2023 CONSOLIDATED FINANCIAL STATEMENTS

CALFRAC WELL SERVICES

Three Months and Years Ended December 31, 2023 and 2022

DO IT SAFELY • DO IT RIGHT • DO IT PROFITABLY

MANAGEMENT'S LETTER

To the Shareholders of Calfrac Well Services Ltd.

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

Management has prepared the Management's Discussion and Analysis (MD&A). The MD&A is based on the Company's financial results prepared in accordance with IFRS. The MD&A compares the audited financial results for the years ended December 31, 2023 and December 31, 2022.

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

The Audit Committee of the Board of Directors, which is comprised of 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.

Patrick G. Powell
Chief Executive Officer

Michael D. Olinek
Chief Financial Officer

March 13, 2024
Calgary, Alberta, Canada

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Calfrac Well Services Ltd.

OUR OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Calfrac Well Services Ltd. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What We Have Audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2023 and 2022;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Assessment of impairment indicators on property, plant and equipment (PP&E)	

Refer to note 2 – Summary of Material Accounting Policies and note 5 – Property, Plant and Equipment to the consolidated financial statements.

The Company's total PP&E as at December 31, 2023 amounted to $614.6 million. At each reporting period management assesses whether there are indicators of impairment or impairment reversals. If indicators of impairment exist, the recoverable amount of the assets or cash-generating unit (CGU) is estimated and an impairment loss is recognized for the amount by which the carrying value of the assets or CGU exceeds its recoverable amount. If indicators of impairment reversal exist, the Company estimates the recoverable amount of the assets or CGU to determine if the impairment loss previously recognized should be reversed. Management applies significant judgment in assessing whether indicators of impairment or impairment reversal exist. Internal and external factors, such as (i) a significant change in the market capitalization of the Company's share price; (ii) changes in conditions of PP&E, (iii) changes in oil and gas prices, (iv) changes in forecasted earnings of the CGUs and (v) changes in interest rates, are evaluated by management in determining whether there are any indicators of impairment or impairment reversal.

We considered this a key audit matter due to (i) the significance of the PP&E balance, (ii) significant management judgment; and (iii) the significant audit effort and subjectivity in applying audit procedures to evaluate management's assessment as to whether there are indicators of impairment or impairment reversal.

Our approach to addressing this matter included the following procedures, among others:

- Evaluated the reasonableness of management's assessment of indicators of impairment or impairment reversal, which included the following procedures:
  - Assessed the reasonableness of internal and external factors such as:
    - significant changes in the market capitalization of the Company's share price, which may indicate a change in value of the Company's PP&E;
    - significant changes in the conditions of the PP&E, which may indicate a change in value of the PP&E; and
    - changes in oil and gas prices, forecasted earnings of the CGUs and changes in interest rates by considering the current and past performance of the CGUs, external market data and evidence obtained in other areas of the audit, as applicable.
  - Assessed the completeness of external or internal factors that could be considered as indicators of impairment or impairment reversal of the Company's PP&E, by considering evidence obtained in other areas of the audit.

Impairment reversal assessment of PP&E for the Canadian CGU

Refer to note 2 – Summary of Material Accounting Policies and note 5 – Property, Plant and Equipment to the consolidated financial statements.

As at December 31, 2023, the total net book value of PP&E amounted to $614.6 million, a portion of which related to the Canadian CGU. The Company assesses at the end of each reporting period whether there is any indicator of impairment reversal for an asset other than goodwill or CGU. If any such indicator exists, management estimates the recoverable amount of that CGU to determine if the reversal of impairment loss is supported.

As at September 30, 2023, management determined that indicators that an impairment loss recognized in prior periods for a Canadian CGU no longer existed. Management estimated the recoverable amount of the Canadian CGU and the recoverable amount of that CGU was higher than its carrying value. As a result, management recognized an impairment reversal of $41.6 million for the Canadian CGU.

The recoverable amount of the Canadian CGU is determined using discounted cash flows to be generated from this CGU. Cash flow assumptions are based on a combination of historical and expected future results, using the following main significant assumptions: expected revenue growth, expected operating income growth and discount rate.

We considered this a key audit matter due to the significant audit effort and subjectivity in performing procedures to test significant assumptions used by management in determining the recoverable amount, which involved judgment by management. We were also assisted by professionals with specialized skill and knowledge in the field of valuation.

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the recoverable amount of the Canadian CGU, which included the following:
  - Tested underlying data used in the discounted cash flow model;
  - Evaluated the reasonableness of expected revenue growth and expected operating income growth assumptions used in the discounted cash flow model by:
    - comparing expected revenue growth and expected operating income growth to the budget, the current and past performance of the Canadian CGU and available external industry data, and
    - assessing whether these assumptions were consistent with evidence obtained in other areas of the audit.
  - With the assistance of professionals with specialized skill and knowledge in the field of valuation assessed the appropriateness of the discounted cash flow models, and the reasonableness of the discount rate used within the model.
- Tested the disclosures, including the sensitivity analysis, made in the consolidated financial statements with regard to the PP&E impairment reversal for the Canadian CGU.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Reynold Tetzlaff.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 13, 2024

CONSOLIDATED BALANCE SHEETS

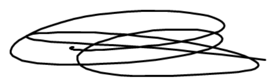
		As at December 31,	
	Note	**2023**	2022
(C$000s)		***($)***	*($)*
ASSETS			
Current assets			
Cash and cash equivalents		**34,140**	8,498
Accounts receivable		**243,187**	238,769
Income taxes recoverable		**794**	—
Inventories	3	**123,015**	108,866
Prepaid expenses and deposits		**22,799**	12,297
		423,935	368,430
Assets classified as held for sale	4	**34,084**	45,940
		458,019	414,370
Non-current assets			
Property, plant and equipment	5	**614,555**	543,475
Right-of-use assets	11	**24,623**	22,908
Deferred income tax assets	9	**29,000**	15,000
		668,178	581,383
Total assets		**1,126,197**	995,753
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**176,817**	171,603
Income taxes payable		**—**	964
Current portion of long-term debt	6	**—**	2,534
Current portion of lease obligations	11	**10,726**	9,749
		187,543	184,850
Liabilities directly associated with assets classified as held for sale	4	**20,858**	18,852
		208,401	203,702
Non-current liabilities			
Long-term debt	6, 15	**250,777**	329,186
Lease obligations	11	**13,702**	13,443
Deferred income tax liabilities	9	**37,414**	26,450
		301,893	369,079
Total liabilities		**510,294**	572,781

		As at December 31,	
	Note	**2023**	2022
(C$000s)		***($)***	*($)*
EQUITY			
Capital stock	7	**910,908**	865,059
Conversion rights on convertible notes	6	**—**	212
Contributed surplus		**78,667**	70,141
Warrants	8	**—**	36,558
Accumulated deficit		**(389,872)**	(580,544)
Accumulated other comprehensive income		**16,200**	31,546
Total equity		**615,903**	422,972
Total liabilities and equity		**1,126,197**	995,753

Commitments (note 10); Contingencies (note 20)
See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors,

