2022 Q4 MANAGEMENT'S DISCUSSION & ANALYSIS

CALFRAC WELL SERVICES

Three and Twelve Months Ended December 31, 2022

DO IT SAFELY, DO IT RIGHT, DO IT PROFITABLY

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. (“Calfrac” or the “Company”) has been prepared by management as of March 15, 2023 and is a review of the Company’s financial condition and results of operations based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the years ended December 31, 2022 and 2021. It should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2021.

Readers should also refer to the “Forward-Looking Statements” legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used are included on page 20.

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CALFRAC'S BUSINESS FROM CONTINUING OPERATIONS

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

The Company's reportable business segments during the three months ended December 31, 2022, were as follows:

Segment	Active	Idle	Total	Crewed Fleets
	(000's hhp)	*(000's hhp)*	*(000's hhp)*	*(#)*
United States	746	117	863	10
Canada	227	—	227	4
Argentina	139	—	139	7
Total	1,112	117	1,229	21

- The Company's United States segment provides fracturing services to energy companies operating in the Williston Basin located in North Dakota as well as the broader Rockies region, which includes the Uinta Basin in Utah and the Powder River Basin in Wyoming. Calfrac also provides fracturing services to natural gas-focused customers operating in the Appalachia Basin in Pennsylvania, Ohio and West Virginia. At December 31, 2022, Calfrac's United States operations had 10 fracturing fleets utilizing combined active horsepower of approximately 746,000 of which approximately 20 percent was dual-fuel capable. At the end of the fourth quarter, the United States segment had approximately 117,000 idled horsepower.

- The Canadian segment is focused on the provision of fracturing and coiled tubing services to a diverse group of oil and natural gas exploration and production companies operating in Alberta and northeast British Columbia. The Company's customer base in Canada ranges from large multinational public companies to small private companies. At December 31, 2022, Calfrac's Canadian operations had four fracturing spreads comprised of approximately 227,000 active and total horsepower, of which approximately 70 percent was dual-fuel capable, and six active coiled tubing units. At the end of the fourth quarter, the Canadian segment had four idled coiled tubing units.

- The Argentinean segment provides fracturing, cementing and coiled tubing services to oil and natural gas companies operating in the Neuquén, Las Heras, Comodoro and Añelo regions. The Company had one large and six conventional fracturing spreads utilizing approximately 139,000 active and total horsepower, 11 active cementing units and five active coiled tubing units in its Argentinean segment at December 31, 2022. The Company also had one idle cementing unit and one idle coiled tubing unit in Argentina.

- The Company has committed to a plan to sell its Russia division, resulting in the associated assets and liabilities being classified as held for sale and presented as discontinued operations in the annual consolidated financial statements.

HIGHLIGHTS - CONTINUING OPERATIONS

Years Ended December 31,	**2022**	2021	Change
(C$000s, except per share amounts)	***($)***	*($)*	*(%)*
(unaudited)		*Revised* [1]	
Revenue	**1,499,220**	880,249	70
Adjusted EBITDA[2]	**233,741**	51,577	353
Consolidated cash flows provided by (used in) operating activities	**107,532**	(15,337)	NM
Capital expenditures	**87,940**	66,575	32
Net income (loss)	**35,303**	(94,731)	NM
Per share – basic	**0.83**	(2.52)	NM
Per share – diluted	**0.47**	(2.52)	NM
Cash and cash equivalents	**8,498**	—	NM
Working capital, end of year	**183,580**	121,934	51
Total assets, end of year	**995,753**	892,961	12
Long-term debt, end of year	**329,186**	388,479	(15)
Total consolidated equity, end of year	**422,972**	328,840	29

[1] *All comparative amounts exclude the impact from the Company's Russia operations, which have been classified as held for sale and presented as discontinued operations.*
[2] *Refer to "Non-GAAP Measures" on page 20 for further information.*

2022 OVERVIEW

In 2022, the Company:

- generated revenue of $1.5 billion, an increase of 70 percent from 2021, resulting primarily from improved pricing and higher activity in North America due to a stronger commodity price environment, combined with higher activity in Argentina;
- reported Adjusted EBITDA of $233.7 million versus $51.6 million in 2021, mainly as a result of significantly improved pricing and activity in North America;
- generated consolidated cash flow from operating activities of $107.5 million, which included $33.0 million of interest paid and cash used for working capital of $75.0 million;
- reported net income from continuing operations of $35.3 million or $0.47 per share diluted, which included impairment charges of $19.2 million and a deferred tax recovery of $15.0 million in Canada, compared to a net loss of $94.7 million or $2.52 per share diluted in 2021;
- reduced its long-term debt since the end of 2021 by 15 percent through the conversion of $56.1 million principal amount of its 1.5 lien senior secured 10 percent payment-in-kind convertible notes ("1.5 Lien Notes") and a $20.0 million reduction in debt on its revolving credit facilities. This debt reduction was achieved, in part, through a 1.5 Lien Notes early conversion incentive program completed in the fourth quarter that resulted in the conversion of $44.8 million principal amount of 1.5 Lien Notes, the issuance of 33.6 million common shares and a reduction of future interest payments otherwise payable by $2.3 million;
- amended and restated its credit agreement with its syndicate of Canadian banks, which included an extension of the maturity date to July 1, 2024;
- filed a short-form base shelf prospectus that allows Calfrac to issue up to $500.0 million of equity or debt securities over a 25-month period commencing May 19, 2022;
- incurred capital expenditures of $87.9 million, focused on maintenance activities to primarily support the Company's fracturing operations, including $12.8 million of reactivation costs in the United States and $3.5 million related to its Tier IV fleet modernization program; and
- reported year-end working capital of $183.6 million, including a cash balance of $8.5 million.

FINANCIAL OVERVIEW – CONTINUING OPERATIONS

YEARS ENDED DECEMBER 31, 2022 VERSUS 2021

UNITED STATES

Years Ended December 31,	**2022**	2021	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**805,867**	428,521	88
Adjusted EBITDA[1]	**144,672**	10,268	NM
Adjusted EBITDA (%)	**18.0**	2.4	NM
Fracturing revenue per job ($)	**53,515**	30,982	73
Number of fracturing jobs	**15,054**	13,833	9
Active pumping horsepower, end of period (000s)	**746**	579	29
Idle pumping horsepower, end of period (000s)	**117**	294	(60)
Total pumping horsepower, end of period (000s)	**863**	873	(1)
US$/C$ average exchange rate[2]	**1.3011**	1.2535	4

[1] Refer to "Non-GAAP Measures" on page 20 for further information.
[2] Source: Bank of Canada.

REVENUE

Revenue from Calfrac's United States operations increased to $805.9 million in 2022 from $428.5 million in 2021 primarily due to higher pricing combined with a 9 percent increase in the number of completed fracturing jobs. The Company operated nine fleets for the full year in the United States during 2022 and added a 10th fleet in November with equipment that was temporarily transferred from Canada. The 73 percent increase in fracturing revenue per job was reflective of improved pricing as the Company passed on higher input costs to its clients and was able to attain net pricing increases during the second and third quarters. The stronger U.S. dollar during 2022 also contributed to the higher reported revenue.

ADJUSTED EBITDA

The Company's United States division generated Adjusted EBITDA of $144.7 million in 2022 compared to $10.3 million in 2021 primarily due to a larger number of operating fleets, a higher number of operating days per fleet and improved pricing, offset partially by a slow start to the year and adverse weather in April combined with further weather-related disruptions in December.

