which were some of the best full-year financial results in its history. However, the Company is anticipating a significant year-over-year reduction in first-quarter activity and financial performance due to the impact of lower natural gas prices combined with a slower than expected start to the year as completion programs were deferred until later in the year. As a result, Calfrac idled two fracturing fleets in February and expects to operate an average of five crews in the United States for the first quarter. The Company expects customer demand for its services will improve from the first quarter and support its revised operating footprint for the remainder of the year. Calfrac's operations in Canada expects to continue deploying five large fracturing fleets and six coiled tubing units throughout 2024 and deliver consistent financial results with the prior year.

Calfrac believes that it will generate lower profitability in North America in 2024 due to the anticipated shortfall from the first quarter and its reduced operating scale. In order to maintain its long-term debt reduction targets, the Board of Directors approved a deferral of up to $50.0 million of capital expenditures related to the Company's fleet modernization program.

ARGENTINA

Calfrac's Argentinean operations leveraged higher efficiencies across all three service lines to generate divisional records for revenue and Adjusted EBITDA of $341.9 million and $63.6 million, respectively, in 2023. The Company's position as a leader in this pressure pumping market was enhanced through the start-up of simul-frac operations in the fourth quarter as well as setting internal records for coiled tubing maximum depth achieved and highest cementing customer satisfaction. Calfrac anticipates that, absent any impacts from the devaluation in the Argentinean peso, the momentum from this year will be carried into 2024 driven by expected strong utilization across all service lines in the Vaca Muerta shale play and the conventional basins of southern Argentina.

RUSSIA

Calfrac remains committed to completing a sale of its Russian subsidiary as soon as possible while complying with all applicable laws and sanctions.

CORPORATE

Calfrac expects to continue its transformation throughout 2024 as it remains focused on delivering on the Company's brand promise to deliver further progress on its three strategic priorities:

- maximizing consolidated net income and free cash flow through a disciplined returns-focused pricing strategy and stringent cost management;
- investing in new technologies that enhance Calfrac's service deliverability in the field and drive incremental profitability into the future; and
- dedicating all free cash flow to reducing the Company's long-term debt and evaluating additional strategies to improve its capital structure.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the first quarter of 2022, management committed to a plan to sell its Russian division, resulting in the associated assets and liabilities being classified as held for sale and presented as discontinued operations. In conjunction with the ongoing sale process and in light of the Canadian sanctions and restrictions that were issued in relation to the Russian oil and gas industry, the Company has adjusted the Russian division's current and long-term assets to reflect their revised expected recoverable amount as at December 31, 2023 (see note 4 of the audited consolidated financial statements). Management will continue to revisit the fair value of the net assets at each reporting period and upon the close of the transaction.

It is management's judgement, that based on the facts and circumstances, the Company continues to control and therefore consolidate the Russian subsidiary.

	Three Months Ended Dec. 31,			**Year Ended Dec. 31,**		
	2023	2022	Change	**2023**	2022	Change
(C$000s, except per share amounts)	***($)***	*($)*	*(%)*	***($)***	*($)*	*(%)*
(unaudited)						
Revenue	**31,419**	29,425	7	**133,947**	117,257	14
Adjusted EBITDA	**5,327**	4,647	15	**23,474**	16,440	43
Adjusted EBITDA (%)	**17.0**	15.8	8	**17.5**	14.0	25

In addition to monitoring and addressing, as applicable, the evolving laws and sanctions from the governments of Canada, the U.S., and other western nations, the Company's efforts to divest of its Russian operations have been impacted by domestic laws and sanctions of the Russian Federation, including without limitation, that any sale or any other transfer or alienation of its Russian subsidiary must be approved by the President of the Russian Federation pursuant to applicable decrees and rules setting out the requirements for exits of foreign investors from Russia (which are updated on a periodic basis). Within this dynamic context, the Company continues to make progress toward a sale of its Russian subsidiary and is seeking to complete this transaction as soon as possible while complying with all applicable laws and sanctions. For additional information related to Calfrac's assets held for sale, see note 4 of the audited consolidated financial statements for the year ended December 31, 2023 and the Company's Annual Information Form for the year ended December 31, 2023 under the heading "Discontinued Operations" which are available on the Company's SEDAR+ profile at www.sedarplus.ca.