Ronald P. Mathison, Director



Charles Pellerin, Director

CONSOLIDATED STATEMENTS OF OPERATIONS

		Years Ended Dec. 31,	
	Note	**2023**	2022
(C$000s, except per share data)		***($)***	*($)*
Revenue	16	**1,864,281**	1,499,220
Cost of sales	17	**1,596,155**	1,344,614
Gross profit		**268,126**	154,606
Expenses			
Selling, general and administrative		**60,614**	62,199
Foreign exchange losses (gains)		**22,378**	(2,972)
(Gain) loss on disposal of property, plant and equipment		**(4,625)**	5,333
Impairment (reversal of impairment) of property, plant and equipment	5	**(41,563)**	10,670
Impairment of inventory	3	**—**	8,477
Impairment of other assets		**—**	64
Interest, net	6, 17	**29,694**	46,555
		66,498	130,326
Income before income tax		**201,628**	24,280
Income tax expense (recovery)	9		
Current		**6,246**	5,443
Deferred		**(2,187)**	(16,466)
		4,059	(11,023)
Net income from continuing operations		**197,569**	35,303
Net (loss) income from discontinued operations	4	**(6,897)**	(23,626)
Net income for the year		**190,672**	11,677
Earnings (loss) per share – basic	7		
Continuing operations		**2.43**	0.83
Discontinued operations		**(0.08)**	(0.55)
		2.35	0.27
Earnings (loss) per share – diluted	7		
Continuing operations		**2.24**	0.47
Discontinued operations		**(0.08)**	(0.28)
		2.16	0.19

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended Dec. 31,	
	Note	**2023**	2022
(C$000s)		*($)*	*($)*
CASH FLOWS PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net income for the year		**190,672**	11,677
Adjusted for the following:			
Depreciation		**116,641**	122,226
Stock-based compensation		**5,117**	2,776
Unrealized foreign exchange losses (gains)		**16,763**	(16,334)
(Gain) loss on disposal of property, plant and equipment		**(4,667)**	5,329
Impairment (reversal of impairment) of property, plant and equipment	4, 5	**(39,448)**	16,676
Impairment of inventory	4	**5,566**	38,736
Impairment of other assets	4	**20,057**	4,484
Interest		**29,409**	46,511
Interest paid		**(21,095)**	(33,049)
Deferred income taxes		**(2,187)**	(16,466)
Changes in items of working capital	13	**(35,194)**	(75,034)
Cash flows provided by operating activities		**281,634**	107,532
FINANCING ACTIVITIES			
Bridge loan proceeds		**—**	15,000
Issuance of long-term debt, net of debt issuance costs	6	**92,202**	17,762
Bridge loan repayments		**—**	(15,000)
Long-term debt repayments	6	**(177,453)**	(45,000)
Lease obligation principal repayments	11	**(11,217)**	(9,166)
Proceeds on issuance of common shares from the exercise of warrants and stock options		**12,336**	2,871
Cash flows used in financing activities		**(84,132)**	(33,533)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	**(168,637)**	(79,810)
Proceeds on disposal of property, plant and equipment		**22,546**	3,576
Proceeds on disposal of right-of-use assets		**1,321**	1,909
Cash flows used in 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		**26,797**	19,744
Cash and cash equivalents (bank overdraft), beginning of year		**18,393**	(1,351)
Cash and cash equivalents, end of year		**45,190**	18,393
Included in the cash and cash equivalents per the balance sheet		**34,140**	8,498
Included in the assets held for sale/discontinued operations	4	**11,050**	9,895

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended Dec. 31,	
	2023	2022
(C$000s)	***($)***	*($)*
Net income for the year	**190,672**	11,677
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit or loss:		
Change in foreign currency translation adjustment	**(15,346)**	22,467
Comprehensive income	**175,326**	34,144

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital	Conversion Rights on Convertible Notes	Contributed Surplus	Warrants	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
(C$000s)		*($)*		*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2023		**865,059**	**212**	**70,141**	**36,558**	**—**	**31,546**	**(580,544)**	**422,972**
Net income		—		—	—	—	—	190,672	**190,672**
Other comprehensive income (loss):									
Cumulative translation adjustment		—	—	—	—	—	(15,346)	—	**(15,346)**
Comprehensive income (loss)		—	—	—	—	—	(15,346)	190,672	**175,326**
Stock options:									
Stock-based compensation recognized	8	—	—	4,123	—	—	—	—	**4,123**
Proceeds from issuance of shares	7, 8	870	—	(322)	—	—	—	—	**548**
1.5 Lien Notes:									
Conversion of 1.5 Lien Notes into shares	6, 7	166	(13)	—	—	—	—	—	**153**
Reclassification of unexercised 1.5 Lien Notes	6, 7		(199)	199					**—**
Performance share units:									
Stock-based compensation recognized	8	—	—	994	—	—	—	—	**994**
Warrants:									
Proceeds from issuance of shares	7, 8	44,813	—	—	(33,026)	—	—	—	**11,787**
Reclassification of expired warrants	7, 8	—	—	3,532	(3,532)	—	—	—	**—**
Balance – December 31, 2023		**910,908**	**—**	**78,667**	**—**	**—**	**16,200**	**(389,872)**	**615,903**
Balance – January 1, 2022		801,178	4,764	68,258	40,282	(2,500)	9,079	(592,221)	328,840
Net loss		—	—	—	—	—	—	11,677	11,677
Other comprehensive income (loss):									
Cumulative translation adjustment		—	—	—	—	—	22,467	—	22,467
Comprehensive income (loss)		—	—	—	—	—	22,467	11,677	34,144
Stock options:									
Stock-based compensation recognized	8	—	—	2,776	—	—	—	—	2,776
Proceeds from issuance of shares	7, 8	2,435	—	(893)	—	—	—	—	1,542
Conversion of 1.5 Lien Notes into shares	6, 7	58,892	(4,552)	—	—	—	—	—	54,340
Reclassification of loan receivable		(2,500)	—	—	—	2,500	—	—	—
Warrants:									
Proceeds from issuance of shares	7, 8	5,054	—	—	(3,724)	—	—	—	1,330
Balance – December 31, 2022		**865,059**	**212**	**70,141**	**36,558**	**—**	**31,546**	**(580,544)**	**422,972**

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2023 and 2022

(Amounts in text and tables are in thousands of Canadian dollars, except share data and certain other exceptions as indicated)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Calfrac Well Services Ltd. (the "Company") was formed through the amalgamation of Calfrac Well Services Ltd. (predecessor company was originally incorporated on June 28, 1999 and amalgamated with Denison Energy Inc. on March 24, 2004) and Dominion Land Projects Ltd. on January 1, 2011 under the Business Corporations Act (Alberta). The Company was continued under the Canada Business Corporations Act on December 17, 2020. The Company's principal place of business is at Suite 500, 407 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E5. The Company provides specialized oilfield services from its continuing operations, including hydraulic fracturing, coiled tubing, cementing and other well completion services to the oil and natural gas industries in the United States, Canada, and Argentina.

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

These financial statements were approved by the Board of Directors for issuance on March 13, 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The policies set out below were consistently applied to the periods presented.

(a) Basis of Measurement

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

(b) Principles of Consolidation

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

Subsidiaries are those entities which the Company controls by having the power to govern their financial and operating policies. The existence and effect of voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated upon the Company obtaining control and are deconsolidated upon control ceasing.

(c) Changes in Accounting Standards and Disclosures

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.

(d) Change in Accounting Estimate

Effective January 1, 2023, expenditures related to fluid ends will be recorded as an operating expense rather than as a capital expenditure. This change in accounting estimate was based on new information surrounding the useful life of this component. This change was adopted prospectively and is not expected to have any material impact on the financial statements as the fluid end component was previously depreciated over a one-year useful life.

