CALFRAC

2022
ANNUAL REPORT
CALFRAC WELL SERVICES

DO IT SAFELY, DO IT RIGHT, DO IT PROFITABLY

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CALFRAC WELL SERVICES LTD.

ANNUAL GENERAL MEETING

May 9, 2023

3:30 pm

Devonian Room

Calgary Petroleum Club

319 - 5th Avenue SW

Calgary, Alberta

CEO'S MESSAGE

To Our Valued Stakeholders:

I joined Calfrac as Chief Executive Officer in June 2022 and spent the last several months getting to know the Company and letting our people get to know me. While the year began slower than we had anticipated and was also impacted by significant cost inflation, activity rebounded during the second half of the year and Calfrac began making meaningful changes to its business to execute on our new brand promise: "Do it Safely, Do it Right and Do it Profitably".

SAFETY PERFORMANCE

"Do it Safely" is mentioned first in our brand promise because it underpins all that we do in the field and in the office. I am very happy to report that Calfrac has a great safety-first culture that has produced a long track record of very strong safety performance. The Company prioritizes continuous improvement in all aspects of safety, including job specific training, leveraging our operational expertise to design and implement safer equipment and enacting best practices throughout our operating divisions in North America and Argentina.

NORTH AMERICAN OPERATIONS

Calfrac certainly did not sit still in 2022 as we generated the highest consolidated adjusted EBITDA margin since 2012 during the third quarter, which was driven by strong operating and financial performance in the United States and Canada. The Company continued to execute on its strategy by reducing long-term debt by over $80 million since the end of the third quarter, while at the same time working to reactivate two large fracturing spreads in North America. Our fleet modernization program is also in full swing, and we expect to deploy the first seven Tier IV DGB refurbished pumping units as well as two brand-new fracturing pumps by the end of the second quarter of 2023. Activity in the regions that we service in North America has been robust thus far in 2023 and, subject to the impacts of spring break-up in western Canada and North Dakota during the second quarter, we anticipate that momentum continuing throughout the remainder of the year.

INTERNATIONAL OPERATIONS

Argentina continues to expand their customer base while showing strong profit growth and we expect that trend to continue through 2023 while we remain focused on safety and high-quality service delivery. Our efforts to divest the assets in Russia are ongoing, and we look to complete this complex transaction as soon as possible.

ENVIRONMENT, SAFETY AND GOVERNANCE (ESG) FOCUS

ESG has always been important to Calfrac and, as I previously mentioned, we are initiating the process to upgrade our fracturing equipment to Tier IV DGB engines and anticipate converting 59 units by early 2024, subject to supply chain availability. These investments in next generation pumps will improve our service reliability and appropriately consider ESG factors such as emissions performance on location, and if market conditions remain supportive, we will extend this program through 2024. Our long-term goal is to repower all our North America pressure pumping equipment as long as the investment returns justify the capital commitment. I am excited to announce that the Company will develop a comprehensive ESG Program and Strategy starting in 2023 and intends to publish its inaugural ESG Report in 2024.

LOOKING FORWARD

Calfrac is off to a great start in 2023 and we expect to continue leveraging our safety-first culture and operational expertise to generate free cash flow to strengthen our balance sheet. Our crews and clients are very excited about the new equipment, which helps us to enhance our reputation as a safe and high-quality service company and better meet the ESG and operational goals of our clients.

Do it Safely, Do it Right, Do it Profitably,

Pat Powell
Chief Executive Officer

March 16, 2023
Calgary, Alberta, Canada

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 21.

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 21 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 21 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 21 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 21 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 21 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 21 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 21 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, *(unaudited)* *(C$000s, except per share amounts)*	Low Estimate ($)	High Estimate ($)	Actual ($)
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 21 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 21 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 21 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 21 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 21 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.

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, 2022 and December 31, 2021.

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 15, 2023
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, 2022 and 2021, 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, 2022 and 2021;
- 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 changes in equity for the years then ended
- the consolidated statements of comprehensive income (loss) for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies 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, 2022. 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 Significant Accounting Policies' and 'Note 5 – Property, Plant and Equipment' to the consolidated financial statements.

The Company's total PP&E as at December 31, 2022 amounted to $543.5 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 determined that this is a key audit matter due to (i) the significance of the PP&E balance and (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 the matter involved the following procedures, among others:

- Evaluated 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.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 on the other information that we obtained prior to the date of this auditor's report, 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. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 15, 2023

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31, 2022	2021
(C$000s)		*($)*	*($)*
ASSETS			
Current assets			
Cash and cash equivalents		**8,498**	—
Accounts receivable		**238,769**	189,835
Income taxes recoverable		—	2,859
Inventories	3	**108,866**	101,840
Prepaid expenses and deposits		**12,297**	12,999
		368,430	307,533
Assets classified as held for sale	4	**45,940**	—
		414,370	307,533
Non-current assets			
Property, plant and equipment	5	**543,475**	563,423
Right-of-use assets	12	**22,908**	22,005
Deferred income tax assets	10	**15,000**	—
		581,383	585,428
Total assets		**995,753**	892,961
LIABILITIES			
Current liabilities			
Bank overdraft		—	1,351
Accounts payable and accrued liabilities		**171,603**	127,441
Income taxes payable		**964**	—
Current portion of long-term debt	7	**2,534**	—
Current portion of lease obligations	12	**9,749**	8,004
		184,850	136,796
Liabilities directly associated with assets classified as held for sale	4	**18,852**	—
		203,702	136,796
Non-current liabilities			
Long-term debt	7	**329,186**	388,479
Lease obligations	12	**13,443**	12,560
Deferred income tax liabilities	10	**26,450**	26,286
		369,079	427,325
Total liabilities		**572,781**	564,121