NON-GAAP MEASURES

Certain supplementary measures presented in this MD&A do not have any standardized meaning under IFRS and, because IFRS have been incorporated as Canadian generally accepted accounting principles (GAAP), these supplementary measures are also non-GAAP measures. These measures have been described and presented 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 explained below.

Adjusted EBITDA is defined as net income or loss for the period less interest, taxes, depreciation and amortization, foreign exchange losses (gains), non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring. Adjusted EBITDA is presented because it gives an indication of the results from the Company's principal business activities prior to consideration of how its activities are financed and the impact of foreign exchange, taxation and depreciation and amortization charges. Adjusted EBITDA for the period was calculated as follows:

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2023	2022	**2023**	2022
(C$000s)			***($)***	*($)*
(unaudited)				
Net income from continuing operations	**13,202**	14,757	**197,569**	35,303
Add back (deduct):				
Depreciation	**30,435**	32,294	**116,641**	122,027
Foreign exchange losses (gains)[2]	**14,494**	3,732	**22,378**	(2,972)
(Gain) loss on disposal of property, plant and equipment	**1,042**	951	**(4,625)**	5,333
(Reversal of) impairment of property, plant and equipment	**—**	10,670	**(41,563)**	10,670
Impairment of inventory	**—**	8,477	**—**	8,477
Impairment of other assets	**—**	64	**—**	64
Litigation settlements	**—**	—	**(6,805)**	11,258
Restructuring charges	**—**	3,710	**2,991**	5,273
Stock-based compensation	**2,307**	457	**5,117**	2,776
Interest	**6,671**	15,018	**29,694**	46,555
Income taxes	**(5,560)**	(14,176)	**4,059**	(11,023)
Adjusted EBITDA from continuing operations[1]	**62,591**	75,954	**325,456**	233,741

[1] For bank covenant purposes, EBITDA includes the deduction of an additional $12.5 million of lease payments for the year ended December 31, 2023 (year ended December 31, 2022 – $10.4 million) that would have been recorded as operating expenses prior to the adoption of IFRS 16.
[2] Adjusted EBITDA reflects a change in definition effective October 1, 2022, and excludes all foreign exchange gains and losses.

The definition and calculation of net debt at December 31, 2023 and the ratio of net debt to Adjusted EBITDA for the year ended December 31, 2023, is disclosed in note 14 to the Company's year-end consolidated financial statements. The Company monitors its capital structure and financing requirements using, amongst other parameters, the ratio of net debt to Adjusted EBITDA. The ratio of net debt to Adjusted EBITDA does not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

	Payment Due by Period				
As at December 31, 2023	**Total**	< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
(C$000s)	***($)***	*($)*	*($)*	*($)*	*($)*
(unaudited)					
Leases - IFRS 16	**26,750**	11,977	13,466	1,307	—
Leases - non-IFRS 16	**11,669**	5,240	6,004	425	—
Purchase obligations	**137,921**	128,613	9,308	—	—
Total contractual obligations	**176,340**	145,830	28,778	1,732	—

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

GREEK LITIGATION

As described in note 20 to the annual consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. Management is of the view that it is improbable there will be a material financial impact to the Company as a result of these claims. Consequently, no provision was recorded in the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the year ended December 31, 2023 which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Calfrac's material accounting policies are described in note 2 to the annual consolidated financial statements.

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

Judgment is also used in the determination of cash-generating units (CGUs), impairment or reversal of impairment of non-financial assets, the functional currency of each subsidiary, and the classification of assets held for sale and discontinued operations, including continued control over the Russian subsidiary.

LOSS ALLOWANCE PROVISION

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. In situations where the creditworthiness of a customer is uncertain, services are typically provided on receipt of cash in advance or services are declined. Customer payments are regularly monitored and a provision for doubtful accounts has been established based on the new impairment model under IFRS 9, which requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument. Calfrac's management believes that the loss allowance provision for accounts receivable, which was $1.0 million at December 31, 2023, is adequate.