CANADA

Years Ended December 31,	**2022**	2021	Change
(C$000s, except operational information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**442,280**	280,258	58
Adjusted EBITDA[1]	**79,762**	38,614	107
Adjusted EBITDA (%)	**18.0**	13.8	30
Fracturing revenue per job ($)	**29,312**	21,626	36
Number of fracturing jobs	**13,503**	11,769	15
Active pumping horsepower, end of period (000s)	**227**	227	—
Idle pumping horsepower, end of period (000s)	**—**	43	(100)
Total pumping horsepower, end of period (000s)	**227**	270	(16)
Coiled tubing revenue per job ($)	**31,183**	18,970	64
Number of coiled tubing jobs	**1,453**	1,339	9
Active coiled tubing units, end of period (#)	**6**	8	(25)
Idle coiled tubing units, end of period (#)	**4**	5	(20)
Total coiled tubing units, end of period (#)	**10**	13	(23)

[1] Refer to "Non-GAAP Measures" on page 20 for further information.

REVENUE

Revenue from Calfrac's Canadian operations increased from $280.3 million in 2021 to $442.3 million in 2022 primarily due to improved pricing and higher activity. Revenue per fracturing job was 36 percent higher than 2021 as pricing increases were implemented during the year to compensate for significant inflation in the Company's operating costs. The number of fracturing jobs also increased by 15 percent as the Company's four fracturing fleets were better utilized versus 2021. The number of coiled tubing jobs increased by 9 percent from 2021 due to higher activity while revenue per job increased by 64 percent due to improved pricing and changes in job mix.

ADJUSTED EBITDA

The Company's Canadian division generated Adjusted EBITDA of $79.8 million compared to $38.6 million in 2021 resulting mainly from higher pricing and crew utilization for its four fracturing fleets relative to the prior year. The Company temporarily transferred one fleet to the United States during the fourth quarter in 2022.

ARGENTINA

Years Ended December 31,	**2022**	2021	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**251,073**	171,470	46
Adjusted EBITDA[1]	**30,979**	22,804	36
Adjusted EBITDA (%)	**12.3**	13.3	(8)
Fracturing revenue per job ($)	**74,181**	57,453	29
Number of fracturing jobs	**1,973**	1,800	10
Active pumping horsepower, end of period (000s)	**139**	137	1
Idle pumping horsepower, end of period (000s)	**—**	—	—
Total pumping horsepower, end of period (000s)	**139**	137	1
Coiled tubing revenue per job ($)	**30,489**	21,860	39
Number of coiled tubing jobs	**1,296**	1,063	22
Active coiled tubing units, end of period (#)	**5**	5	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	6	—
Cementing revenue per job ($)	**76,193**	59,558	28
Number of cementing jobs	**547**	445	23
Active cementing units, end of period (#)	**11**	10	10
Idle cementing units, end of period (#)	**1**	3	(67)
Total cementing units, end of period (#)	**12**	13	(8)
US$/C$ average exchange rate[2]	**1.3011**	1.2535	4

[1] Refer to "Non-GAAP Measures" on page 20 for further information.
[2] Source: Bank of Canada.

REVENUE

Calfrac's Argentinean operations generated revenue of $251.1 million during 2022 compared to $171.5 million in 2021. Activity in the Vaca Muerta shale play continued to increase while activity in southern Argentina was relatively consistent for the first half of 2022 but improved significantly in the second half of the year. Overall fracturing activity increased by 10 percent compared to 2021 while revenue per job was 29 percent higher primarily due to overall inflation in operating costs and better pricing in the second half of 2022 combined with a stronger U.S. dollar. Revenue from the Company's coiled tubing and cementing service lines also continued to improve relative to the previous year. The number of coiled tubing jobs increased by 22 percent as activity increased in Neuquén and southern Argentina while revenue per job was 39 percent higher primarily due to job mix and inflation. Activity in the Company's cementing operations increased by 23 percent and revenue per job increased by 28 percent due to changes in job mix as a greater number of pre-fracturing projects, which are typically larger job sizes, were completed in 2022.

ADJUSTED EBITDA

The Company's operations in Argentina generated Adjusted EBITDA of $31.0 million during 2022 versus $22.8 million in 2021 as utilization of the Company's equipment improved across all service lines. The Company's operating margins as a percentage of revenue decreased slightly from 13 percent to 12 percent primarily due to inflationary salary increases for one major contract that were paid in pesos but not fully offset by the devaluation in the official peso exchange rate during the first half of 2022. However, the Company was able to implement pricing increases to offset these cost pressures beginning in the third quarter.

CORPORATE

Years Ended December 31,	**2022**	2021	Change
(C$000s) *(unaudited)*	***($)***	*($)*	*(%)*
Adjusted EBITDA[1]	**(21,672)**	(20,109)	8
% of Revenue from Continuing Operations	**(1.4)**	(2.3)	(39)

[1] *Refer to "Non-GAAP Measures" on page 20 for further information.*

ADJUSTED EBITDA

Corporate Adjusted EBITDA during 2022 was negative $21.7 million versus negative $20.1 million in 2021. The increase in corporate costs was primarily due to the impact of reinstated compensation programs combined with no benefit from Canadian COVID-19 government subsidy programs which were $0.7 million in 2021. These items were partially offset by lower professional fees in 2022.

DEPRECIATION

Depreciation expense decreased by $5.4 million from $127.4 million in 2021 to $122.0 million in 2022 primarily due to the mix and timing of major component capital expenditures.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange gain of $3.0 million in 2022 versus a loss of $4.7 million in 2021. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada and net monetary assets or liabilities that were held in pesos in Argentina. The Company's foreign exchange gain in 2022 was largely attributable to the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar weakened relative to the U.S. dollar, offset partially by net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during the year.

INTEREST

The Company's interest expense of $46.6 million in 2022 was $8.8 million higher than in 2021. The increase in interest expense was primarily due to higher borrowings and interest rates under the Company's revolving credit facilities combined with a higher recorded interest expense on the Company's U.S. dollar denominated second lien notes as the U.S. dollar was relatively stronger during 2022. In addition, the Company paid a $2.3 million early conversion incentive fee associated with the early conversion program in respect of its 1.5 Lien Notes completed in the fourth quarter of 2022 and wrote-off $2.2 million of deferred finance costs associated with the converted 1.5 Lien Notes.

INCOME TAXES

The Company recorded an income tax recovery of $11.0 million in 2022 compared to a $26.9 million tax recovery in 2021. The Company had current tax expense of $5.4 million, which was primarily comprised of $2.1 million in Argentina, $1.1 million in the United States, and $2.1 million in Mexico resulting from a tax audit settlement related to the Company's historical operations in that country. The deferred tax recovery of approximately $16.5 million was primarily related to a $15.0 million recognition of a portion of the deferred tax assets that are expected to be utilized in 2023 in Canada combined with a $1.5 million deferred tax recovery recorded in the United States.

IMPAIRMENT

The Company recorded an impairment of property, plant and equipment of $10.7 million in the United States during the fourth quarter of 2022 to permanently retire 54 fracturing pumps that were deemed obsolete.

The Company reviewed the carrying value of its inventories across all continuing operating segments and recorded an impairment of inventory of $8.5 million to write-down spare parts and product inventory in North America to their net realizable value.