	Note	As at December 31, 2022	2021
(C$000s)		***($)***	*($)*
EQUITY			
Equity attributable to the shareholders of Calfrac			
Capital stock	8	**865,059**	801,178
Conversion rights on convertible notes	7	**212**	4,764
Contributed surplus		**70,141**	68,258
Warrants	9	**36,558**	40,282
Loan receivable for purchase of common shares		**—**	(2,500)
Accumulated deficit		**(580,544)**	(592,221)
Accumulated other comprehensive income		**31,546**	9,079
Total equity		**422,972**	328,840
Total liabilities and equity		**995,753**	892,961

Commitments (note 11); Contingencies (note 21)
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 December 31,	
	Note	**2022**	2021
(C$000s, except per share data)		***($)***	*($)*
	4		*Revised* (1)
Revenue	17	**1,499,220**	880,249
Cost of sales	18	**1,344,614**	915,587
Gross profit (loss)		**154,606**	(35,338)
Expenses			
Selling, general and administrative		**62,199**	42,761
Foreign exchange (gains) losses		**(2,972)**	4,658
Loss on disposal of property, plant and equipment		**5,333**	405
Impairment of property, plant and equipment	5	**10,670**	—
Impairment of inventory	3	**8,477**	—
Impairment of other assets		**64**	705
Interest		**46,555**	37,739
		130,326	86,268
Income (loss) before income tax		**24,280**	(121,606)
Income tax expense (recovery)			
Current		**5,443**	158
Deferred		**(16,466)**	(27,033)
		(11,023)	(26,875)
Net income (loss) from continuing operations		**35,303**	(94,731)
Net income (loss) from discontinued operations	4	**(23,626)**	11,919
Net income (loss) for the period		**11,677**	(82,812)
Earnings (loss) per share – basic	8		
Continuing operations		**0.83**	(2.52)
Discontinued operations		**(0.55)**	0.32
		0.27	(2.21)
Earnings (loss) per share – diluted	8		
Continuing operations		**0.47**	(2.52)
Discontinued operations		**(0.28)**	0.14
		0.19	(2.21)

See accompanying notes to the consolidated financial statements.

(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.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31,	
	Note	**2022**	2021
(C$000s)		***($)***	*($)*
CASH FLOWS PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net income (loss) for the period		**11,677**	(82,812)
Adjusted for the following:			
Depreciation		**122,226**	127,925
Stock-based compensation		**2,776**	2,272
Unrealized foreign exchange (gains) losses		**(16,334)**	718
Loss on disposal of property, plant and equipment		**5,329**	403
Impairment of property, plant and equipment	4, 5	**16,676**	—
Impairment of inventory	3, 4	**38,736**	—
Impairment of other assets	4	**4,484**	705
Interest		**46,511**	37,737
Interest paid		**(33,049)**	(25,127)
Deferred income taxes		**(16,466)**	(27,033)
Changes in items of working capital	14	**(75,034)**	(50,125)
Cash flows provided by (used in) operating activities		**107,532**	(15,337)
FINANCING ACTIVITIES			
Bridge loan proceeds	6	**15,000**	—
Issuance of long-term debt, net of debt issuance costs	7	**17,762**	59,555
Bridge loan repayments	6	**(15,000)**	
Long-term debt repayments	7	**(45,000)**	(6,050)
Lease obligation principal repayments	12	**(9,166)**	(7,836)
Proceeds on issuance of common shares from the exercise of warrants and stock options		**2,871**	183
Cash flows (used in) provided by financing activities		**(33,533)**	45,852
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	**(79,810)**	(63,434)
Proceeds on disposal of property, plant and equipment		**3,576**	938
Proceeds on disposal of right-of-use assets		**1,909**	1,202
Cash flows used in 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		**19,744**	(31,181)
(Bank overdraft) cash and cash equivalents, beginning of period		**(1,351)**	29,830
Cash and cash equivalents (bank overdraft), end of period		**18,393**	(1,351)
Included in the cash and cash equivalents per the balance sheet		**8,498**	
Included in the assets held for sale/discontinued operations	4	**9,895**	

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(C$000s)	Note	Share Capital ($)	Conversion Rights on Convertible Notes	Contributed Surplus ($)	Warrants ($)	Loan Receivable for Purchase of Common Shares ($)	Accumulated Other Comprehensive Income (Loss) ($)	Accumulated Deficit ($)	Total Equity ($)
Balance – January 1, 2022		**801,178**	**4,764**	**68,258**	**40,282**	**(2,500)**	**9,079**	**(592,221)**	**328,840**
Net income		—		—	—	—	—	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		—	—	2,776	—	—	—	—	**2,776**
Proceeds from issuance of shares	7	2,435	—	(893)	—	—	—	—	**1,542**
Conversion of 1.5 Lien Notes into shares	7	58,892	(4,552)	—	—	—	—	—	**54,340**
Reclassification of loan receivable		(2,500)	—	—	—	2,500	—	—	**—**
Warrants:									
Proceeds from issuance of shares	9	5,054	—	—	(3,724)	—	—	—	**1,330**
Balance – December 31, 2022		**865,059**	**212**	**70,141**	**36,558**	**—**	**31,546**	**(580,544)**	**422,972**
Balance – January 1, 2021		800,184	4,873	65,986	40,797	(2,500)	10,303	(509,409)	410,234
Net loss		—	—	—	—	—	—	(82,812)	(82,812)
Other comprehensive income (loss):									
Cumulative translation adjustment		—	—	—	—	—	(1,224)	—	(1,224)
Comprehensive loss		—	—	—	—	—	(1,224)	(82,812)	(84,036)
Stock options:									
Stock-based compensation recognized		—	—	2,272	—	—	—	—	2,272
Conversion of 1.5 Lien Notes into shares	7	296	(24)	—	—	—	—	—	272
Rescission of equity portion of 1.5 Lien Notes		—	(85)	—	—	—	—	—	(85)
Warrants:									
Proceeds from issuance of shares	8	698	—	—	(515)	—	—	—	183
Balance – December 31, 2021		**801,178**	**4,764**	**68,258**	**40,282**	**(2,500)**	**9,079**	**(592,221)**	**328,840**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,	
	2022	2021
(C$000s)	***($)***	*($)*
Net income (loss) for the period	**11,677**	(82,812)
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit or loss:		
Change in foreign currency translation adjustment	**22,467**	(1,224)
Comprehensive income (loss)	**34,144**	(84,036)