(e) Critical Accounting Estimates and Judgments

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

i) Expected Credit Loss

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, the customer's financial condition and anticipated industry conditions. Customer payments are regularly monitored and a provision for expected credit loss is established based on expected and incurred losses and overall industry conditions. See note 12 for further information.

ii) Depreciation

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

iii) Fair Value of Financial Instruments

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

The fair values of these financial instruments, except long-term debt, approximate their carrying amounts due to their short-term maturity. The fair value of the Second Lien Notes is based on the closing market price at the reporting period's end-date, as described in note 6. The fair values of the remaining long-term debt approximate their carrying values.

iv) Income Taxes

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

See note 9 for further information on income taxes.

v) Share-Based Payments

The fair value of stock options, performance share units and warrants 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 or unit life, estimated forfeitures, estimated volatility of the Company's shares and anticipated dividends. The vesting conditions associated with the performance stock options and performance share units are non-market and are assessed at each reporting period to determine if the targets are probable or not probable of being met.

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

See note 8 for further information on share-based payments.

vi) Functional Currency

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

vii) Cash-Generating Units

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

viii) Impairment or Reversal of Impairment of Property, Plant and Equipment

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount of cash-generating units is determined based on the higher of fair value less costs of disposal and value in use calculations. These calculations require the use of judgment applied by management regarding forecasted activity levels, expected future results, and discount rates. See note 5 for further information on impairment of property, plant and equipment.

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

Management applies significant judgment in assessing whether indicators of impairment or impairment reversal exist that would necessitate either impairment testing or impairment reversal calculations. Internal and external factors such as (i) a significant change in the market capitalization of the Company's share price; (ii) changes in conditions of equipment, (iii) changes in oil and gas prices in the market, (iv) changes in forecasted earnings, and (v) changes in interest rates or other market rates of return, are evaluated by management in determining whether there are any indicators of impairment or impairment reversal.

(f) Foreign Currency Translation

i) Functional and Presentation Currency

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

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

The following foreign entities have a functional currency other than the Canadian dollar:

Entity	**Functional Currency**
United States	U.S. dollar
Argentina	U.S. dollar

In the event the Company disposed of its entire interest in a foreign operation, or lost control, joint control, or significant influence over a foreign operation, the related foreign currency gains or losses accumulated in other comprehensive income would be recognized in profit or loss. If the Company disposed of part of an interest in a foreign operation which remained a subsidiary, a proportionate amount of the related foreign currency gains or losses accumulated in other comprehensive income would be reallocated between controlling and non-controlling interests.

ii) Transactions and Balances

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

(g) Financial Instruments

The impairment model under IFRS 9 *Financial Instruments* 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.

i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

The Company does not have any hedging arrangements.

ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in profit or loss.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

See note 12 for further information on financial instruments.

iii) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. When a financial asset classified as amortized cost is derecognized, any gain or loss arising on derecognition is recognized directly in profit or loss and is presented together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in profit or loss. When a financial asset classified as fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains and losses.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized directly in profit or loss.

When the Company uses equity instruments to extinguish a financial liability, the equity instruments are considered as consideration paid. The equity instruments are measured at the fair value, unless fair value is not reliably determinable, in which case the equity instruments issued are measured at the fair value of the liability extinguished. If the consideration paid exceeds the carrying value of the financial liability extinguished a gain is recognized in profit or loss.

iv) Compound Financial Instruments

The Company's compound financial instruments comprise of convertible notes, which can be converted into common shares at the sole discretion of the holder. The terms of the convertible notes enable the Company to defer, and pay in kind, any interest accrued on the notes at each interest payment date by increasing the unpaid principal amount. Each increase in the principal amount will correspondingly increase the amount of shares to be issued upon conversion.

The initial fair value of the liability component of the convertible notes is determined using a market interest rate for a comparable debt instrument without an equity conversion feature. The equity component is recognized in shareholders' equity as the difference between the initial principal amount and the fair value of the liability component, and is not subsequently remeasured. Directly attributable transaction costs are allocated on a proportional basis to the initial carrying amount of the separate components.

The liability component of the convertible notes is subsequently measured at amortized cost using the effective interest rate method, until extinguished on conversion or maturity of the notes. Derecognition of the liability component of the convertible notes is treated in the same manner as detailed above.

(h) Cash and Cash Equivalents

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

(i) Inventory

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

(j) Property, Plant and Equipment

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

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

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

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

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

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

(k) Borrowing Costs

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

(l) Leases

Under IFRS 16 *Leases*, leases are recognized as a right-of-use (ROU) asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability (principal) and interest. The interest is charged to the statement of operations over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company recognizes a ROU asset at cost consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of any restoration costs and any initial direct costs incurred by the lessee. The provision for any restoration costs is recognized as a separate liability as set out in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The Company recognizes a lease liability equal to the present value of the lease payments during the lease term that are not yet paid. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. The Company initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at the commencement of the lease is equal to or higher than the guaranteed amount, and the Company does not expect to pay anything under the guarantees.

Payments associated with variable lease payments, short-term leases and leases of low value assets are recognized as an expense in the statement of operations. Short-term leases are leases with a lease term of twelve months or less. Low value assets comprise I.T. equipment and small items of office equipment.

(m) Impairment or Reversal of Impairment of Non-Financial Assets

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

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 other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that asset to determine if the reversal of impairment loss is supported.

(n) Income Taxes

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

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

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

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

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

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

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

(o) Revenue Recognition

Under IFRS 15 *Revenue from Contracts with Customers*, the Company recognizes revenue for services rendered when the performance obligations have been completed, as control of the services transfer to the customer, when the services performed have been accepted by the customer, and collectability is reasonably assured. The consideration for services rendered is measured at the fair value of the consideration received and allocated based on their standalone selling prices. The standalone selling prices are determined based on the agreed upon list prices at which the Company sells its services in separate transactions. Payment terms with customers vary by country and contract. Standard payment terms are 30 days from invoice date.

Revenue for the sale of product is recognized when control or ownership of the product is transferred to the customer and collectability is reasonably assured.

Revenue is measured net of returns, trade discounts and volume discounts.

The Company does not expect to have any revenue contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.
See note 16 for further information on revenue.

(p) Stock-Based Compensation Plans

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

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

The Company recognizes compensation cost for the fair value of deferred share units granted to its outside directors. The fair value of the deferred share units is recognized based on the market value of the Company's shares underlying these compensation programs.

(q) Business Combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition is the fair value of the assets transferred and the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of operations as a gain on acquisition.

(r) Non-current Assets Held for Sale and Discontinued Operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset is recognized at the date of derecognition.

Non-current assets are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities directly associated with assets classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

(s) Recently Issued Accounting Standards Not Yet Applied

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.

3. INVENTORIES

As at December 31,	**2023**	2022
(C$000s)	***($)***	*($)*
Spare parts	**82,001**	54,511
Chemicals	**23,762**	27,049
Sand and proppant	**11,029**	22,417
Coiled tubing	**6,037**	4,751
Other	**186**	138
	123,015	108,866

For the year ended December 31, 2023, the cost of inventories recognized as an expense and included in cost of sales was approximately $694,000 (year ended December 31, 2022 – $573,000).

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 – $8,477). 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

4. ASSETS HELD FOR SALE

During the first quarter of 2022, management committed to a plan to sell its Russian division. The associated assets and liabilities were consequently presented as held for sale in the Company's financial statements, effective March 31, 2022, in accordance with IFRS 5 *Non-current Assets Held for Sale and 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. Management will continue to revisit the fair value of the net assets at each reporting period and upon the close of the transaction.

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.