DEPRECIATION

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

FINANCIAL INSTRUMENTS

Financial instruments included in the Company's consolidated balance sheets are cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, and long-term debt.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the Second Lien Notes, as measured based on the closing market price at December 31, 2023 was $144.0 million (December 31, 2022 – $147.4 million). The carrying value of the revolving term loan facility approximates its fair value as the interest rate is not significantly different from current interest rates for similar loans.

CREDIT RISK

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices, including the use of credit limits and approvals, and by monitoring its customers' financial condition. At December 31, 2023, the Company had a loss allowance provision for accounts receivable of $1.0 million (December 31, 2022 – $0.5 million).

Payment terms with customers vary by country and contract. Standard payment terms, however, are 30 days from invoice date. The Company's aged trade and accrued accounts receivable at December 31, 2023 and 2022, excluding any impaired accounts, are as follows:

As at December 31,	**2023**	2022
(C$000s) *(unaudited)*	***($)***	*($)*
Current	**179,283**	203,689
31 - 60 days	**48,760**	27,633
61 - 90 days	**8,555**	2,352
91+ days	**1,544**	2,120
Total	**238,142**	235,794

INTEREST RATE RISK

The Company is exposed to cash flow risk due to fluctuating interest payments required to service any floating-rate debt. The increase or decrease in annual interest expense for each 1 percentage point change in the interest rate on floating-rate debt at December 31, 2023 amounts to $1.0 million (December 31, 2022 – $1.7 million).

The Company's effective interest rate for the year ended December 31, 2023 was 9.3 percent (December 31, 2022 – 8.7 percent).

LIQUIDITY RISK

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

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

At December 31, 2023	**Total**	**< 1 Year**	**1 - 3 Years**	**4 - 6 Years**	**7 - 9 Years**	**Thereafter**
(C$000s) *(unaudited)*	***($)***	*($)*	*($)*	*($)*	*($)*	*($)*
Accounts payable and accrued liabilities	**176,817**	176,817	—	—	—	—
Lease obligations[(1)]	**26,750**	11,977	13,466	1,307	—	—
Long-term debt[(1)]	**305,341**	24,749	280,592	—	—	—

At December 31, 2022	Total	< 1 Year	1 - 3 Years	4 - 6 Years	7 - 9 Years	Thereafter
(C$000s) *(unaudited)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Accounts payable and accrued liabilities	171,603	171,603	—	—	—	—
Lease obligations[(1)]	24,943	10,693	12,592	1,658	—	—
Long-term debt[(1)]	409,358	30,686	378,672	—	—	—

[(1)] *Principal and interest*

FOREIGN EXCHANGE RISK

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in currencies other than Canadian dollars. These currencies include the U.S. dollar and Argentinean peso. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases

of products and property, plant and equipment from vendors in the United States. In addition, the Company's Second Lien Notes and related interest expense are denominated in U.S. dollars.

The amount of this debt and related interest expressed in Canadian dollars varies with fluctuations in the U.S. dollar to Canadian dollar exchange rate. The risk is mitigated, however, by the Company's U.S. operations and related revenue streams. A change in the value of foreign currencies in the Company's financial instruments (cash, accounts receivable, accounts payable and debt) would have had the following impact on net income:

At December 31, 2023	**Impact to Net Income**
(C$000s)	***($)***
1% change in value of U.S. dollar	**1,513**
1% change in value of Argentinean peso	**3**

At December 31, 2022	Impact to Net Income
(C$000s)	*($)*
1% change in value of U.S. dollar	1,560
1% change in value of Argentinean peso	105

IMPAIRMENT

Assessment of impairment is based on management's judgment of whether there are internal and external factors that would indicate that an asset or CGU is impaired.

As described in note 5 to the consolidated financial statements, the Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. As well, the Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset or CGU other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that CGU to determine if the reversal of impairment loss is supported.

The Company's cash-generating units from continuing operations are determined to be at the country level, consisting of Canada, the United States, and Argentina.

As at December 31, 2023, the Company did not identify any changes in the indicators of impairment or any new indicators of impairment since the last impairment test that was carried out as at September 30, 2023. Therefore, no further assessment on impairment was performed as there have been no changes in circumstances that indicate that the carrying amount of property, plant and equipment exceeded its recoverable amount as at December 31, 2023. The impairment test that was conducted as at September 30, 2023 supported the reversal of the remaining property, plant and equipment impairment loss of $41.6 million for the Company's Canadian cash-generating unit that was originally recorded in 2020, after taking into account normal depreciation that would have been recognized if no impairment had occurred.