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2022 and 2021

(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) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

These financial statements were approved by the Board of Directors for issuance on March 15, 2023.

2. SUMMARY OF SIGNIFICANT 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

There were no new IFRS or IFRIC interpretations that became effective on or after January 1, 2022 that had a material impact on the Company.

(d) 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 and the functional currency of each 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 13 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 7. 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 10 for further information on income taxes.

v) Share-Based Payments

The fair value of stock options 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 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.

See note 9 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.

(e) 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.

(f) 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 13 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.

(g) 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.

(h) 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.

(i) 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	1 – 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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 17 for further information on revenue.

(o) Stock-Based Compensation Plans

The Company recognizes compensation cost for the fair value of stock options granted. Under this method, the Company records the fair value of stock option grants based on the number of options expected to vest over their vesting period as a charge to compensation expense and a credit to contributed surplus. 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.

(p) 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.

(q) 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.

(r) Recently Issued Accounting Standards Not Yet Applied

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

3. INVENTORIES

As at December 31,	**2022**	2021
(C$000s)	***($)***	*($)*
Spare parts	**54,511**	59,573
Chemicals	**27,049**	26,577
Sand and proppant	**22,417**	9,414
Coiled tubing	**4,751**	5,481
Other	**138**	795
	108,866	101,840

For the year ended December 31, 2022, the cost of inventories recognized as an expense and included in cost of sales was approximately $573,000 (year ended December 31, 2021 – $396,000).

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. For the year ended December 31, 2022, the Company recorded an impairment charge of $8,477 to write-down inventory to its net realizable amount in Canada and the United States (year ended December 31, 2021 – $nil). The inventory impaired was primarily related to spare parts.

Years Ended December 31,	**2022**	2021
(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 these 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 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 continue to revisit the fair value of the net assets at each reporting period and upon the close of the transaction.

The evolving laws and sanctions from the governments of Canada, the U.S., and other western nations as well as domestic laws and sanctions of the Russian Federation have impacted the Company's efforts to divest the Russia division. 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,	**2022**	2021
(C$000s)	***($)***	*($)*
Impairment of property, plant and equipment	**6,006**	—
Impairment of inventory	**30,259**	—
Impairment of other assets	**4,420**	—
	40,685	—

(a) Financial Information

The financial performance and cash flow information of the Russia operating division for the years ended December 31, 2022 and 2021 are:

Years Ended December 31,	**2022**	2021
(C$000s)	*($)*	*($)*
Revenue	**117,257**	122,146
Expenses	**98,698**	108,894
Impairment charges	**40,685**	—
(Loss) income before income tax	**(22,126)**	13,252
Income tax expense	**1,500**	1,333
Net (loss) income from discontinued operations	**(23,626)**	11,919

Years Ended December 31,	**2022**	2021
(C$000s)	*($)*	*($)*
Net cash provided by operating activities	**12,453**	6,457
Net cash provided by (used in) financing activities	**—**	—
Net cash used in investing activities	**(369)**	(4,648)
Effect of exchange rate changes on cash and cash equivalents	**3,864**	156
Increase in cash and cash equivalents from discontinued operations	**15,948**	1,965

(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, 2022:

(C$000s)	*($)*
Assets classified as held for sale	
Cash and cash equivalents	9,895
Accounts receivable	31,964
Income taxes recoverable	834
Inventories	2,069
Prepaid expenses and deposits	1,178
	45,940
Liabilities directly associated with assets classified as held for sale	
Accounts payable and accrued liabilities	18,852
	18,852

The Company is not expecting to repatriate any of its cash held in Russia other than through any proceeds received through a 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, 2022 was $6,251.

5. PROPERTY, PLANT AND EQUIPMENT

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.*

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

Year Ended December 31, 2021	Opening Net Book Value	Additions	Disposals	Depreciation	Foreign Exchange Adjustments	Closing Net Book Value
(C$000s)	($)	($)	($)	($)	($)	($)
Assets under construction [(1)]	15,179	7,879	—	—	(113)	22,945
Field equipment	506,290	62,394	(3,258)	(110,244)	4,575	459,757
Buildings	46,903	144	—	(4,220)	(3,877)	38,950
Land	35,103	29	770	—	(2,478)	33,424
Shop, office and other equipment	2,388	—	—	(918)	(108)	1,362
Computers and computer software	12,133	253	—	(5,341)	(35)	7,010
Leasehold improvements	492	—	—	(45)	(472)	(25)
	618,488	70,699	(2,488)	(120,768)	(2,508)	563,423