LIQUIDITY AND CAPITAL RESOURCES – CONSOLIDATED

	Years Ended Dec. 31,	
	2022	2021
(C$000s) *(unaudited)*	***($)***	*($)*
Cash provided by (used in):		
Operating activities	**107,532**	(15,337)
Financing activities	**(33,533)**	45,852
Investing activities	**(74,325)**	(61,294)
Effect of exchange rate changes on cash and cash equivalents	**20,070**	(402)
Increase (decrease) in cash and cash equivalents[1]	**19,744**	(31,181)

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

OPERATING ACTIVITIES

The Company's cash provided by operating activities for the year ended December 31, 2022 was $107.5 million versus cash used in operating activities of $15.3 million during 2021. The increase in cash provided by operations was primarily due to improved operating results in all continuing operating divisions, offset by $75.0 million used to fund the Company's working capital requirements during 2022 as compared to working capital using $50.1 million of cash during 2021. At December 31, 2022, Calfrac's working capital was $183.6 million, compared to $121.9 million at December 31, 2021.

FINANCING ACTIVITIES

Net cash used in financing activities for the year ended December 31, 2022 was $33.5 million compared to net cash provided of $45.9 million in 2021. During the year, the Company made $27.2 million in net credit facility payments, paid lease principal payments of $9.2 million, and received proceeds of $2.9 million from the exercise of a portion of the Company's outstanding warrants and stock options.

During 2022, the Company reduced the principal amount of its 1.5 Lien Notes by $56.1 million. This reduction was achieved, in part, through a 1.5 Lien Notes early conversion incentive program that was completed during the fourth quarter which resulted in the conversion of $44.8 million of 1.5 Lien Notes, the issuance of 33.6 million common shares and a reduction of future interest payments otherwise payable by $2.3 million. An additional $11.3 million of 1.5 Lien Notes were converted into equity in 2022 outside of the early conversion program. Since inception, the Company has opted to pay all interest payments on the 1.5 Lien Notes in cash rather than utilizing the payment-in-kind option.

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

The Company's revolving credit facilities consist of an operating facility of $45.0 million and a syndicated facility of $205.0 million. On September 29, 2022, the Company amended and restated its credit agreement, which included an extension of the maturity date to July 1, 2024. 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 1.00 percent to prime plus 3.50 percent. For SOFR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.00 percent to 4.50 percent above the respective base rates. The Company incurs interest at the high end of the ranges outlined above if its net Total Debt to EBITDA ratio is above 4.00:1.00. As at December 31, 2022, the Company's Total Debt to EBITDA ratio for bank covenant purposes was 1.38:1.00.

Advances under the credit facilities are limited by a borrowing base. The borrowing base is calculated based on the sum of the following:

i. Eligible North American accounts receivable, which is based on 75 percent of accounts receivable owing by companies rated BB+ or lower by Standard & Poor's (or a similar rating agency) and 85 percent of accounts receivable from companies rated BBB- or higher;

ii. 100 percent of unencumbered cash of the parent company and its U.S. operating subsidiary, excluding any cash held in a segregated account for a specified purpose, including a potential equity cure; and

iii. 35 percent of the net book value of PP&E of the parent company and its U.S. operating subsidiary. The value of PP&E excludes assets under construction and is subject to a maximum contribution of $150.0 million.

At December 31, 2022, the Company had used $1.0 million of its credit facilities for letters of credit and had $170.0 million of borrowings under its credit facilities, leaving $79.0 million in available liquidity. As described above, the Company's credit facilities are subject to a monthly borrowing base, which at December 31, 2022 was above the maximum availability of $250.0 million under its credit facilities.

The Company's amended credit facility agreement contains certain financial covenants. The Company's Funded Debt to Adjusted EBITDA covenant is 3.00x for the quarter ended December 31, 2022 and each quarter end thereafter. As shown in the table below, the Company was in compliance with its financial covenants associated with its credit facilities as at December 31, 2022.

	Covenant	**Actual**
As at December 31,	2022	**2022**
Working capital ratio not to fall below	1.15x	**2.17x**
Funded Debt to Adjusted EBITDA not to exceed[1][2]	3.00x	**0.69x**
Funded Debt to Capitalization not to exceed[1][3]	0.30x	**0.22x**

[1] Funded Debt is defined as Total Debt excluding all outstanding 10.875% second lien secured notes ("Second Lien Notes"), 1.5 Lien Notes, and lease obligations. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit. For the purposes of the Total Debt to Adjusted EBITDA ratio, the Funded Debt to Capitalization Ratio and the Funded Debt to Adjusted EBITDA ratio, the amount of Total Debt or Funded Debt, as applicable, is reduced by the amount of cash on hand with lenders.
[2] Adjusted EBITDA is defined as net income or loss for the period adjusted for interest, taxes, depreciation and amortization, foreign exchange losses (gains), non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring. For bank covenant purposes, Adjusted EBITDA includes the Company's discontinued Russia segment.
[3] Capitalization is Total Debt plus equity.

The Company's credit facilities also require majority lender consent for dispositions of property or assets in Canada and the United States if the aggregate market value exceeds $20.0 million in a calendar year, subject to certain exceptions. There are no restrictions pertaining to dispositions of property or assets outside of Canada and the United States, except that if advances under the credit facilities exceed $50.0 million at the time of any such dispositions, Calfrac must use the resulting proceeds to reduce the advances to less than $50.0 million before using the balance for other purposes.

The indentures governing the 1.5 Lien Notes and Second Lien Notes and any amendments thereto (the "Indentures"), which are available on SEDAR, contain restrictions on the Company's ability to pay dividends, purchase and redeem shares of the Company and make certain restricted investments, that are not defined as Permitted Investments under the Indentures, in circumstances where:

i. the Company is in default under the Indentures or the making of such payment would result in a default;

ii. the Company would not meet the Fixed Charge Coverage Ratio[1] under the Indentures of at least 2:1 for the most recent four fiscal quarters, after giving pro forma effect to such restricted payment as if it had been made at the beginning of the applicable four fiscal quarter period; or

iii. there is insufficient room for such payment within the builder baskets included in the Indentures.

[1] The Fixed Charge Coverage Ratio is defined as cash flow to interest expense. Cash flow is a non-GAAP measure and does not have a standardized meaning under IFRS and is defined under the Indentures as net income (loss) from continuing operations before depreciation, extraordinary gains or losses, unrealized foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, impairment or reversal of impairment of assets, restructuring charges, stock-based compensation, interest, and income taxes. Interest expense is adjusted to exclude any non-recurring charges associated with redeeming or retiring any indebtedness prior to its maturity.

These limitations on restricted payments are tempered by the existence of a number of exceptions in the Indentures to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20.0 million. As at December 31, 2022, the US$20.0 million basket was not utilized. The Indentures also restrict the ability to incur indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of indebtedness, including debt incurred under credit facilities up to the greater of $375.0 million or 30 percent of the Company's consolidated tangible assets as well as a general permitted debt basket equal to the greater of 4 percent of consolidated tangible assets and US$60.0 million.

As at December 31, 2022, the Company's Fixed Charge Coverage Ratio was above the required 2:1 ratio.

INVESTING ACTIVITIES

Calfrac's consolidated net cash used in investing activities was $74.3 million during the year ended December 31, 2022 versus $61.3 million in 2021. Capital expenditures were $88.3 million for the year ended December 31, 2022 compared to $70.7 million in 2021 and were below the Company's 2022 capital budget of $97.0 million. Calfrac's Board of Directors have approved a 2023 capital budget of approximately $155.0 million, which excludes expenditures related to fluid end components as these will be recorded as maintenance expenses beginning in January 2023 for all continuing reporting segments. This change in accounting estimate is based on new information surrounding the useful life of these components.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the year ended December 31, 2022 was a gain of $20.1 million versus a loss of $0.4 million in 2021. The gain was primarily related to the impact this movement had on cash, working capital and monetary liabilities held by the Company's discontinued Russia segment during the period.