The Company will continue to monitor and update its assumptions and estimates with respect to property, plant and equipment impairment on an ongoing basis.

In addition, the Company carried out a comprehensive review of its property, plant and equipment and identified assets that were permanently idle or obsolete, and therefore, no longer able to generate cash inflows. It was determined there was no impairment charge required to derecognize and write-off such assets for the year ended December 31, 2023 (year ended December 31, 2022 – $10.7 million).

The impairment losses (reversal of impairment) by CGU are as follows:

Years Ended December 31,	**2023**	2022
(C$000s)	***($)***	*($)*
Canada	**(41,563)**	—
United States	**—**	10,670
	(41,563)	10,670

The Company reviews the carrying value of its inventory on an ongoing basis for obsolescence and to verify that the carrying value exceeds the net realizable amount. During the year ended December 31, 2023, the Company reviewed the carrying value of its inventories across all operating segments and determined there was no impairment to write-off obsolete inventory and write inventory down to its net realizable amount (year ended December 31, 2022 – $8.5 million). The inventory impaired during 2022 was primarily related to spare parts.

Years Ended December 31,	**2023**	2022
(C$000s)	***($)***	*($)*
United States	**—**	5,562
Canada	**—**	2,915
	—	8,477

INCOME TAXES

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

STOCK-BASED COMPENSATION

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

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

FUNCTIONAL CURRENCY

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

CASH-GENERATING UNITS

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

RELATED-PARTY TRANSACTIONS

Certain entities controlled by George S. Armoyan hold US$16.8 million of the Company's Second Lien Notes as at December 31, 2023 (December 31, 2022 – US$16.4 million). The Company leases certain premises from a company controlled by Ronald P. Mathison. The rent charged for these premises during the year ended December 31, 2023 was $1.0 million (year ended December 31, 2022 – $1.0 million), as measured at the exchange amount, which is based on market rates at the time these lease arrangements were made.

CHANGES IN ACCOUNTING POLICIES

The Company adopted the following IAS 12 *Income Taxes* related amendments during the period in accordance with applicable transitional provisions:

- The amendment related to the recognition of deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, did not have a material impact on the Company's consolidated financial statements. The amendment is effective for periods beginning on or after January 1, 2023; and

- On May 23, 2023, the International Accounting Standards Board published *International Tax Reform — Pillar Two Model Rules*, in response to the rules published by the Organization for Economic Cooperation and Development (OECD) and introduced targeted disclosure requirements for affected entities. This amendment provides a temporary exception from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two Model. This amendment is effective immediately, however, the Company is continuing to assess the impact of this amendment as legislation is currently not effective or substantially enacted in the jurisdictions in which the Company operates.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has assessed the impact of the following amendment to the standards and interpretations applicable for future periods:

IAS 1 *Presentation of Financial Statements* has been amended to clarify how to classify debt and other liabilities as either current or non-current and how to determine that an entity has the right to defer settlement of a liability arising from a loan arrangement, which contains covenant(s), for at least twelve months after the reporting period. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2024. The Company does not expect this amendment to have a material impact on the consolidated financial statements at the adoption date.

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

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

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

In accordance with the requirements of National Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings”, an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2023. Based on this evaluation, the CEO and CFO have concluded that the Company’s DC&P and ICFR are effectively designed and operating as intended.

No change to the Company’s ICFR occurring during the most recent interim period materially affected, or is reasonably likely to materially affect, the Company’s ICFR.

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth in the Company’s most recently filed Annual Information Form under the heading “Risk Factors” which is available on the SEDAR+ website at www.sedarplus.ca. Copies of the Annual Information Form may also be obtained on request without charge from Calfrac at Suite 500, 407 - 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E5, or at www.calfrac.com.

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 "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "forecast" or similar words suggesting future outcomes, are forward-looking statements or forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking statements").