[(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.*

As at December 31, 2021	Cost	Accumulated Depreciation	Net Book Value
(C$000s)	*($)*	*($)*	*($)*
Assets under construction	**22,945**	**—**	**22,945**
Field equipment	**2,336,369**	**(1,876,612)**	**459,757**
Buildings	**90,211**	**(51,261)**	**38,950**
Land	**33,424**	**—**	**33,424**
Shop, office and other equipment	**27,832**	**(26,470)**	**1,362**
Computers and computer software	**44,900**	**(37,890)**	**7,010**
Leasehold improvements	**8,713**	**(8,738)**	**(25)**
	2,564,394	**(2,000,971)**	**563,423**

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, 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 derecognized and written off resulting in an impairment charge of $10,670 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$000s)	*($)*	*($)*
United States	**10,670**	—
	10,670	—

6. BRIDGE LOAN

During the second quarter of 2022, the Company repaid and cancelled its $25,000 secured bridge loan ("Bridge Loan") with G2S2 Capital Inc. ("G2S2"), a company controlled by George S. Armoyan, a member of the Board of Directors. Prior to repayment, the Company had drawn $15,000. 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.

7. LONG-TERM DEBT

As at December 31,	**2022**	2021
(C$000s)	***($)***	*($)*
$250,000 extendible revolving term loan facility, secured by the Canadian and U.S. assets of the Company on a first priority basis	**170,000**	190,000
$2,606 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**	55,385
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	**162,528**	152,136
Less: unamortized debt issuance costs	**(3,342)**	(9,042)
	331,720	388,479
Current portion	**2,534**	—
Long-term portion	**329,186**	388,479
	331,720	388,479

The fair value of the Second Lien Notes (as defined below), as measured based on the closing market price at December 31, 2022 was $147,411 (December 31, 2021 – $139,640). 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. 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.

(a) 1.5 Lien Notes

On December 18, 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 enable the holders to convert each $1,000 principal amount into approximately 750 common shares at their discretion. Interest is payable in cash semi-annually on March 15 and September 15 of each year. On each interest payment date, the Company may elect to defer and pay in-kind any interest accrued as of such interest payment date by increasing the unpaid principal amount of the 1.5 Lien Notes as at such date (each, a "PIK Interest Payment"). Following each such increase in the principal amount of the 1.5 Lien Notes as a result of any PIK Interest Payment, the 1.5 Lien Notes will bear interest on such increased principal amount from and after the date of each such PIK Interest Payment. Upon repayment of the 1.5 Lien Notes, any interest which has accrued thereon but has not been capitalized as set forth above shall be paid in cash.

The liability portion of the 1.5 Lien Notes was recorded at an initial fair value of $55,127 using a discount rate of 13.4 percent, representing the discount rate of a comparable debt instrument without a conversion feature. The remaining $4,873 is the difference between the initial principal amount and the fair value of the liability component and was recorded as the equity portion of the conversion feature in shareholders’ equity. The Company incurred transaction costs of $7,596 associated with the issuance of the 1.5 Lien Notes which was allocated to debt issuance costs and share issuance costs on a proportional basis to the initial fair value of the liability and equity components.

During the fourth quarter of 2022, the Company completed the early conversion of its 1.5 Lien Notes resulting in $44,834 of notes converted to shares at a price of $1.3325 per share, leaving $2,606 principal amount of 1.5 Lien Notes outstanding. As a result of the program, the Company issued 33,646,514 new common shares associated with the conversion of the participating 1.5 Lien Notes and paid $2,262 in interest as an early conversion fee.

During the year ended December 31, 2022, $56,052 principal amount of the 1.5 Lien Notes was converted into 42,065,259 common shares (including the early conversions discussed above). For accounting purposes, the conversion was recorded on a proportional basis as a reduction of the liability and equity portion of the 1.5 Lien Notes for $54,339 and $4,552 respectively, with a corresponding increase to share capital.

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.

(b) Revolving Credit Facility

The Company's revolving credit facilities consist of an operating facility of $45,000 and a syndicated facility of $205,000. On September 29, 2022, the Company amended its credit agreement, which included an extension of the 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 Adjusted EBITDA ratio is above 4.00:1.00. As at December 31, 2022, the Company's net Total Debt to Adjusted EBITDA ratio was 1.38:1.00.

Debt issuance costs related to this facility are amortized over its term.

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the year ended December 31, 2022 was $46,756 (year ended December 31, 2021 – $37,833).

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

	2022	2021
(C$000s)	*($)*	*($)*
Balance, January 1	**388,479**	324,633
Issuance of long-term debt, net of debt issuance costs	**17,762**	59,555
Long-term debt repayments	**(45,000)**	(5,965)
Conversion of 1.5 Lien Notes into shares	**(54,339)**	(272)
Amortization of compound financial instrument discount	**1,488**	1,451
Amortization of debt issuance costs and debt discount	**13,127**	9,699
Foreign exchange adjustments	**10,203**	(622)
Balance, December 31	**331,720**	388,479

At December 31, 2022, the Company had utilized $990 of its loan facility for letters of credit, had $170,000 outstanding under its revolving term loan facility, leaving $79,010 in available credit. The Company's credit facilities are subject to a monthly borrowing base, which at December 31, 2022 was above the maximum availability of $250,000 under its credit facilities. See note 15 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, 2022	Amount
(C$000s)	*($)*
2023	—
2024	170,000
2025	—
2026	162,528
2027	—
Thereafter	—
	332,528

8. CAPITAL STOCK

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

Years Ended December 31,	2022		2021	
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	*($000s)*	*(#)*	*($000s)*
Balance, beginning of period	**37,700,972**	**801,178**	37,408,490	800,184
Issued upon exercise of warrants	**531,706**	**5,054**	73,460	698
Conversion of 1.5 Lien Notes into shares (note 7)	**42,065,259**	**58,892**	219,136	296
Issued upon exercise of stock options	**435,567**	**2,435**	—	—
Reclassification of loan receivable	**—**	**(2,500)**	—	—
Cancellation of fractional shares upon 50:1 share consolidation	**—**	**—**	(114)	—
Balance, end of period	**80,733,504**	**865,059**	37,700,972	801,178