With its working capital position, available credit facilities, access to capital markets and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2023 and beyond.

At December 31, 2022, the Company had a cash position of $8.5 million, which excludes all cash held in Russia. The Company faces c

ertain restrictions on the amount of cash that can be repatriated out of Argentina. However, these restrictions are not expected to have a material impact on the Company's liquidity position.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares under the Company's shareholder-approved omnibus incentive plan. The number of shares reserved for issuance under the plan is equal to 10 percent of the Company's issued and outstanding common shares. As at March 15, 2023, the Company had issued and outstanding 80,779,143 common shares, 5,173,511 common share purchase warrants and 3,587,769 options to purchase common shares.

SUMMARY OF QUARTERLY RESULTS – CONTINUING OPERATIONS

Three Months Ended	Mar. 31, 2021	Jun. 30, 2021	Sep. 30, 2021	Dec. 31, 2021	Mar. 31, 2022	Jun. 30, 2022	Sep. 30, 2022	**Dec. 31, 2022**
(C$000s, except per share and operating data)	*($)*	***($)***	***($)***	*($)*	*($)*	*($)*	*($)*	***($)***
(unaudited)	*Revised* [1]	*Revised* [1]	*Revised* [1]	*Revised* [1]	*Revised* [1]	*Revised* [1]	*Revised* [1]	
Financial								
Revenue	213,954	173,769	262,865	229,661	294,524	318,511	438,338	**447,847**
Adjusted EBITDA[2]	11,720	550	30,925	8,382	22,763	48,992	86,032	**75,954**
Net income (loss)	(23,029)	(35,516)	(7,055)	(29,132)	(18,030)	(6,776)	45,352	**14,757**
Per share – basic	(0.62)	(0.95)	(0.19)	(0.77)	(0.47)	(0.18)	1.15	**0.27**
Per share – diluted	(0.62)	(0.95)	(0.19)	(0.77)	(0.47)	(0.18)	0.60	**0.17**
Capital expenditures	10,503	17,166	24,133	14,868	12,145	15,241	24,745	**35,810**
Working capital (end of period)	129,942	105,085	130,213	121,934	130,246	144,456	207,974	**183,580**
Total equity (end of period)	384,562	350,631	357,830	328,840	302,195	292,515	358,866	**422,972**
Operating (end of period)								
Active pumping horsepower (000s)	856	873	899	942	936	934	1,010	**1,112**
Idle pumping horsepower (000s)	413	393	383	337	346	344	270	**117**
Total pumping horsepower (000s)	1,268	1,266	1,282	1,279	1,282	1,278	1,280	**1,229**
Active coiled tubing units (#)	12	12	12	13	13	13	12	**11**
Idle coiled tubing units (#)	8	8	8	7	6	6	7	**5**
Total coiled tubing units (#)	20	20	20	20	19	19	19	**16**
Active cementing units (#)	10	10	10	10	10	10	11	**11**
Idle cementing units (#)	6	6	6	5	4	2	1	**1**
Total cementing units (#)	16	16	16	15	14	12	12	**12**

[1] All comparative amounts exclude the impact from the Company's Russia operations, which have been classified as held for sale and presented as discontinued operations. In addition, Adjusted EBITDA reflects a change in definition and excludes realized foreign exchange gains and losses.
[2] Refer to "Non-GAAP Measures" on page 20 for further information.

SEASONALITY OF OPERATIONS

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

FOREIGN EXCHANGE FLUCTUATIONS

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

FINANCIAL OVERVIEW – CONTINUING OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2022 VERSUS 2021

QUARTERLY CONSOLIDATED HIGHLIGHTS - CONTINUING OPERATIONS

Three Months Ended December 31,	**2022**	2021	Change
(C$000s, except per share amounts)	***($)***	*($)*	*(%)*
(unaudited)		*Revised* [(2)]	
Revenue	**447,847**	229,661	95
Adjusted EBITDA[(1)]	**75,954**	8,382	NM
Consolidated cash flows provided by (used in) operating activities	**68,838**	3,632	NM
Capital expenditures	**35,810**	14,868	141
Net income (loss)	**14,757**	(29,132)	NM
Per share – basic	**0.27**	(0.77)	NM
Per share – diluted	**0.17**	(0.77)	NM
Cash and cash equivalents	**8,498**	—	NM
Working capital, end of year	**183,580**	121,934	51
Total assets, end of year	**995,753**	892,961	12
Long-term debt, end of year	**329,186**	388,479	(15)
Total consolidated equity, end of year	**422,972**	328,840	29

[(1)] Refer to "Non-GAAP Measures" on pages page 20 for further information.
[(2)] All comparative amounts exclude the impact from the Company's Russia operations, which have been classified as held for sale and presented as discontinued operations.

FOURTH QUARTER 2022 OVERVIEW

In the fourth quarter of 2022, the Company:

- generated revenue of $447.8 million, an increase of 95 percent from the comparative quarter in 2021 resulting primarily from improved pricing and activity in North America;
- reported Adjusted EBITDA of $76.0 million versus $8.4 million in the fourth quarter of 2021;
- completed an early conversion incentive program for its 1.5 Lien Notes resulting in $44.8 million in notes converted to shares, leaving a remaining principal amount of $2.6 million at the end of 2022;
- reduced its outstanding debt since the end of the third quarter by over $80.0 million through the conversion of a majority of its 1.5 Lien Notes and the repayment of $30.0 million on its outstanding credit facility borrowings;
- reduced its Total Debt and Funded Debt to Adjusted EBITDA ratios to 1.38:1.00 and 0.69:1.00 respectively;
- recorded an impairment of property, plant and equipment of $10.7 million in the United States to permanently retire 54 obsolete fracturing pumps and recognized an impairment of inventory of $8.5 million in North America to write-down spare parts and product inventory to their respective net realizable value;
- reported net income of $14.8 million or $0.17 per share diluted, compared to a net loss of $29.1 million or $0.77 per share diluted in 2021;
- reported period-end working capital of $183.6 million versus $121.9 million at December 31, 2021; and
- incurred capital expenditures of $35.8 million, which included $8.3 million of reactivation costs in the United States and $3.5 million related to the Tier IV fleet modernization program.

FOURTH QUARTER COMPARISON VERSUS FINANCIAL UPDATE

Three Months Ended December 31, 2022,	Low	High	
(unaudited)	Estimate	Estimate	Actual
(C$000s, except per share amounts)	***($)***	*($)*	***($)***
Revenue	460,000	480,000	**447,847**
Adjusted EBITDA[1]	80,000	90,000	**75,954**
Adjusted EBITDA (%)	17	19	**17**
Total Debt to Adjusted EBITDA ratio	1.60x	1.60x	**1.38x**

[1] Refer to "Non-GAAP Measures" on page 20 for further information.