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

Years Ended December 31,	**2023**	2022
(C$000s)	*($)*	*($)*
Impairment of property, plant and equipment	**2,115**	6,006
Impairment of inventory	**5,566**	30,259
Impairment of other assets	**20,057**	4,420
	27,738	40,685

(a) Financial Information

The financial performance and cash flow information of the Russia operating division are:

Years Ended December 31,	**2023**	2022
(C$000s)	*($)*	*($)*
Revenue	**133,947**	117,257
Expenses	**112,075**	98,698
Impairment	**27,738**	40,685
Loss before income tax	**(5,866)**	(22,126)
Income tax expense	**1,031**	1,500
Net loss	**(6,897)**	(23,626)

Years Ended December 31,	**2023**	2022
(C$000s)	*($)*	*($)*
Net cash provided by operating activities	**10,640**	12,453
Net cash used in investing activities	**(2,073)**	(369)
Effect of exchange rate changes on cash and cash equivalents	**1,304**	3,864
Increase in cash and cash equivalents	**9,871**	15,948

(b) Assets and Liabilities of Disposal Group Held for Sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations:

As at December 31,	**2023**	2022
(C$000s)	*($)*	*($)*
Assets classified as held for sale		
Cash and cash equivalents	11,050	9,895
Accounts receivable	21,267	31,964
Income taxes recoverable	1,633	834
Inventories	—	2,069
Prepaid expenses and deposits	134	1,178
	34,084	**45,940**
Liabilities directly associated with assets classified as held for sale		
Accounts payable and accrued liabilities	20,858	18,852
	20,858	**18,852**

The Company is not expecting to repatriate any material cash amounts from Russia other than through any proceeds received through the sale of its Russian business.

No deferred tax asset is recognized for the assets held for sale/discontinued operations.

The cumulative foreign exchange gains recognized in other comprehensive income in relation to the discontinued operations as at December 31, 2023 was $7,555 (December 31, 2022 – $6,251).

5. PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 2023	Opening Net Book Value	Additions	Disposals	Reversal of Impairment	Depreciation	Foreign Exchange Adjustments	Closing Net Book Value
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Assets under construction [1]	**47,649**	**43,819**	**—**	**—**	**—**	**(1,380)**	**90,088**
Field equipment	**421,316**	**119,040**	**(18,959)**	**41,563**	**(98,575)**	**(8,387)**	**455,998**
Buildings	**32,535**	**373**	**(80)**	**—**	**(4,186)**	**(522)**	**28,120**
Land	**38,578**	**—**	**—**	**—**	**—**	**(490)**	**38,088**
Shop, office and other equipment	**677**	**45**	**—**	**—**	**(491)**	**(8)**	**223**
Computers and computer software	**2,639**	**2,137**	**—**	**—**	**(2,790)**	**—**	**1,986**
Leasehold improvements	**81**	**—**	**—**	**—**	**(27)**	**(2)**	**52**
	543,475	**165,414**	**(19,039)**	**41,563**	**(106,069)**	**(10,789)**	**614,555**

[1] Additions for assets under construction are net of transfers into the other categories of property, plant and equipment when they become available for use (additions of $165,425 less transfers of $121,606).

As at December 31, 2023	Cost	Accumulated Depreciation	Net Book Value
(C$000s)	*($)*	*($)*	*($)*
Assets under construction	**90,088**	**—**	**90,088**
Field equipment	**2,493,884**	**(2,037,886)**	**455,998**
Buildings	**90,876**	**(62,756)**	**28,120**
Land	**38,088**	**—**	**38,088**
Shop, office and other equipment	**27,877**	**(27,654)**	**223**
Computers and computer software	**47,552**	**(45,566)**	**1,986**
Leasehold improvements	**8,832**	**(8,780)**	**52**
	2,797,197	**(2,182,642)**	**614,555**

Year Ended December 31, 2022	Opening Net Book Value	Assets Classified as Held for Sale	Additions	Disposals	Impairment	Depreciation	Foreign Exchange Adjustments	Closing Net Book Value
(C$000s)	*($)*		*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Assets under construction [1]	22,945	(890)	23,931	—	—	—	1,663	47,649
Field equipment	459,757	(3,619)	63,375	(8,119)	(10,670)	(103,808)	24,400	421,316
Buildings	38,950	—	—	—	—	(4,225)	(2,190)	32,535
Land	33,424	—	—	—	—	—	5,154	38,578
Shop, office and other equipment	1,362	—	—	—	—	(738)	53	677
Computers and computer software	7,010	—	515	—	—	(4,897)	11	2,639
Leasehold improvements	(25)	—	119	—	—	(18)	5	81
	563,423	(4,509)	87,940	(8,119)	(10,670)	(113,686)	29,096	543,475

[1] Additions for assets under construction are net of transfers into the other categories of property, plant and equipment when they become available for use (additions of $87,668 less transfers of $63,737).

As at December 31, 2022	Cost	Accumulated Depreciation	Net Book Value
(C$000s)	*($)*	*($)*	*($)*
Assets under construction	**47,649**	**—**	**47,649**
Field equipment	**2,391,688**	**(1,970,372)**	**421,316**
Buildings	**90,583**	**(58,048)**	**32,535**
Land	**38,578**	**—**	**38,578**
Shop, office and other equipment	**27,832**	**(27,155)**	**677**
Computers and computer software	**45,415**	**(42,776)**	**2,639**
Leasehold improvements	**8,832**	**(8,751)**	**81**
	2,650,577	**(2,107,102)**	**543,475**

Property, plant and equipment are tested for impairment in accordance with the Company's accounting policy. 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 cash-generating unit (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 CGUs 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.

As at September 30, 2023, the significant improvement in the operating and financial results of the Canadian CGU over the past year coupled with a strong business outlook were indicators that the impairment loss previously recorded during 2020 may no longer exist. As a result, the Company estimated the recoverable amount of its property, plant and equipment for the Canada CGU.

The recoverable amount of property, plant and equipment is determined using discounted cash flows to be generated from the Canadian CGU. Cash flow assumptions are based on a combination of historical and expected future results, using the following main significant assumptions:

- Expected revenue growth
- Expected operating income growth
- Discount rate

Revenue and operating income growth rates are based on a combination of commodity price assumptions, historical results and forecasted activity levels, which incorporates pricing, utilization and cost improvements over the forecast period. The cumulative annual growth rates for revenue and operating income over the forecast period from 2024 to 2027 ranged from no growth to 1.1 percent.

The cash flows are prepared on a five-year basis, using a relevant weighted average cost of capital based on the nature of underlying assets, adjusted for risk factors specific to the Canadian CGU. Cash flows beyond that five-year period are extrapolated using a steady 2.0 percent growth rate.

The impairment test that was conducted as at September 30, 2023 supported the reversal of the remaining property, plant and equipment impairment loss of $41,563 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.

A sensitivity analysis assuming a 1% change in the discount rate or 10% change in expected future cash flows would have no impact on the impairment or reduction in impairment reversal on the September 30, 2023 impairment test.

Assumptions that are valid at the time of preparing the impairment test may change significantly when new information becomes available. 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 – $10,670).

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

6. LONG-TERM DEBT

As at December 31,	**2023**	2022
(C$000s)	*($)*	*($)*
$250,000 extendible revolving term loan facility due the earlier of: (a) July 1, 2026 or (b) six months prior to the maturity of the Company's Second Lien Notes, secured by the Canadian and U.S. assets of the Company on a first priority basis	**95,000**	170,000
$2,605 1.5 Lien Notes due December 18, 2023, bearing interest at 10.00% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis ahead of the Second Lien Notes	**—**	2,534
US$120,000 Second Lien Notes due March 15, 2026, bearing interest at 10.875% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis	**158,712**	162,528
Less: unamortized debt issuance costs	**(2,935)**	(3,342)
	250,777	331,720
Current portion	**—**	2,534
Long-term portion	**250,777**	329,186
	250,777	331,720

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. The fair value of the Second Lien Notes (as defined below), as measured based on the closing market price at December 31, 2023 was $143,963 (December 31, 2022 – $147,411).