Years Ended December 31,	2022	2021
	(#)	*(#)*
Weighted average number of common shares outstanding		
Basic	**42,609,234**	37,543,761
Diluted	**84,621,154**	86,677,886

The difference between basic and diluted shares is attributable to: warrants issued as disclosed in note 9, the dilutive effect of the conversion of the 1.5 Lien Notes as disclosed in note 7, and the dilutive effect of stock options issued by the Company as disclosed in note 9. 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,	2022	2021
	(#)	*(#)*
Net income (loss) from continuing operations		
Used in calculating basic earnings per share	**35,303**	(94,731)
Add: interest savings on convertible 1.5 Lien Notes, net of tax	**4,097**	4,545
Used in calculating dilutive earnings per share	**39,400**	(90,186)
Net income (loss) from discontinued operations	**(23,626)**	11,919
Net income (loss) used in calculating diluted earnings per share	**15,774**	(78,267)

9. SHARE-BASED PAYMENTS

(a) Stock Options

Years Ended December 31,	2022		2021	
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	*($)*	*(#)*	*($)*
Balance, beginning of period	**3,300,000**	**3.54**	—	—
Granted	**1,020,000**	**8.32**	3,600,000	3.54
Exercised for common shares	**(435,567)**	**3.54**	—	—
Forfeited	**(296,664)**	**3.54**	(300,000)	3.54
Balance, end of period	**3,587,769**	**4.90**	3,300,000	3.54

Stock options vest equally over three years and expire five years from the date of grant. The exercise price of outstanding options range from $3.41 to $10.00 with a weighted average remaining life of 3.86 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 2022, determined using the Black-Scholes valuation method, was $4.58 per option (year ended December 31, 2021 – $2.15 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

Years Ended December 31,	**2022**	2021
Expected life (years)	**3.00**	3.00
Expected volatility (%)	**84.60**	99.99
Risk-free interest rate (%)	**3.34**	1.00
Expected dividends ($)	**—**	—

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

(b) Share Units

Years Ended December 31,	**2022**	2021
Continuity of Deferred Share Units		
	(#)	*(#)*
Balance, beginning of period	**107,400**	2,400
Granted	**127,000**	105,000
Exercised	**(1,600)**	—
Balance, end of period	**232,800**	107,400

Years Ended December 31,	**2022**	2021
	($)	*($)*
Stock options	**2,776**	2,272
Deferred share units	**579**	279
Total stock-based compensation expense	**3,355**	2,551

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

The Company grants deferred share units to its outside directors. These units vest on the first anniversary of the date of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred share units is recognized equally over the vesting period, based on the current market price of the Company's shares. At December 31, 2022, the liability pertaining to deferred share units was $839 (December 31, 2021 – $269).

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

(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 is exercisable for a period of three years into one common share at a price of $2.50 per common share, 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, 2022, 531,706 warrants were exercised for total proceeds of $1,330.

Years Ended December 31,	**2022**		2021	
Continuity of Warrants	**Warrants**	**Average Exercise Price**	Warrants	Average Exercise Price
	(#)	*($)*	*(#)*	*($)*
Balance, January 1	**5,750,856**	**2.50**	5,824,433	2.50
Exercised for common shares	**(531,706)**	**2.50**	(73,460)	2.50
Cancelled	**—**	**—**	(117)	2.50
Balance, December 31	**5,219,150**	**2.50**	5,750,856	2.50

10. INCOME TAXES

The components of income tax expense (recovery) are:

Years Ended December 31,	**2022**	2021
(C$000s)	*($)*	*($)*
Current income tax expense	**5,443**	158
Deferred income tax recovery	**(16,466)**	(27,033)
	(11,023)	(26,875)

The provision for income taxes in the consolidated statements of operations varies from the amount that would be computed by applying the expected 2022 tax rate of 23.0 percent (year ended December 31, 2021 – 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,	**2022**	2021
(C$000s except percentages)	*($)*	*($)*
		Revised [(1)]
Income (loss) before income tax from continuing operations	**24,280**	(121,606)
Income tax rate (%)	**23.0**	23.0
Computed expected income tax expense (recovery)	**5,584**	(27,969)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	**2,358**	6,387
Foreign tax rate and other foreign differences	**2,053**	(2,721)
Translation of foreign subsidiaries	**146**	1,275
Other non-income taxes	**(333)**	110
Recognition of tax losses	**(20,876)**	(5,421)
Other	**45**	1,464
	(11,023)	(26,875)

[(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.*

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,	**2022**	2021
(C$000s)	*($)*	*($)*
Property, plant and equipment	**(75,657)**	(84,890)
Losses carried forward	**52,351**	46,547
Deferred compensation payable	**952**	—
Other	**10,904**	12,057
	(11,450)	(26,286)

Loss carry-forwards expire at various dates ranging from December 31, 2023 to December 31, 2042.

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

Years Ended December 31,	**2022**	2021
(C$000s)	***($)***	*($)*
Balance, beginning of year	**(26,286)**	(53,841)
Charged (credited) to the consolidated statements of operations or accumulated other comprehensive income:		
Property, plant and equipment	**9,233**	11,049
Losses carried forward	**5,805**	9,535
Deferred compensation payable	**952**	—
Other	**(1,154)**	6,971
Balance, end of year	**(11,450)**	(26,286)

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

Years Ended December 31,	**2022**	2021
(C$000s)	***($)***	*($)*
		Revised [(1)]
Tax losses (capital)	**41,969**	41,851
Tax losses (income)	**36,348**	51,953
Property, plant and equipment	**21,234**	21,194
Canadian exploration expenses	**5,180**	5,128
Deferred compensation payable	**200**	64
Deferred financing and share issuance costs	**2,542**	4,020
Other	**18,206**	11,264

[(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.*

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.