In particular, forward-looking statements in this MD&A include, but are not limited to, statements with respect to the expectations regarding trends in, and growth prospects of, the global oil and gas industry; activity, demand, utilization and outlook for the Company's operating divisions; the supply and demand fundamentals of the pressure pumping industry; input costs, margin and service pricing trends and strategies; operating and financing strategies, performance, priorities, metrics and estimates such as the Company's strategic priorities to maximize the cash flow, repay debts and invest in new technologies, including with respect to the Company's fleet modernization program and timing thereof; the Company's Russian division, including the planned sale of the Russian division, the ongoing risks, uncertainties and restrictions relating to its business and operations, the regulatory approvals to complete a sale transaction and the Company's compliance with applicable laws and sanctions; the Company's debt, liquidity and financial position; future financial resources and performance; future costs or potential liabilities; the Company's service quality; capital investment plans, including with respect to the Company's fleet modernization program and timing thereof; commodity prices and supply of raw materials, diesel fuel, and component parts; expectations regarding the Company's financing activities and restrictions, including with regard to its revolving credit facilities; the Company's growth prospects; operational execution and expectations regarding the Company's ability to maintain its competitive position; accounting policies, practices, standards and judgements of the Company; and treatment under government regulatory regimes.

These statements are derived from certain assumptions and analyses made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the economic and political environment in which the Company operates, including the current state of the pressure pumping market; the Company's expectations for its customers' capital budgets, demand for services and geographical areas of focus; the effect of unconventional oil and gas projects have had on supply and demand fundamentals for oil and natural gas; the effect of environmental, social and governance factors on customer and investor preferences and capital deployment; the effect of the military conflict in the Ukraine and related international sanctions and counter-sanctions and restrictions by Russia on the Company's ownership and planned sale of the Russian division; industry equipment levels including the number of active fracturing fleets marketed by the Company's competitors and the timing of deployment of the Company's fleet upgrades; the Company's existing contracts and the status of current negotiations with key customers and suppliers; the continued effectiveness of cost reduction measures instituted by the Company; and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include but are not limited to: (A) industry risks, including but not limited to, global economic conditions and the level of exploration, development and production for oil and natural gas in North America and Argentina; excess equipment levels; impacts of conservation measures and technological advances on the demand for the Company's services; an intensely competitive oilfield services industry; and hazards inherent in the industry; (B) business operations risks, including but not limited to, fleet reinvestment risk, including the ability of the Company to finance the capital necessary for equipment upgrades to support its operational needs while meeting government and customer requirements and preferences; difficulty retaining, replacing or adding personnel; failure to continuously improve equipment, proprietary fluid chemistries and other products and services; seasonal volatility and climate change; reliance on equipment suppliers and fabricators; cybersecurity risks; a concentrated customer base; obsolete technology; failure to maintain safety standards and records; constrained demand for the Company's services due to merger and acquisition activity; improper access to confidential information or misappropriation of Company's intellectual property rights; failure to realize anticipated benefits of acquisitions and dispositions; loss of one or more key employees; and growth related risk on internal systems or employee base; (C) financial risks, including but not limited to, restrictions on the Company's access to capital, including the impacts of covenants under the Company's lending documents; direct and indirect exposure to volatile credit markets, including interest rate risk; fluctuations in currency exchange rates and increased inflation; price escalation and availability of raw materials, diesel fuel and component parts;

actual results which are materially different from management estimates and assumptions; insufficient internal controls; the Company's access to capital and common share price given a significant number of common shares are controlled by two directors of the Company; possible dilution of outstanding stock-based compensation, additional equity or debt securities; and changes in tax rates or reassessment risk by tax authorities; (D) geopolitical risks, including but not limited to, foreign operations exposure, including risks relating to unsettled political conditions, war, foreign exchange rates and controls; the sale of the discontinued operations in Russia may not occur or be delayed; and risk associated with non-compliance with applicable law; (E) legal and regulatory risks, including but not limited to, federal, provincial and state legislative and regulatory initiatives and laws; health, safety and environmental laws and regulations; and legal and administrative proceedings; and (F) environmental, social and governance risks, including but not limited to, failure to effectively and timely address the energy transition; the direct and indirect costs of various existing and proposed climate change regulations; various types of activism; and reputational risk or legal liability due to ESG commitments and disclosures. Further information about these and other risks and uncertainties may be found under the heading "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. These statements speak only as of the respective date of this MD&A or the document incorporated by reference herein. 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.sedarplus.ca.