Debt issuance costs related to the Company's long-term debt are amortized over their respective term.

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the year ended December 31, 2023 was $32,073 (year ended December 31, 2022 – $46,756).

(a) Revolving Credit Facility

On September 28, 2023, the Company amended its revolving credit facility agreement. The principal amendments to the $250,000 credit facilities include, 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 $215,000 from $205,000 and, conversely, decreased the operating facility to $35,000 from $45,000;

c. removed the borrowing base requirement and 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.

The Company was in compliance with its financial covenants associated with its credit facilities at December 31, 2023.

(b) 1.5 Lien Notes

In 2020, the Company issued $60,000 of 1.5 lien senior secured 10 percent payment-in-kind convertible notes ("1.5 Lien Notes") due December 18, 2023 on a private placement basis. The terms of the 1.5 Lien Notes enabled the holders to convert each $1,000 principal amount into approximately 750 common shares at their discretion.

In 2023, the Company issued 114,821 new common shares associated with the conversion of the 1.5 Lien Notes. On December 18, 2023, the remaining $2,453 1.5 Lien Notes were repaid along with its corresponding interest.

During 2022, the Company issued 42,065,259 new common shares associated with the conversion of the 1.5 Lien Notes. Of this, 33,646,514 shares were issued in association with the early conversion incentive program that was completed during the fourth quarter of 2022, resulting in $44,834 of notes converted to shares at a price of $1.3325 per share. The Company paid $2,262 in interest as an early conversion fee.

(c) Second Lien Notes

The Company issued US$120,000 of new 10.875% second lien secured notes ("Second Lien Notes") due March 15, 2026. The Second Lien Notes may be redeemed, in whole or in part, at redemption prices (expressed as a percentage of principal amount) as follows: (i) at any time on or after March 15, 2023 at 102.719%, and (ii) at any time on or after March 15, 2024 at 100.000%, in each case plus accrued and unpaid interest, if any, to, but not including the redemption date.

The following table sets out an analysis of long-term debt and the movements in long-term debt:

	2023	2022
(C$000s)	***($)***	*($)*
Balance, January 1	**331,720**	388,479
Issuance of long-term debt, net of debt issuance costs	**92,202**	17,762
Long-term debt repayments	**(177,453)**	(45,000)
Conversion of 1.5 Lien Notes into shares	**(153)**	(54,339)
Amortization of compound financial instrument discount	**72**	1,488
Amortization of debt issuance costs and debt discount	**8,160**	13,127
Foreign exchange adjustments	**(3,771)**	10,203
Balance, December 31	**250,777**	331,720

At December 31, 2023, the Company had utilized $3,378 of its loan facility for letters of credit, had $95,000 outstanding under its revolving term loan facility, leaving $151,622 in available credit. See note 14 for further details on the covenants in respect of the Company's long-term debt.

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

As at December 31, 2023	Amount
(C$000s)	*($)*
2024	—
2025	95,000
2026	158,712
2027	—
2028	—
Thereafter	—
	253,712

7. CAPITAL STOCK

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

Years Ended December 31,	**December 31, 2023**		December 31, 2022	
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	***($000s)***	*(#)*	*($000s)*
Balance, beginning of period	**80,733,504**	**865,059**	37,700,972	801,178
Conversion of 1.5 Lien Notes into shares (note 6)	**114,821**	**166**	42,065,259	58,892
Issued upon exercise of warrants (note 8)	**4,715,022**	**44,813**	531,706	5,054
Issued upon exercise of stock options (note 8)	**152,782**	**870**	435,567	2,435
Reclassification of loan receivable	**—**	**—**	—	(2,500)
Balance, end of year	**85,716,129**	**910,908**	80,733,504	865,059

Years Ended December 31,	**2023**	2022
	(#)	*(#)*
Weighted average number of common shares outstanding – Basic	**81,215,055**	42,609,234
Dilutive effective of stock options and other equity-based awards	**7,061,587**	42,011,920
Weighted average number of common shares outstanding – Diluted	**88,276,642**	84,621,154

The dilutive effect of stock options and warrants as disclosed in note 8 and and the dilutive effective of the 1.5 Lien Notes as disclosed in note 6 have been included in the determination of the weighted average number of common shares outstanding. The performance stock options and performance share units have not been included in the determination of weighted average number of common shares outstanding as they are not yet vested.

The convertible 1.5 Lien Notes are dilutive at the level of profit from continuing operations and in accordance with IAS 33 *Earnings per Share*, have been treated as dilutive for the purpose of diluted EPS. The diluted loss per share is lower than basic loss per share because of the effect of losses on discontinued operations.

Years Ended December 31,	**2023**	2022
	(#)	*(#)*
Net income from continuing operations		
Used in calculating basic earnings per share	**197,569**	35,303
Add: interest savings on convertible 1.5 Lien Notes, net of tax	**190**	4,097
Used in calculating dilutive earnings per share	**197,759**	39,400
Net (loss) income from discontinued operations	**(6,897)**	(23,626)
Net income used in calculating diluted earnings per share	**190,862**	15,774

8. SHARE-BASED PAYMENTS

Years Ended December 31,	**2023**	2022
	($)	*($)*
Stock options	**4,123**	2,776
Performance share units	**994**	—
Deferred share units	**641**	579
Total stock-based compensation expense	**5,758**	3,355

Stock-based compensation expense is included in selling, general and administrative expenses.

(a) Stock Options

Years Ended December 31,		**2023**		2022
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	***($)***	*(#)*	*($)*
Balance, beginning of period	**3,587,769**	**4.90**	3,300,000	3.54
Granted	**—**	**—**	1,020,000	8.32
Exercised for common shares	**(152,782)**	**3.59**	(435,567)	3.54
Forfeited	**(183,333)**	**3.54**	(296,664)	3.54
Balance, end of period	**3,251,654**	**5.03**	3,587,769	4.90

Year Ended December 31,		**2023**
Continuity of Performance Stock Options	**Options**	**Average Exercise Price**
	(#)	***($)***
Balance, beginning of period	**—**	**—**
Granted	**2,842,895**	**5.74**
Exercised for common shares	**—**	**—**
Forfeited	**—**	**—**
Balance, end of period	**2,842,895**	**5.74**

In the third quarter of 2023, the Company granted performance stock options to certain eligible employees. Subject to the performance vesting condition described below, the options will vest on April 1, 2026 and expire five years after the grant date. The performance vesting condition requires achieving a three-year cumulative Adjusted EBITDA target for 2023 to 2025 as set by the Board of Directors. If this target is not met, vesting of the options (or a portion thereof) will be at the discretion of the Board of Directors. At December 31, 2023, management has assumed that the cumulative three-year Adjusted EBITDA target will be met and will reassess this assumption at each reporting period.

Previously granted stock options are unaffected and vest equally over three years and expire five years from the date of grant.