11. 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, 2022, as follows:

	Right-of-Use Asset Recognized	**No Right-of-Use Asset Recognized**	**Total**
(C$000s)	*($)*	*($)*	*($)*
2023	10,693	5,887	16,580
2024	7,966	1,932	9,898
2025	3,467	1,376	4,843
2026	1,159	31	1,190
2027	995	—	995
Thereafter	663	—	663
	24,943	9,226	34,169

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, 2022, as follows:

(C$000s)	*($)*
2023	56,870
2024	5,458
	62,328

12. 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 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, 2022	**Opening Net Book Value**	**Additions**	**Disposals**	**Depreciation**	**Foreign Exchange Adjustments**	**Closing Net Book Value**
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Field equipment	**13,599**	**10,099**	**(2,090)**	**(6,120)**	**655**	**16,143**
Buildings	**8,406**	**1,625**	**(1,192)**	**(2,221)**	**147**	**6,765**
	22,005	**11,724**	**(3,282)**	**(8,341)**	**802**	**22,908**

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

	2022
(C$000s)	*($)*
Interest expense on lease obligations	1,188
Expense relating to short-term leases (included in operating and selling, general and administrative expense)	43,972
Expense relating to low value leases (included in operating and selling, general and administrative expense)	506
Expense relating to variable lease payments (included in operating and selling, general and administrative expense)	4,683
Income from subleasing of right-of-use assets	(118)
Total cash outflow for lease obligations	10,354

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

	2022
(C$000s)	*($)*
Balance, January 1	20,564
Additions	11,724
Disposals/retirements	(578)
Principal portion of payments	(9,166)
Foreign exchange adjustments	648
Balance, December 31	23,192

13. 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, 2022 was $147,411 and $162,528, respectively (December 31, 2021 – $139,640 and $152,136).

The fair values of the remaining long-term debt approximate their carrying values, as described in note 7.

(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, 2022, the Company had a loss allowance provision for accounts receivable of $481 (December 31, 2021 – $569).

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 recovery of $99 was recorded during the year ended December 31, 2022, using the lifetime expected credit loss model (year ended December 31, 2021 – $1,390). 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, 2022 reconciles to the opening loss allowance provision as follows:

	2022
(C$000s)	*($)*
At January 1, 2022	569
(Decrease) increase in loan loss allowance recognized in statement of operations	(99)
Foreign exchange adjustments	11
At December 31, 2022	481

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, 2022 and 2021, excluding any impaired accounts, are as follows:

As at December 31,	**2022**	2021
(C$000s)	***($)***	*($)*
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

(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, 2022 amounts to $1,700 (December 31, 2021 – $1,900).

The Company's effective interest rate for the year ended December 31, 2022 was 8.7 percent (year ended December 31, 2021 – 8.4 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 15 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, 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**	**0**	—	—
	605,904	**212,982**	**391,264**	**1,658**	—	—

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

At December 31, 2021	Total	<1 Year	1 – 3 Years	4 – 6 Years	7 – 9 Years	Thereafter
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
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	—	—
	592,223	169,191	263,915	159,117	—	—

[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, 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

(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.

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

Years Ended December 31,	**2022**	2021
(C$000s)	***($)***	*($)*
Accounts receivable	**(81,149)**	(50,349)
Inventory	**(47,831)**	(18,724)
Prepaid expenses and deposits	**(4,552)**	3,346
Accounts payable and accrued liabilities	**55,665**	16,931
Income taxes recoverable	**2,833**	(1,329)
	(75,034)	(50,125)
Income taxes paid	**3,954**	2,820

Purchase of property, plant and equipment is comprised of:

Years Ended December 31,	**2022**	2021
(C$000s)	***($)***	*($)*
Property, plant and equipment additions	**(88,313)**	(70,699)
Change in liabilities related to the purchase of property, plant and equipment	**8,503**	7,265
	(79,810)	(63,434)

The repayment of the 1.5 Lien Notes in shares is a non-cash financing activity, see note 7.

15. 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,	**2022**	2021
(C$000s)	***($)***	*($)*
Net income (loss) from continuing operations	**35,303**	(94,731)
Adjusted for the following:		
Depreciation	**122,027**	127,431
Foreign exchange (gains) losses	**(2,972)**	4,658
Loss on disposal of property, plant and equipment	**5,333**	405
Impairment of property, plant and equipment	**10,670**	—
Impairment of inventory	**8,477**	—
Impairment of other assets	**64**	705
Litigation settlements related to the Canadian division	**11,258**	(700)
Restructuring charges	**5,273**	673
Stock-based compensation	**2,776**	2,272
Interest	**46,555**	37,739
Income taxes	**(11,023)**	(26,875)
Adjusted EBITDA from continuing operations	**233,741**	51,577

Net debt for this purpose is calculated as follows:

As at December 31,	**2022**	2021
(C$000s)	***($)***	*($)*
Long-term debt, net of debt issuance costs and debt discount	**331,720**	388,479
Lease obligations	**23,192**	20,564
(Deduct) add: (cash and cash equivalents) bank overdraft	**(8,498)**	1,351
Net debt	**346,414**	410,394

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, 2022, the net debt to Adjusted EBITDA ratio was 1.48:1 (December 31, 2021 – 7.96:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended December 31,	**2022**	2021
(C$000s, except ratio)	***($)***	*($)*
Net debt	**346,414**	410,394
Adjusted EBITDA	**233,741**	51,577
Net debt to Adjusted EBITDA ratio	**1.48**	7.96

The Company is subject to certain financial covenants relating to working capital, leverage and the generation of cash flow in respect of its operating and revolving credit facilities. These covenants are monitored on a monthly basis. As per the amended credit facility agreement as disclosed in note 7, 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 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 (excluding any cash held in a segregated account for a specified purpose, including a potential equity cure).
[(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.