On November 22, 2022, the Company provided a financial update for the fourth quarter of 2022 for its continuing operations in the United States, Canada and Argentina. Management expected its fourth-quarter revenue from continuing operations to range between $460.0 million and $480.0 million, Adjusted EBITDA from continuing operations to range between $80.0 million and $90.0 million, and Adjusted EBITDA margin from continuing operations to range between 17 percent and 19 percent. Actual results for the fourth quarter were below the lower end of its revenue and Adjusted EBITDA guidance by $12.2 million and $4.0 million, respectively, primarily due to fewer operating days than expected in the United States during December due to severe cold weather and snow impacting most operating crews for a period of 10 days. The actual Adjusted EBITDA percentage was 17 percent, which was in line with the expected range of 17 to 19 percent. The Company's Total Debt to consolidated Adjusted EBITDA ratio at December 31, 2022 was 1.38:1.00 while the financial update indicated that this ratio would decrease to below 1.60:1.00.

UNITED STATES

Three Months Ended December 31,	**2022**	2021	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**242,651**	110,581	119
Adjusted EBITDA[1]	**46,123**	2,060	NM
Adjusted EBITDA (%)	**19.0**	1.9	NM
Fracturing revenue per job ($)	**65,316**	36,709	78
Number of fracturing jobs	**3,714**	3,013	23
Active pumping horsepower, end of period (000s)	**746**	579	29
Idle pumping horsepower, end of period (000s)	**117**	294	(60)
Total pumping horsepower, end of period (000s)	**863**	873	(1)
US$/C$ average exchange rate[2]	**1.3578**	1.2603	8

[1] Refer to "Non-GAAP Measures" on page 20 for further information.
[2] Source: Bank of Canada.

REVENUE

Revenue from Calfrac's United States operations increased significantly to $242.7 million during the fourth quarter of 2022 from $110.6 million in the comparable quarter of 2021. The 119 percent increase in revenue can be attributed to a combination of a 78 percent increase in revenue per job period-over-period, combined with a 23 percent increase in the number of fracturing jobs completed. The higher revenue per job was the result of improved pricing for its services as the Company passed through higher input costs to its customers while also achieving net pricing gains, combined with the impact of job mix. The increase in job count was mainly due to the Company operating nine of its marketed fleets during the quarter with more consistent utilization, although December was impacted by severe weather conditions resulting in the loss of approximately 10 operating days per fleet. A 10th fleet was temporarily transferred from Canada in November, which also contributed to the increase in jobs completed during the quarter. Activity in the Rockies and North Dakota regions increased relative to the comparable quarter in 2021 while activity in Pennsylvania was lower than the comparable quarter in 2021 due to weather-related down time and job mix.

ADJUSTED EBITDA

The Company's operations in the United States generated Adjusted EBITDA of $46.1 million during the fourth quarter of 2022 compared to $2.1 million in the same period in 2021. This increase in Adjusted EBITDA was largely driven by strong net pricing gains and a dedicated focus on cost control which supported significant margin expansion relative to the comparable quarter in 2021. The Company was able to achieve an Adjusted EBITDA margin of 19 percent compared to 2 percent in the comparable quarter in 2021 through strong pricing and utilization for its nine active fracturing fleets across its three operating districts plus an incremental 10th fleet that was activated part way through the quarter.

CANADA

Three Months Ended December 31,	**2022**	2021	Change
(C$000s, except operational information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**126,475**	67,334	88
Adjusted EBITDA[1]	**22,716**	4,769	376
Adjusted EBITDA (%)	**18.0**	7.1	154
Fracturing revenue per job ($)	**40,200**	23,259	73
Number of fracturing jobs	**2,818**	2,630	7
Active pumping horsepower, end of period (000s)	**227**	227	—
Idle pumping horsepower, end of period (000s)	**—**	43	(100)
Total pumping horsepower, end of period (000s)	**227**	270	(16)
Coiled tubing revenue per job ($)	**30,936**	16,009	93
Number of coiled tubing jobs	**426**	382	12
Active coiled tubing units, end of period (#)	**6**	8	(25)
Idle coiled tubing units, end of period (#)	**4**	5	(20)
Total coiled tubing units, end of period (#)	**10**	13	(23)

[1] *Refer to "Non-GAAP Measures" on page 20 for further information.*

REVENUE

Revenue from Calfrac's Canadian operations during the fourth quarter of 2022 was $126.5 million compared to $67.3 million in the same period of 2021 primarily due to higher pricing and activity. The number of fracturing jobs increased by 7 percent from the comparable period in 2021 due to improved utilization of its four active fleets. Revenue per fracturing job was 73 percent higher than the comparable quarter due to a combination of pricing increases and the impact of job mix during the quarter. The number of coiled tubing jobs increased by 12 percent versus the fourth quarter in 2021. The 93 percent increase in the coiled tubing revenue per job as compared to the same quarter in 2021 was due to a combination of higher pricing and the type of work completed during the quarter.

ADJUSTED EBITDA

Adjusted EBITDA in Canada during the fourth quarter of 2022 was $22.7 million compared to $4.8 million in the same period of 2021. The Canadian division's Adjusted EBITDA as a percentage of revenue improved to 18 percent compared to 7 percent in the fourth quarter of 2021 as a result of higher utilization and pricing for its four active fleets. The Company introduced price increases during the first and second quarters to address significant input cost inflation that was in effect for the entire fourth quarter in 2022. The improvement in financial performance was significant and did not include any benefit from the Canadian Emergency Wage Subsidy program in the fourth quarter of 2022, while the comparable quarter included a benefit of $0.7 million.

ARGENTINA

Three Months Ended December 31,	**2022**	2021	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**78,721**	51,746	52
Adjusted EBITDA[1]	**14,616**	6,900	112
Adjusted EBITDA (%)	**18.6**	13.3	40
Fracturing revenue per job ($)	**84,445**	63,476	33
Number of fracturing jobs	**558**	468	19
Active pumping horsepower, end of period (000s)	**139**	137	1
Idle pumping horsepower, end of period (000s)	**—**	—	—
Total pumping horsepower, end of period (000s)	**139**	137	1
Coiled tubing revenue per job ($)	**34,952**	18,999	84
Number of coiled tubing jobs	**351**	348	1
Active coiled tubing units, end of period (#)	**5**	5	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	6	—
Cementing revenue per job ($)	**79,381**	83,848	(5)
Number of cementing jobs	**133**	123	8
Active cementing units, end of period (#)	**11**	10	10
Idle cementing units, end of period (#)	**1**	3	(67)
Total cementing units, end of period (#)	**12**	13	(8)
US$/C$ average exchange rate[2]	**1.3578**	1.2603	8

[1] Refer to "Non-GAAP Measures" on page 20 for further information.
[2] Source: Bank of Canada.

REVENUE

Calfrac's Argentinean operations generated revenue of $78.7 million during the fourth quarter of 2022 compared to $51.7 million in the comparable quarter in 2021 primarily due to higher fracturing and coiled tubing revenue. Fracturing revenue increased due to a combination of higher pricing, as the Company entered into a new contract at the beginning of the third quarter at pricing levels that covered higher costs caused by inflationary pressures during the quarter, and the completion of larger jobs on average. The Company also completed 19 percent more jobs than the comparable period in 2021. Activity in the Company's cementing operations increased by 8 percent offset partially by a 5 percent decrease in revenue per job. The number of coiled tubing jobs was consistent with the comparable period while revenue per job improved by 84 percent primarily due to job mix and higher pricing due to inflation.

ADJUSTED EBITDA

The Company's operations in Argentina generated Adjusted EBITDA of $14.6 million during the fourth quarter of 2022 compared to $6.9 million in the comparable quarter of 2021, while the Company's Adjusted EBITDA margins as a percentage of revenue also improved to 19 percent from 13 percent. The Company entered into a new contract at the beginning of the third quarter with higher utilization and improved pricing which resulted in higher Adjusted EBITDA margins relative to the comparable period in 2021.