The exercise price of outstanding options ranges from $3.41 to $10.00 with a weighted average remaining life of 3.71 years. When stock options are exercised, the proceeds together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

The weighted average fair value of options granted during 2023, determined using the Black-Scholes valuation method, was $3.91 per option (year ended December 31, 2022 – $4.58 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

Years Ended December 31,	**2023**	2022
Expected life (years)	**4.99**	3.00
Expected volatility (%)	**83.18**	84.60
Risk-free interest rate (%)	**4.04**	3.34
Expected dividends ($)	**—**	—

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

(b) Share Units

	Performance Share Units		**Deferred Share Units**	
Years Ended December 31,	**2023**	2022	**2023**	2022
	(#)	*(#)*	*(#)*	*(#)*
Balance, beginning of year	**—**	—	**232,800**	107,400
Granted	**1,218,384**	—	**147,000**	127,000
Exercised	**—**	—	**(800)**	(1,600)
Balance, end of year	**1,218,384**	—	**379,000**	232,800

The Company grants deferred share units (DSUs) to its outside directors. Each DSU represents the right to receive a gross payment equal to the fair market value at the date of redemption, which date will be determined by the holder of the DSUs, subject to certain conditions. The fair market value is defined as the weighted average trading price of a common share of the Company on the Toronto Stock Exchange during the last five trading days prior to the date of redemption. The DSUs vest on or about the first anniversary of the date of grant and are settled in cash. The DSUs expire at a date determined by the Board of Directors, which shall not be later than three years following the end of the year in which the grant occurred. The fair value of the DSUs is recognized equally over the vesting period, based on the current market price of the Company's shares. At December 31, 2023, the liability pertaining to deferred share units was $1,475 (December 31, 2022 – $839).

Changes in the Company's obligations under the DSU grants, which arise from fluctuations in the market value of the Company's shares, are recorded as the share value changes.

In the third quarter of 2023, performance share units (PSUs) were granted to certain eligible employees. The PSUs vest on April 1, 2026, subject to both market and non-market conditions: (i) satisfaction of the same Adjusted EBITDA performance condition or Board of Directors discretion as the stock options; and (ii) a proration factor based on the fair market value of the common shares on April 1, 2026. The PSUs shall be settled in common shares issued from treasury within 30 days of the vesting date, and in any event prior to the expiry date of the PSUs of December 15, 2026.

The weighted average fair value of PSUs granted during 2023 was $5.74 per unit (year ended December 31, 2022 – $nil). The Company applied the following assumptions in determining the fair value of PSUs on the date of grant:

Years Ended December 31,	**2023**	2022
Expected life (years)	**3.30**	—
Expected volatility (%)	**75.98**	—
Risk-free interest rate (%)	**4.40**	—
Expected dividends ($)	**—**	—

At December 31, 2023, management has assumed that the cumulative three-year Adjusted EBITDA target will be met and no proration will be applicable. These assumptions will be reassessed at each reporting period.

(c) Warrants

The Company issued 5,824,433 warrants to shareholders of record (i.e., registered shareholders) as of market close on December 17, 2020. Each warrant was exercisable into one common share at a price of $2.50 per common share, prior to its maturity on December 18, 2023, subject to customary adjustments and restrictions. The fair value of the warrants at issuance was estimated using a Black-Scholes pricing model, in the amount of $40,797, and accounted for as a reduction of the gain on settlement of debt during the fourth quarter of 2020.

During the year ended December 31, 2023, 4,715,022 warrants were exercised for total proceeds of $11,787.

Years Ended December 31,		**2023**		2022
Continuity of Warrants	**Warrants**	**Average Exercise Price**	Warrants	Average Exercise Price
	(#)	*($)*	*(#)*	*($)*
Balance, January 1	**5,219,150**	**2.50**	5,750,856	2.50
Exercised for common shares	**(4,715,022)**	**2.50**	(531,706)	2.50
Expired	**(504,128)**	**2.50**	—	—
Balance, December 31	**—**	**2.50**	5,219,150	2.50

9. INCOME TAXES

The components of income tax expense (recovery) are:

Years Ended December 31,	**2023**	2022
(C$000s)	*($)*	*($)*
Current income tax expense	**6,246**	5,443
Deferred income tax recovery	**(2,187)**	(16,466)
	4,059	(11,023)

The provision for income taxes in the consolidated statements of operations varies from the amount that would be computed by applying the expected 2023 tax rate of 23.0 percent (year ended December 31, 2022 – 23.0 percent) to income before income taxes.

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

Years Ended December 31,	**2023**	2022
(C$000s except percentages)	*($)*	*($)*
Income (loss) before income tax from continuing operations	**201,628**	24,280
Income tax rate (%)	**23.0**	23.0
Computed expected income tax expense (recovery)	**46,374**	5,584
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	**8,996**	2,358
Foreign tax rate and other foreign differences	**5,874**	2,053
Translation of foreign subsidiaries	**68**	146
Other non-income taxes	**156**	(333)
Recognition of tax losses	**(58,741)**	(20,876)
Other	**1,332**	45
	4,059	(11,023)

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

As at December 31,	**2023**	2022
(C$000s)	***($)***	*($)*
Property, plant and equipment	**(68,476)**	(75,657)
Losses carried forward	**53,230**	52,351
Deferred compensation payable	**—**	952
Other	**6,832**	10,904
	(8,414)	(11,450)

Certain loss carry-forwards expire at various dates ranging from December 31, 2024 to December 31, 2043.

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

Years Ended December 31,	**2023**	2022
(C$000s)	***($)***	*($)*
Balance, beginning of year	**(11,450)**	(26,286)
Charged (credited) to the consolidated statements of operations or accumulated other comprehensive income:		
Property, plant and equipment	**7,181**	9,233
Losses carried forward	**879**	5,805
Deferred compensation payable	**(952)**	952
Other	**(4,072)**	(1,154)
Balance, end of year	**(8,414)**	(11,450)

Deferred tax assets are only recognized to the extent that it is probable that the assets can be utilized. The Company has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for each subsidiary. The Company expects to have sufficient taxable income in succeeding years to fully utilize its deferred tax assets before they expire.

The Company has tax losses and attributes for which no deferred tax asset is recognized:

Years Ended December 31,	**2023**	2022
(C$000s)	***($)***	*($)*
Tax losses (capital)	**41,969**	41,969
Tax losses (income)	**19,377**	36,348
Property, plant and equipment	**—**	21,234
Canadian exploration expenses	**4,763**	5,180
Deferred compensation payable	**345**	200
Deferred financing and share issuance costs	**1,311**	2,542
Other	**19,434**	18,206

10. COMMITMENTS

The Company has lease commitments for premises, equipment, vehicles and storage facilities under agreements requiring aggregate minimum payments over the five years following December 31, 2023, as follows:

	Right-of-Use Asset Recognized	No Right-of-Use Asset Recognized	Total
(C$000s)	*($)*	*($)*	*($)*
2024	11,977	5,240	17,217
2025	7,385	3,466	10,851
2026	4,302	2,113	6,415
2027	1,779	425	2,204
2028	1,307	425	1,732
Thereafter	—	—	0
	26,750	11,669	38,419

The Company recognizes right-of-use assets for its leases, except for short-term leases, low value leases, leases with variable payments, or service contracts that are out of scope of IFRS 16.

The Company has obligations for the purchase of products, services and property, plant and equipment over the next two years following December 31, 2023, as follows:

(C$000s)	*($)*
2024	128,613
2025	9,308
	137,921

11. LEASES

The Company's leasing activities comprise of buildings and various field equipment including railcars and motor vehicle leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any financial covenants other than the security interests in the leased assets that are held by the lessor.