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 property, plant and equipment (PP&E) of the parent company and its U.S. operating subsidiary. The value of PP&E excludes assets under construction and is limited to $150,000.

The indentures governing the Second Lien Notes and 1.5 Lien Notes (the "Indentures") 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 to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20,000 in the Indentures. As at December 31, 2022, the US$20,000 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 under credit facilities up to the greater of $375,000 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$60,000.

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

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 $20,000 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 $50,000 at the time of any such dispositions, the Company must use the resulting proceeds to reduce the advances to less than $50,000 before using the balance for other purposes.

16. RELATED-PARTY TRANSACTIONS

As disclosed in note 7, 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 $571 and George S. Armoyan received a $1,175 early conversion incentive fee as a result of the early conversion program.

Certain entities controlled by George S. Armoyan hold US$16,371 of the Company's Second Lien Notes (December 31, 2021 – 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, 2022 was $957 (year ended December 31, 2021 – $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.

17. 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:

	United States	Canada	Argentina	Continuing Operations
(C$000s)	*($)*	*($)*	*($)*	*($)*
Year Ended December 31, 2022				
Fracturing	**805,615**	**395,802**	**146,359**	**1,347,776**
Coiled tubing	**—**	**45,308**	**39,513**	**84,821**
Cementing	**—**	**—**	**41,678**	**41,678**
Product sales	**252**	**1,170**	**—**	**1,422**
Subcontractor	**—**	**—**	**23,523**	**23,523**
	805,867	**442,280**	**251,073**	**1,499,220**
Year Ended December 31, 2021				
Fracturing	428,570	254,517	103,415	786,502
Coiled tubing	—	25,401	23,237	48,638
Cementing	—	—	26,503	26,503
Product sales	(49)	340	—	291
Subcontractor	—	—	18,315	18,315
	428,521	280,258	171,470	880,249

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 94 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 51 percent of the Company's revenue for the year ended December 31, 2022 (year ended December 31, 2021 – four significant customers for approximately 54 percent) and, of such customers, one customer accounted for approximately 26 percent of the Company's revenue for the year ended December 31, 2022 (year ended December 31, 2021 – 22 percent).

18. 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,	**2022**	2021
(C$000s)	***($)***	*($)*
Product costs	**438,847**	273,084
Personnel costs	**329,697**	220,915
Depreciation on property, plant and equipment	**113,686**	120,275
Depreciation on right-of-use assets	**8,341**	7,156
Other operating costs [1]	**454,043**	294,157
Cost of sales from continuing operations	**1,344,614**	915,587

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

During the year ended December 31, 2021, the Company qualified for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs and recognized $7,735 as a reduction of salaries and wages expense and $465 as a reduction in rent expense, respectively. Both programs ended in 2021.

19. 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,	**2022**	2021
(C$000s)	***($)***	*($)*
Salaries and short-term employee benefits	**366,987**	249,765
Post-employment benefits (group retirement savings plan)	**6,429**	1,533
Share-based payments	**3,355**	2,551
Termination benefits	**7,601**	1,787
	384,372	255,636

20. COMPENSATION OF KEY MANAGEMENT

Key management is defined as the Company's Board of Directors, Chief Executive Officer, President and Chief Operating Officer, and Chief Financial Officer. During 2021, it was defined as the Board of Directors, interim Chief Executive Officer, Chairman, President and Chief Operating Officer, and Chief Financial Officer.

Compensation awarded to key management comprised:

Years Ended December 31,	**2022**	2021
(C$000s)	***($)***	*($)*
Salaries, fees and short-term benefits	**3,252**	1,930
Post-employment benefits (group retirement savings plan)	**41**	6
Share-based payments	**1,397**	974
Termination benefits	**1,381**	—
	6,071	2,910

In the event of termination, the President and Chief Operating Officer and the Chief Financial Officer are 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.

On January 4, 2023, the President and Chief Operating Officer retired and this role was not replaced.

21. 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 $9,162 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. 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 will have 30 days to file a petition for cassation following the service of the remaining judgment in respect of the enforcement order once it has been certified. No hearings have been scheduled for the three pending cassation petitions.

NAPC is also the subject of a claim for approximately $3,183 (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 $835 (578 euros), amounted to $30,577 (21,149 euros) as at December 31, 2022.

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.

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.