CORPORATE

Three Months Ended December 31,	**2022**	2021	Change
(C$000s)	*($)*	*($)*	*(%)*
(unaudited)			
Adjusted EBITDA[1]	**(7,501)**	(5,346)	40
% of Revenue from Continuing Operations	**(1.7)**	(2.3)	(26)

[1] *Refer to "Non-GAAP Measures" on page 20 for further information.*

ADJUSTED EBITDA

Adjusted EBITDA for the fourth quarter of 2022 was negative $7.5 million compared to negative $5.3 million in the fourth quarter of 2021. Corporate expenses included the impact of reinstated compensation programs during the fourth quarter in 2022.

DEPRECIATION

For the three months ended December 31, 2022, depreciation expense of $32.3 million was $0.9 million higher than the corresponding quarter in 2021. The increase in fourth-quarter depreciation expense was primarily due to the mix and timing of capital expenditures related to major components.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss from continuing operations of $3.7 million during the fourth quarter of 2022 versus a loss of $1.3 million in the comparative three-month period of 2021. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada and net monetary assets or liabilities that were held in pesos in Argentina. The foreign exchange loss during the fourth quarter was mainly due to the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar strengthened relative to the U.S. dollar, combined with net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during this period.

INTEREST

The Company's net interest expense of $15.0 million for the fourth quarter of 2022 was $5.4 million higher than the comparable period in 2021. The increase in interest expense was primarily due to the $2.3 million early conversion incentive fee associated with the conversion of $44.8 million principal amount of 1.5 Lien Notes from the Company's early conversion incentive program and associated write-off of $2.2 million of deferred finance costs associated with the converted 1.5 Lien Notes. The remaining increase was due to higher interest rates under the Company's revolving credit facilities combined with a higher recorded interest expense on the Company's U.S. dollar denominated second lien notes due to the stronger U.S. dollar in the fourth quarter of 2022 relative to the same period in 2021.

INCOME TAXES

The Company recorded an income tax recovery of $14.2 million during the fourth quarter of 2022 compared to a tax recovery of $6.4 million in the comparable period of 2021. The Company had a current income tax expense of $2.8 million during the fourth quarter of 2022, which was equally related to the United States and Argentina. The deferred tax recovery that was recorded in the fourth quarter of 2022 was approximately $17.0 million, of which $15.0 million related to Canada as the Company re-recognized a portion of the deferred tax assets that are expected to be utilized in 2023. The remaining $2.0 million was recorded in the United States due to improved profitability.

IMPAIRMENT

The Company recorded an impairment of property, plant and equipment of $10.7 million in the United States during the fourth quarter of 2022 to permanently retire 54 fracturing pumps that were deemed obsolete.

The Company reviewed the carrying value of its inventories across all operating segments and recorded an $8.5 million impairment of spare parts and product inventory in North America.

BUSINESS UPDATE AND OUTLOOK

Calfrac's strong financial performance in 2022, particularly in the second half of the year, confirmed its returns-focused strategy, and the Company expects further earnings growth throughout 2023 as the pressure pumping market is anticipated to remain tight. Last year, the Company leveraged its strong execution and customer relationships to generate free cash flow from continuing operations of approximately $36 million, which it employed towards strengthening its balance sheet in conjunction with commencing a multi-year fleet modernization program to upgrade its fracturing equipment to Tier IV dynamic gas blending ("DGB") technology. This investment capitalizes on growing demand for this type of equipment while allowing the Company and its customers to reduce fuel costs and is expected to begin yielding positive results as the initial phase of repowered pumps are deployed into the United States during the first quarter. Calfrac expects to deliver on its brand promise this year across its diversified operating areas in North America and Argentina and drive substantially improved year-over-year financial performance as its continues to focus on generating sustainable long-term returns for its shareholders.

UNITED STATES

After a transformative 2022 where Calfrac's United States operations produced one of its highest financial returns per fleet in its history, intense winter storms in the Rockies region impacted activity in December and during some points of the first quarter of 2023. The division reactivated existing equipment in early January to replace the 10th fracturing fleet that had been temporarily mobilized from Canada during the fourth quarter. Calfrac anticipates steady utilization of its ten fracturing fleets throughout the remainder of the year and expects financial performance to remain strong. Even with the constructive long-term outlook for the United States pressure pumping industry, the Company expects to navigate any potential activity reduction in its natural gas concentrated regions by remaining steadfast in its disciplined returns-focused strategy and will either relocate equipment to more active regions or decrease its operational fleet count according to demand. Calfrac plans to deploy its upgraded Tier IV DGB pumps gradually through the next 18 months to assist with meeting the operational and ESG goals of its clients while leveraging the repowered equipment with sustainable compensation for the investment incurred to generate increased returns for its shareholders.

CANADA

Calfrac's operations in Canada generated significant profitability improvement in 2022 and the Company anticipates the momentum to continue into 2023 as it has activated a large fracturing fleet, utilizing equipment that was temporarily mobilized to the United States during the fourth quarter, to meet growing customer demand during the first quarter. While weather and client budget exhaustion reduced activity towards the end of last year, Calfrac expects a strong first quarter with consistent utilization for its five large fracturing fleets and six coiled tubing units into the second half of the year. The Company believes that the re-opening of the Blueberry River First Nation territorial lands could also be a positive catalyst for growth in completions activity over the next few years. As a market leader, Calfrac is looking forward to incorporating its upgraded Tier IV DGB units with its best-in-class service quality to execute its customers' development programs safely, efficiently, and profitably.

ARGENTINA

Calfrac's Argentina division exited last year with very strong momentum and anticipates increased utilization combined with a full year of improved pricing for its fracturing fleets in the Vaca Muerta shale play and the conventional basins in southern Argentina to produce enhanced financial returns in 2023.

RUSSIA

The Company's efforts to divest its Russian subsidiary continues to progress and Calfrac remains committed to completing this transaction as soon as possible in accordance with all applicable laws and sanctions.

CORPORATE

Calfrac expects to build upon the momentum from its strong financial performance in 2022 through this year and into 2024 as it leverages its operational expertise and safety-first culture in both North American and Argentina to enhance profitability margins, prudently invest capital, and produce free cash flow to strengthen the Company's balance sheet.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the first quarter, management committed to a plan to sell its Russian division, resulting in the associated assets and liabilities being classified as held for sale and presented as discontinued operations. In conjunction with the ongoing sale process and in light of the additional Canadian sanctions and restrictions that were issued in relation to the Russian oil and gas industry during the second quarter, the Company recorded an impairment of $42.8 million at June 30, 2022 to write-down the Russian division's current and long-term assets to their expected recoverable amount. At September 30, 2022 and again at December 31, 2022, the Company further adjusted the Russian division's current and long-term assets to reflect their revised expected recoverable amount. Management will revisit the fair value of the net assets upon the close of the transaction.