The following table sets out the movement in the right-of-use assets by class of underlying asset:

Year Ended December 31, 2023	Opening Net Book Value	Additions	Disposals	Depreciation	Foreign Exchange Adjustments	Closing Net Book Value
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Field equipment	**16,143**	**9,319**	**(1,139)**	**(8,592)**	**(292)**	**15,439**
Buildings	**6,765**	**4,627**	**(122)**	**(1,980)**	**(106)**	**9,184**
	22,908	**13,946**	**(1,261)**	**(10,572)**	**(398)**	**24,623**

The following additional disclosures regarding the Company's leases are:

	2023
(C$000s)	*($)*
Interest expense on lease obligations	1,311
Expense relating to short-term leases (included in operating and selling, general and administrative expense)	71,698
Expense relating to low value leases (included in operating and selling, general and administrative expense)	1,291
Expense relating to variable lease payments (included in operating and selling, general and administrative expense)	12,136
Income from subleasing of right-of-use assets	(169)
Total cash outflow for lease obligations	12,528

The following table sets out the movement in the lease obligation:

	2023
(C$000s)	*($)*
Balance, January 1	23,192
Additions	13,946
Disposals/retirements	(1,100)
Principal portion of payments	(11,217)
Foreign exchange adjustments	(393)
Balance, December 31	24,428

12. FINANCIAL INSTRUMENTS

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

(a) Fair Values of Financial Assets and Liabilities

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value and carrying value of the Second Lien Notes, as measured based on the closing market price at December 31, 2023 was $143,963 and $158,712, respectively (December 31, 2022 – $147,411 and $162,528).

The fair values of the remaining long-term debt approximate their carrying values, as described in note 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, 2023, the Company had a loss allowance provision for accounts receivable of $999 (December 31, 2022 – $481).

IFRS 9 *Financial Instruments* requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Company's assessment, a loan loss allowance of $659 was recorded during the year ended December 31, 2023, using the lifetime expected credit loss model (year ended December 31, 2022 – $99 loan loss recovery). The expected credit loss rates for each operating segment are based on actual credit losses experienced in the past.

The loss allowance provision for trade accounts receivable as at December 31, 2023 reconciles to the opening loss allowance provision as follows:

	2023
(C$000s)	*($)*
At January 1, 2023	481
Increase in loan loss allowance recognized in statement of operations	659
Specific receivables deemed as uncollectible and written off	(137)
Foreign exchange adjustments	(4)
At December 31, 2023	999

Payment terms with customers vary by country and contract. Standard payment terms 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$000s)	***($)***	*($)*
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

(c) Interest Rate Risk

The Company is exposed to cash flow risk due to fluctuating interest payments required to service any floating-rate debt. The increase or decrease in annual interest expense for each 1 percentage point change in interest rates on floating-rate debt at December 31, 2023 amounts to $950 (December 31, 2022 – $1,700).

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

(d) 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. See note 14 for further details on the Company's capital structure.

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$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
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**	**—**	**—**	**—**
	508,908	**213,543**	**294,058**	**1,307**	**—**	**—**

[1] *Principal and interest of current and long-term portion*

At December 31, 2022	Total	<1 Year	1 – 3 Years	4 – 6 Years	7 – 9 Years	Thereafter
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
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	—	—	—
	605,904	212,982	391,264	1,658	—	—

[1] *Principal and interest of current and long-term portion*

(e) Foreign Exchange Risk

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in currencies other than Canadian dollars. These currencies include the U.S. dollar 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 US$/Cdn$ 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

(f) Country Risk

The ongoing conflict between Russia and Ukraine has added a level of risk and uncertainty and additional restrictions around the operations of the Company's Russian subsidiary. As a result of these evolving circumstances, the risks, restrictions, and uncertainties surrounding, among other things, banking, the Company's ownership and control over its Russian subsidiary, the physical security of property, plant and equipment in Russia, the regulatory approvals to complete a sale transaction and overall business and operational risks are being monitored and addressed as the situation evolves. The impact of these risks will be reflected in the financial statements as required.

The situation in Russia remains dynamic and additional sanctions or restrictions may be issued against or by Russia as the conflict evolves. Additional sanctions or restrictions could have a material impact on the Company's assets, business, financial condition and cash flows in Russia and the Company has determined that it will sell its Russian operations as noted in note 4.

(g) Cash Risk

The Company faces restrictions on the amount of cash that can be repatriated out of Argentina; however these restrictions are not expected to have a material impact the Company's liquidity position.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating assets and liabilities are as follows:

Years Ended December 31,	**2023**	2022
(C$000s)	*($)*	*($)*
Accounts receivable	**(9,567)**	(81,149)
Inventory	**(17,646)**	(47,831)
Prepaid expenses and deposits	**(13,670)**	(4,552)
Accounts payable and accrued liabilities	**8,246**	55,665
Income taxes recoverable	**(2,557)**	2,833
	(35,194)	(75,034)
Income taxes paid	**9,834**	3,954

Purchase of property, plant and equipment is comprised of:

Years Ended December 31,	**2023**	2022
(C$000s)	***($)***	*($)*
Property, plant and equipment additions	**(167,529)**	(88,313)
Change in liabilities related to the purchase of property, plant and equipment	**(1,108)**	8,503
	(168,637)	(79,810)

14. CAPITAL STRUCTURE

The Company's capital structure is comprised of shareholders' equity and debt. The Company's objectives in managing capital are (i) to maintain flexibility so as to preserve its 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, 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 net debt to Adjusted EBITDA. Adjusted EBITDA for this purpose is calculated on a 12-month trailing basis and is defined as follows:

For the Twelve Months Ended	**December 31, 2023**	December 31, 2022
(C$000s)	***($)***	*($)*
Net income from continuing operations	**197,569**	35,303
Adjusted for the following:		
Depreciation	**116,641**	122,027
Foreign exchange losses (gains)	**22,378**	(2,972)
(Gain) loss on disposal of property, plant and equipment	**(4,625)**	5,333
Impairment (reversal of impairment) of property, plant and equipment	**(41,563)**	10,670
Impairment of inventory	**—**	8,477
Impairment of other assets	**—**	64
Litigation settlements	**(6,805)**	11,258
Restructuring charges	**2,991**	5,273
Stock-based compensation	**5,117**	2,776
Interest, net	**29,694**	46,555
Income taxes	**4,059**	(11,023)
Adjusted EBITDA from continuing operations	**325,456**	233,741

Net debt for this purpose is calculated as follows:

	December 31, 2023	December 31, 2022
(C$000s)	***($)***	*($)*
Long-term debt, net of debt issuance costs and debt discount	**250,777**	331,720
Lease obligations	**24,428**	23,192
Deduct: cash and cash equivalents	**(34,140)**	(8,498)
Net debt	**241,065**	346,414

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.

At December 31, 2023, the net debt to Adjusted EBITDA ratio was 0.74:1 (December 31, 2022 – 1.48:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended	**December 31, 2023**	December 31, 2022
(C$000s, except ratio)	***($)***	*($)*
Net debt	**241,065**	346,414
Adjusted EBITDA	**325,456**	233,741
Net debt to Adjusted EBITDA ratio	**0.74**	1.48

The Company is subject to certain financial covenants relating to 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 was in compliance with its financial covenants associated with its credit facilities as at December 31, 2023.

15. RELATED-PARTY TRANSACTIONS

Certain entities controlled by George S. Armoyan hold US$16,771 of the Company's Second Lien Notes as at December 31, 2023 (December 31, 2022 – US$16,371).

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 $957 (year ended December 31, 2022 – $957), as measured at the exchange amount, which is based on market rates at the time the lease arrangements were made and is under the normal course of business.

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company derives revenue from the provision of goods and services for the following major service lines and geographical regions:

	North America	**Argentina**	**Continuing Operations**
(C$000s)	***($)***	***($)***	***($)***
Years Ended December 31, 2023			
Fracturing	**1,473,688**	**200,935**	**1,674,623**
Coiled tubing	**48,315**	**52,341**	**100,656**
Cementing	**—**	**48,531**	**48,531**
Product sales	**345**	**—**	**345**
Subcontractor	**—**	**40,126**	**40,126**
	1,522,348	**341,933**	**1,864,281**
Years Ended December 31, 2022	*Revised*		
Fracturing	1,201,417	146,359	1,347,776
Coiled tubing	45,308	39,513	84,821
Cementing	—	41,678	41,678
Product sales	1,422	—	1,422
Subcontractor	—	23,523	23,523
	1,248,147	251,073	1,499,220

The Company recognizes all its revenue from contracts with customers and no other sources (such as lease rental income).