22. SEGMENTED INFORMATION

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

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

	United States	Canada	Argentina	Corporate	Continuing Operations
(C$000s)	*($)*	*($)*	*($)*	*($)*	*($)*
Year Ended December 31, 2022					
Revenue	**805,867**	**442,280**	**251,073**	**—**	**1,499,220**
Adjusted EBITDA	**144,672**	**79,762**	**30,979**	**(21,672)**	**233,741**
Segmented assets	**570,403**	**231,149**	**148,261**	**—**	**949,813**
Capital expenditures	**60,600**	**17,071**	**10,269**	**—**	**87,940**
Year Ended December 31, 2021					
Revenue	428,521	280,258	171,470	—	880,249
Adjusted EBITDA	10,268	38,614	22,804	(20,109)	51,577
Segmented assets	494,268	224,274	108,589	—	827,131
Capital expenditures	42,033	12,189	12,353	—	66,575

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,	2022	2021
(C$000s)	*($)*	*($)*
Net income (loss) from continuing operations	**35,303**	(94,731)
Add back (deduct):		
Depreciation	**122,027**	127,431
Foreign exchange (gains) losses [2]	**(2,972)**	4,658
Loss on disposal of property, plant and equipment	**5,333**	405
Impairment of property, plant and equipment	**10,670**	—
Impairment of inventory	**8,477**	—
Impairment of other assets	**64**	705
Litigation settlements related to the Canadian division	**11,258**	(700)
Restructuring charges	**5,273**	673
Stock-based compensation	**2,776**	2,272
Interest	**46,555**	37,739
Income taxes	**(11,023)**	(26,875)
Adjusted EBITDA from continuing operations [1]	**233,741**	51,577

[1] For bank covenant purposes, EBITDA includes $16,440 income from discontinued operations for the year ended December 31, 2022 (year ended December 31, 2021 – $14,373 income) and the deduction of an additional $10,354 of lease payments for the year ended December 31, 2022 (year ended December 31, 2021 – $8,968) 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.

HISTORICAL REVIEW - CONTINUING OPERATIONS

	2022	2021	2020	2019	2018
(C$000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*	*($)*
(unaudited)		*Revised [1]*	*Revised [1]*	*Revised [1]*	*Revised [1]*
FINANCIAL RESULTS					
Revenue	**1,499,220**	880,249	605,029	1,515,148	2,149,608
Adjusted EBITDA[2]	**233,741**	51,577	19,609	168,295	327,182
Net (loss) income	**35,303**	(94,731)	(295,407)	(143,389)	(16,553)
Per share - basic [3]	**0.83**	(2.52)	(69.95)	(0.99)	(0.11)
Per share - diluted [3]	**0.47**	(2.52)	(69.95)	(0.99)	(0.11)
Consolidated cash flows provided by (used in) operating activities	**107,532**	(15,337)	24,520	132,024	184,746
Capital expenditures	**87,940**	66,575	43,424	136,372	154,485
FINANCIAL POSITION, END OF PERIOD					
Current Assets	**368,430**	307,533	271,190	405,926	569,564
Total Assets	**995,753**	892,961	912,463	1,525,922	1,782,657
Working Capital	**183,580**	170,737	161,448	248,772	329,871
Long-Term Debt	**329,186**	388,479	324,633	976,693	989,614
Total Equity	**422,972**	328,840	410,234	368,623	513,820
COMMON SHARE DATA					
Common shares outstanding (000s), end of period[2]	**80,734**	37,701	37,408	144,889	144,463
Weighted average (diluted)	**84,621**	86,678	54,234	145,475	146,829
OPERATING, END OF PERIOD					
Active pumping horsepower (000s)	**1,112**	943	836	1,204	1,251
Idle pumping horsepower (000s)	**117**	337	432	129	42
Total pumping horsepower (000s)	**1,229**	1,280	1,268	1,333	1,293
Active coiled tubing units (#)	**11**	13	13	17	16
Idle coiled tubing units (#)	**5**	7	7	5	6
Total coiled tubing units (#)	**16**	20	20	22	22
Active cementing units (#)	**11**	10	12	13	11
Idle cementing units (#)	**1**	5	4	6	12
Total cementing units (#)	**12**	15	16	19	23

[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 21 for further information.
[3] On December 18, 2020, the outstanding common shares of the Company were consolidated on a fifty-to-one basis. The common shares commenced trading on a post-consolidation basis on December 29, 2020. The trading volumes, prices and per share amounts in the above table are expressed on a post-share consolidation basis for 2021 and 2020, and on pre-share consolidation basis for all comparative periods.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ronald P. Mathison
Alberta, Canada
- *Chairman*

Douglas R. Ramsay
Alberta, Canada
- *Vice Chairman*
- *Compensation, Governance and Nominating Committee*
- *Health, Safety, Environment and Quality Committee*

George S. Armoyan
Nova Scotia, Canada
- *Compensation, Governance and Nominating Committee*

Anuroop Duggal
Ontario, Canada
- *Audit Committee*
- *Compensation, Governance and Nominating Committee*

Chetan R. Mehta
New York, NY, United States
- *Audit Committee*
- *Health, Safety, Environment and Quality Committee*

Charles Pellerin
Quebec, Canada
- *Audit Committee*
- *Compensation, Governance and Nominating Committee*

Pat Powell
Alberta, Canada
- *Health, Safety, Environment and Quality Committee*

OFFICERS

Pat Powell
Chief Executive Officer

Michael D. Olinek
Chief Financial Officer

Marco A. Aranguren
Director General, Argentina Division

Gordon T. Milgate
President, Canadian Operations

Mark D. Rosen
President, United States Operations

Mark R. Ellingson
Vice President, Sales & Marketing, United States

Jon Koop
Vice President, Human Resources

Brent W. Merchant
Vice President, Sales & Marketing, Canada

Alif H. Noorani
Vice President, Finance

Jeffrey I. Ellis
General Counsel and Corporate Secretary

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Alberta Treasury Branches
Royal Bank of Canada
Export Development Canada
The Bank of Nova Scotia
Canadian Western Bank

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Common Share Trading Symbol: CFW
Warrant Trading Symbol: CFW.WT

REGISTRAR & TRANSFER AGENT

For information concerning lost share certificates and estate transfers, or for a change in share registration or address, please contact the transfer agent and registrar:

Computershare Investor Services Inc.
9th floor, 100 University Avenue
Toronto, ON M5J 2Y1
1-800-564-6253
service@computershare.com

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