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

	Three months ended Dec. 31,			**Years ended Dec. 31,**		
	2022	2021	Change	**2022**	2021	Change
(C$000s, except per share amounts)	***($)***	*($)*	*(%)*	***($)***	*($)*	*(%)*
(unaudited)						
Revenue	**29,425**	28,094	5	**117,257**	122,147	(4)
Adjusted EBITDA[2]	**4,647**	1,633	185	**16,440**	14,373	14
Adjusted EBITDA (%)	**15.8**	5.8	172	**14.0**	11.8	19

In addition to monitoring and addressing, as applicable, the evolving laws and sanctions from the governments of Canada, the U.S., and other western nations, the Company's efforts to divest of its Russian operations have been impacted by domestic laws and sanctions of the Russian Federation, including without limitation, that any sale or any other transfer or alienation of its Russian subsidiary must be approved by the President of the Russian Federation pursuant to applicable decrees and rules setting out the requirements for exits of foreign investors from Russia (which are updated on a periodic basis). Within this dynamic context, the Company continues to make progress toward a sale of its Russian subsidiary and is seeking to complete this transaction as soon as possible while complying with all applicable laws and sanctions. For additional information related to Calfrac's assets held for sale, see note 4 of the audited consolidated financial statements for the year ended December 31, 2022 and the Company's Annual Information Form for the year ended December 31, 2022 dated March 16, 2023 under the heading "General Development of the Business – Description of the Business – Discontinued Operations" which are available on the Company's SEDAR profile at www.sedar.com.

NON-GAAP MEASURES

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

Adjusted EBITDA is defined in the Company's credit agreement 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:

	Three Months Ended Dec. 31,		**Years Ended Dec. 31,**	
	2022	2021	**2022**	2021
(C$000s)			***($)***	*($)*
(unaudited)		*Revised*		*Revised*
Net income (loss) from continuing operations	**14,757**	(29,132)	**35,303**	(94,731)
Add back (deduct):				
Depreciation	**32,294**	31,440	**122,027**	127,431
Foreign exchange losses (gains)[2]	**3,732**	1,278	**(2,972)**	4,658
Loss (gain) on disposal of property, plant and equipment	**951**	(108)	**5,333**	405
Impairment of property, plant and equipment	**10,670**	—	**10,670**	—
Impairment of inventory	**8,477**	—	**8,477**	—
Impairment of other assets	**64**	705	**64**	705
Litigation settlements in Canadian division	**—**	—	**11,258**	(700)
Restructuring charges	**3,710**	2	**5,273**	673
Stock-based compensation	**457**	916	**2,776**	2,272
Interest	**15,018**	9,662	**46,555**	37,739
Income taxes	**(14,176)**	(6,381)	**(11,023)**	(26,875)
Adjusted EBITDA from continuing operations [1]	**75,954**	8,382	**233,741**	51,577

[1] For bank covenant purposes, EBITDA includes $16.4 million income from discontinued operations for the twelve months ended December 31, 2022 (twelve months ended December 31, 2021 – $14.4 million) and the deduction of an additional $10.4 million of lease payments for the twelve months ended December 31, 2022 (twelve months ended December 31, 2021 – $9.0 million) that would have been recorded as operating expenses prior to the adoption of IFRS 16.

[2] Adjusted EBITDA reflects a change in definition and excludes realized foreign exchange gains and losses.

UPDATE ON CHAPTER 15 PROCEEDINGS

On February 7, 2023, Wilks Brothers, LLC ("Wilks Brothers") filed a motion, unopposed by the Company, to dismiss its appeal to the United States Court of Appeals for the Fifth Circuit ("Fifth Circuit Appeal") in respect of the enforcement order granted pursuant to Chapter 15 of the United States Bankruptcy Code in relation to the Company's Recapitalization Transaction completed on December 18, 2020 pursuant to a Plan of Arrangement under the Canada Business Corporations Act. The Court issued an order granting Wilks Brothers' motion and the appeal was dismissed on February 16, 2023. See the Company's Management Discussion and Analysis for the three and nine months ended September 30, 2022 and the Company's most recent Annual Information Form, which are available on SEDAR, for more information on the Fifth Circuit Appeal and the Company's Recapitalization Transaction.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

	Payment Due by Period				
As at December 31, 2022	**Total**	< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
(C$000s) *(unaudited)*	***($)***	*($)*	*($)*	*($)*	*($)*
Leases	**34,169**	16,580	15,931	1,658	—
Purchase obligations	**62,328**	56,870	5,458	—	—
Total contractual obligations	**96,497**	73,450	21,389	1,658	—

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

GREEK LITIGATION

As described in note 21 to the annual consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. Management is of the view that it is improbable there will be a material financial impact to the Company as a result of these claims. Consequently, no provision was recorded in the consolidated financial statements.

VENDOR CONTRACT DISPUTE

A complaint for money damages was filed against the Company by a vendor in the United States District Court for the District of Delaware in July 2021. The complaint alleged the Company failed to satisfy certain volume commitments and associated shortfall payment obligations under a sand supply agreement for the Canadian division and the vendor was seeking at least US$10.2 million in damages together with interest and unspecified other relief. The Company filed an answer to the complaint (as amended) and a counter-claim. During the fourth quarter of 2022, the Company and the vendor resolved the dispute and the case was dismissed.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the year ended December 31, 2022 which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Calfrac's significant accounting policies are described in note 2 to the annual consolidated financial statements.

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

Judgment is also used in the determination of the functional currency of each subsidiary, in the determination of CGUs, and impairment or reversal of impairment of non-financial assets.

LOSS ALLOWANCE PROVISION

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. In situations where the creditworthiness of a customer is uncertain, services are typically provided on receipt of cash in advance or services are declined. Customer payments are regularly monitored and a provision for doubtful accounts has been established based on the new impairment model under IFRS 9, which requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument. Calfrac's management believes that the loss allowance provision for accounts receivable, which was $0.5 million at December 31, 2022, is adequate.

DEPRECIATION

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

FINANCIAL INSTRUMENTS

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the Second Lien Notes, as measured based on the closing market price at December 31, 2022 was $147.4 million (December 31, 2021 – $139.6 million). The carrying values of the revolving term loan facility and 1.5 Lien Notes approximate their fair value as the interest rate is not significantly different from current interest rates for similar loans. As at December 31, 2022, there have been no trades in the 1.5 Lien Notes of which the Company is aware to provide an alternative fair value reference; however, the conversion price is significantly higher than the exercise price which indicates that the fair value of the 1.5 Lien Notes would be significantly higher than its carrying amount.

CREDIT RISK

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices, including the use of credit limits and approvals, and by monitoring its customers' financial condition. At December 31, 2022, the Company had a loss allowance provision for accounts receivable of $0.5 million (December 31, 2021 – $1.7 million).

Payment terms with customers vary by country and contract. Standard payment terms, however, are 30 days from invoice date. The Company's aged trade and accrued accounts receivable at December 31, 2022 and 2021, excluding any impaired accounts, are as follows:

As at December 31,	**2022**	2021
(C$000s) *(unaudited)*	***($)***	*($)*
Current	**203,689**	135,043
31 - 60 days	**27,633**	26,405
61 - 90 days	**2,352**	13,716
91+ days	**2,120**	8,310
Total	**235,794**	183,474

INTEREST RATE RISK

The Company is exposed to cash flow risk due to fluctuating interest payments required to service any floating-rate debt. The increase or decrease in annual interest expense for each 1 percentage point change in the interest rate on floating-rate debt at December 31, 2022 amounts to $1.7 million (December 31, 2021 – $1.3 million).

The Company's effective interest rate for the year ended December 31, 2022 was 8.7 percent (December 31, 2021 – 8.4 percent).