The Company does not incur material costs to obtain contracts with customers and consequently, does not recognize any contract assets. The Company does not have any contract liabilities associated with its customer contracts.

The Company's customer base consists of approximately 62 oil and natural gas exploration and production companies, ranging from large multi-national publicly traded companies to small private companies. Notwithstanding the Company's broad customer base, Calfrac had four significant customers that collectively accounted for approximately 41 percent of the

Company's revenue for the year ended December 31, 2023 (year ended December 31, 2022 – four significant customers for approximately 51 percent) and, of such customers, one customer accounted for approximately 11 percent of the Company's revenue for the year ended December 31, 2023 (year ended December 31, 2022 – 26 percent).

Beginning 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 operational and reporting structure. Prior comparatives have been reclassified to conform with the current presentation.

17. PRESENTATION OF EXPENSES

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

- operations (cost of sales); and
- selling, general and administrative.

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

Years Ended December 31,	**2023**	2022
(C$000s)	***($)***	*($)*
Product costs	**487,376**	438,847
Personnel costs	**402,017**	329,697
Depreciation on property, plant and equipment	**106,069**	113,686
Depreciation on right-of-use assets	**10,572**	8,341
Other operating costs [1]	**590,121**	454,043
Cost of sales from continuing operations	**1,596,155**	1,344,614

[1] *Other operating costs consists of equipment repairs, subcontractor costs, fleet operating costs, field costs, occupancy costs and other district overhead costs.*

Years Ended December 31,	**2023**	2022
(C$000s)	***($)***	*($)*
Interest expense	**34,657**	48,804
Interest income	**(4,963)**	(2,249)
Interest, net	**29,694**	46,555

18. EMPLOYEE BENEFITS EXPENSE

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

Years Ended December 31,	**2023**	2022
(C$000s)	***($)***	*($)*
Salaries and short-term employee benefits	**439,245**	366,987
Post-employment benefits (group retirement savings plan)	**7,943**	6,429
Share-based payments	**5,758**	3,355
Termination benefits	**3,229**	7,601
	456,175	384,372

19. COMPENSATION OF KEY MANAGEMENT

Key management is defined as the Company's Board of Directors, Chief Executive Officer, and Chief Financial Officer. During 2022, it was defined as the Board of Directors, Chief Executive Officer, President and Chief Operating Officer, and Chief Financial Officer. On January 4, 2023, the President and Chief Operating Officer retired and this role was not replaced.

Compensation awarded to key management comprised:

Years Ended December 31,	**2023**	2022
(C$000s)	*($)*	*($)*
Salaries, fees and short-term benefits	**3,163**	3,252
Post-employment benefits (group retirement savings plan)	**46**	41
Share-based payments	**3,376**	1,397
Termination benefits	**—**	1,381
	6,585	6,071

In the event of termination, the Chief Financial Officer is entitled to one year of annual compensation (inclusive of target bonus entitlement), and two years of annual compensation in the event of termination resulting from a change of control. The Chief Executive Officer is entitled to the minimum payment in lieu of notice as specified in the Alberta Employment Standards Code, and a payment equal to two times annual base salary and benefits in the event of termination resulting from a change of control.

20. CONTINGENCIES

GREEK LITIGATION

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

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $9,793 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. Said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. As a result of Denison's participation in the consortium that was named in the lawsuit, the Company was served with three separate payment orders, one on March 24, 2015 and two others on December 29, 2015. The Company was also served with an enforcement order on November 23, 2015.

Provisional orders granting a temporary suspension of any enforcement proceedings have been granted in respect of all of these orders on the basis they were improperly issued and are barred from a statute of limitations perspective. Hearings in respect of each of the orders have been held, and in each case, decisions were rendered accepting the Company's position. All of these decisions were appealed, but the favorable judgments have all been confirmed in the Company's favor. The plaintiffs have filed petitions for cassation (a form of appeal in Greece) against three of the appeal judgments, and the deadline for the plaintiffs to file a petition for cassation in respect of the suspension of the November 23, 2015 enforcement order has now lapsed. No hearings have been scheduled for the three pending cassation petitions.

NAPC is also the subject of a claim for approximately $3,220 (2,201 euros) plus associated penalties and interest from the Greek social security agency for social security obligations associated with the salaries in arrears that are the subject of the above-mentioned decision. That claim was upheld by judgment No. 99/2021 of the Administrative Court of Appeal in

Komotini and a petition for cassation has been filed by NAPC partially challenging the aforementioned judgment and its quantum.

The maximum aggregate interest and penalties payable under the claims noted above, as well as three other immaterial claims against NAPC totaling $845 (578 euros), amounted to $32,390 (22,146 euros) as at December 31, 2023.

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 has been recorded in these consolidated financial statements.

21. SEGMENTED INFORMATION

The Company's activities in its continuing operations are conducted in two geographical segments: North America and Argentina. All activities are related to hydraulic fracturing, coiled tubing, cementing and other well completion services for the oil and natural gas industry.

Beginning 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 operational and reporting structure. Prior comparatives have been reclassified to conform with the current presentation.

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

	North America	Argentina	Corporate	Continuing Operations
(C$000s)	*($)*	*($)*	*($)*	*($)*
Years Ended December 31, 2023				
Revenue [(1)]	**1,522,348**	**341,933**	**—**	**1,864,281**
Adjusted EBITDA	**282,863**	**63,569**	**(20,976)**	**325,456**
Segmented assets [(2)]	**897,828**	**194,285**	**—**	**1,092,113**
Capital expenditures	**153,886**	**11,528**	**—**	**165,414**
Years Ended December 31, 2022				*Revised*
Revenue [(1)]	1,248,147	251,073	—	1,499,220
Adjusted EBITDA	224,434	30,979	(21,672)	233,741
Segmented assets [(2)]	801,552	148,261	—	949,813
Capital expenditures	77,671	10,269	—	87,940

[(1)] Revenue generated in the United States for the years ended December 31, 2023 and 2022 was 51% and 54% of revenue from continuing operations, respectively.
[(2)] Assets in the United States as at December 31, 2023 and 2022 was 55% and 60% assets from continuing operations, respectively.

Adjusted EBITDA is defined in the Company's credit facilities for covenant purposes as net income or loss for the period adjusted for interest, income 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 is used in the calculation of the Company's bank covenants. Adjusted EBITDA for the period was calculated as follows:

Years Ended December 31,	**2023**	2022
(C$000s)	***($)***	*($)*
Net income from continuing operations	**197,569**	35,303
Add back (deduct):		
Depreciation	**116,641**	122,027
Foreign exchange losses (gains)	**22,378**	(2,972)
(Gain) loss on disposal of property, plant and equipment	**(4,625)**	5,333
Impairment (reversal of impairment) of property, plant and equipment	**(41,563)**	10,670
Impairment of inventory	**—**	8,477
Impairment of other assets	**—**	64
Litigation settlement	**(6,805)**	11,258
Restructuring charges	**2,991**	5,273
Stock-based compensation	**5,117**	2,776
Interest, net	**29,694**	46,555
Income taxes	**4,059**	(11,023)
Adjusted EBITDA from continuing operations [1]	**325,456**	233,741

[1] For bank covenant purposes, EBITDA includes the deduction of an additional $12,528 of lease payments for the year ended December 31, 2023 (year ended December 31, 2022 – $10,354) that would have been recorded as operating expenses prior to the adoption of IFRS 16.