LIQUIDITY RISK

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

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

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

At December 31, 2021	Total	< 1 Year	1 - 3 Years	4 - 6 Years	7 - 9 Years	Thereafter
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
(unaudited)						
Accounts payable and accrued liabilities	127,441	127,441	—	—	—	—
Lease obligations[1]	23,534	7,957	12,732	2,845	—	—
Long-term debt[1]	441,248	33,793	251,183	156,272	—	—

[1] *Principal and interest*

FOREIGN EXCHANGE RISK

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in currencies other than Canadian dollars. These currencies include the U.S. dollar and Argentinean peso. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases of products and property, plant and equipment from vendors in the United States. In addition, the Company's Second Lien Notes and related interest expense are denominated in U.S. dollars.

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

At December 31, 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**

At December 31, 2021	Impact to Net Income
(C$000s)	*($)*
1% change in value of U.S. dollar	1,407
1% change in value of Argentinean peso	90

IMPAIRMENT

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

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

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

As at December 31, 2022, the Company determined that there are no events or changes in circumstances indicating that an estimate of the recoverable amount of property, plant and equipment is required for the year ended December 31, 2022.

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. These assets were written down to their recoverable amount resulting in an impairment charge of $10.7 million for the year ended December 31, 2022 (year ended December 31, 2021 – $nil).

The impairment losses by CGU are as follows:

Years Ended December 31,	**2022**	2021
(C$000s)	***($)***	*($)*
Canada	**—**	—
United States	**10,670**	—
Argentina	**—**	—
	10,670	0

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. For the year ended December 31, 2022, the Company recorded an impairment charge of $8.5 million to write-down inventory to its net realizable amount in North America (year ended December 31, 2021 – $nil).

Years Ended December 31,	**2022**	2021
(C$000s)	***($)***	*($)*
United States	**5,562**	—
Canada	**2,915**	—
	8,477	—

INCOME TAXES

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

STOCK-BASED COMPENSATION

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

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

FUNCTIONAL CURRENCY

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

CASH-GENERATING UNITS

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

RELATED-PARTY TRANSACTIONS

As disclosed in note 7 of the annual consolidated financial statements, the Company completed the early conversion of its 1.5 Lien Notes during the fourth quarter of 2022. Ronald P. Mathison, the Chairman of the Company, and entities controlled by George S. Armoyan, a member of the Board of Directors, who previously held a portion of the Company's 1.5 Lien Notes, participated in the early conversion and fully converted their holdings. Ronald P. Mathison received $0.6 million and George S. Armoyan received a $1.2 million early conversion incentive fee as a result of the early conversion program.

Certain entities controlled by George S. Armoyan hold US$16.4 million of the Company's Second Lien Notes (December 31, 2021 – US$16.4 million).

The Company leases certain premises from a company controlled by Ronald P. Mathison. The rent charged for these premises during the year ended December 31, 2022 was $1.0 million (year ended December 31, 2021 – $1.0 million), as measured at the exchange amount, which is based on market rates at the time the lease arrangements were made.

CHANGES IN ACCOUNTING POLICIES

No new IFRS or interpretations from the International Financial Reporting Interpretations Committee came into effect for the year beginning on or after January 1, 2022 that had a material impact on the Company.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company did not adopt any recently issued accounting standards before the mandatory effective date that have a material impact to the Company.

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

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

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

In accordance with the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings," an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2022. Based on this evaluation, the CEO and CFO have concluded that the Company's DC&P and ICFR are effectively designed and operating as intended.

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

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth in the Company's most recently filed Annual Information Form under the heading "Risk Factors" which is available on the SEDAR website at www.sedar.com. Copies of the Annual Information Form may also be obtained on request without charge from Calfrac at Suite 500, 407 - 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E5, or at www.calfrac.com, or by facsimile at 403-266-7381.

ADVISORIES

FORWARD-LOOKING STATEMENTS

In order to provide Calfrac shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of Calfrac's plans and future operations, certain statements contained in this MD&A, including statements that contain words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "forecast" or similar words suggesting future outcomes, are forward-looking statements.

In particular, forward-looking statements in this MD&A include, but are not limited to, statements with respect to the expectations regarding trends in, and growth prospects of, the global oil and gas industry; activity, demand, utilization and outlook for the Company's operating divisions; the supply and demand fundamentals of the pressure pumping industry; input costs, margin and service pricing trends and strategies; operating and financing strategies, performance, priorities, metrics and estimates; the Company's Russian division, including the planned sale of the Russian division, the ongoing risks, uncertainties and restrictions relating to its business and operations, the regulatory approvals to complete a sale transaction and the Company's compliance with applicable sanctions and counter-sanctions; the Company's compliance with applicable laws and sanctions; the Company's approach and strategy with respect to environmental, social and governance matters; the Company's debt, liquidity and financial position; future financial resources and performance; future costs or potential liabilities; the Company's service quality; capital investment plans; commodity prices and supply of raw materials, diesel fuel, and component parts; expectations regarding the Company's financing activities and restrictions, including with regard to its revolving credit facilities and the 1.5 Lien Notes and Second Lien Notes indentures; the Company's growth prospects; operational execution and expectations regarding the Company's ability to maintain its competitive position; the impacts of environmental regulations and economic sanctions on the Company's business; accounting policies, practices, standards and judgements of the Company; and treatment under government regulatory regimes.

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

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include but are not limited to: (A) industry risks, including but not limited to, global economic conditions and the level of exploration, development and production for oil and natural gas in North America and Argentina; excess equipment levels; impacts of conservation measures and technological advances on the demand for the Company's services; hazards inherent in the industry; the ongoing impacts of the COVID-19 pandemic; the actions of activist shareholders and the increasing reluctance of institutional investors to invest in the industry in which the Company operates; and an intensely competitive oilfield services industry; (B) business operations risks, including but not limited to, fleet reinvestment risk, including the ability of the Company to finance the capital necessary for equipment upgrades to support its operational needs while meeting government and customer requirements and preferences; difficulty retaining, replacing or adding personnel; failure to improve and adapt equipment, proprietary fluid chemistries and other products and services; reliance on equipment suppliers and fabricators for timely delivery and quality of equipment; a concentrated customer base; seasonal volatility and climate change; cybersecurity risks, and activism; (C) financial risks, including but not limited to, price escalation and availability of raw materials, diesel fuel and component parts; restrictions on the Company's access to capital, including the impacts of covenants under the Company's lending documents; direct and indirect exposure to volatile credit markets; fluctuations in currency exchange rates; actual results which are materially different from management estimates and assumptions; insufficient internal controls; and possible impacts on the Company' access to capital and common share price given a significant number of common shares are controlled by two directors of the Company; (D) geopolitical risks, including but not limited to, foreign operations exposure, including risks relating to unsettled political conditions, war, including the ongoing Russia and Ukraine conflict and any expansion of that conflict, foreign exchange rates and controls, and international trade and regulatory controls and sanctions; the impacts of a delay of sale or failure to sell the Company's discontinued operations in Russia, including failure to receive any applicable regulatory approvals and reputational risks; foreign legal actions and unknown consequences of such actions; and risk associated with compliance with applicable law; (E) legal and regulatory risks, including but not limited to, federal, provincial and state legislative and regulatory initiatives; health, safety and environmental laws and regulations; and legal and administrative proceedings; and (F) environmental, social and governance risks, including but not limited to, failure to effectively and timely address the energy transition; legal and regulatory initiatives to limit greenhouse gas emissions; and the direct and indirect costs of various existing and proposed climate change regulations. Further information about these and other risks and uncertainties may be found under the heading “Business Risks” above.

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

ADDITIONAL INFORMATION

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