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FIRST QUARTER

CALFRAC WELL SERVICES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2022

DO IT SAFELY • DO IT RIGHT • DO IT PROFITABLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of May 2, 2022 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the three months ended March 31, 2022 and 2021. It should be read in conjunction with the audited consolidated financial statements for the three months ended March 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 pages 13 and 14.

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 March 31, 2022, were as follows:

Segment	Active (000's hhp)	Idle (000's hhp)	Total (000's hhp)	Crewed Fleets (#)
United States	570	303	873	9
Canada	227	43	270	4
Argentina	139	—	139	6
Total	936	346	1,282	19

- The Company's United States segment provides fracturing services to energy companies operating in the Bakken shale play in North Dakota; in the Rockies area, including 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 Marcellus and Utica shale plays in Pennsylvania, Ohio and West Virginia. At March 31, 2022, Calfrac's United States operations had combined active horsepower of approximately 570,000 and no active cementing or coiled tubing units. At the end of the first quarter, the United States segment had temporarily idled approximately 303,000 horsepower, one cementing unit and one coiled tubing unit.
- The Canadian segment is focused on the provision of fracturing and coiled tubing services to a diverse group of oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia, Saskatchewan and Manitoba. The Company's customer base in Canada ranges from large multinational public companies to small private companies. At March 31, 2022, Calfrac's Canadian operations had active horsepower of approximately 227,000 and eight active coiled tubing units. At the end of the first quarter, the Canadian segment had temporarily idled approximately 43,000 horsepower and four coiled tubing units.
- The Argentinean segment provides pressure pumping services from its operating bases in Argentina. The Company 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 approximately six fracturing spreads with 139,000 active horsepower, 10 active and two idle cementing units and five active and one idle coiled tubing unit in its Argentinean segment at March 31, 2022.
- The Company has committed to a plan to sell its Russia division, resulting in the associated assets and liabilities being presented as held for sale in the interim consolidated financial statements.

HIGHLIGHTS - CONTINUING OPERATIONS

Three Months Ended March 31,	2022	2021	Change
<i>(C\$000s, except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>		<i>Revised</i>	
Revenue	294,524	213,954	38
Operating income ⁽¹⁾	21,029	11,464	83
Per share – basic	0.55	0.31	77
Per share – diluted	0.25	0.14	79
Adjusted EBITDA ⁽¹⁾	20,831	10,821	93
Per share – basic	0.55	0.29	90
Per share – diluted	0.25	0.13	92
Net loss from continuing operations	(18,030)	(23,029)	(22)
Per share – basic and diluted	(0.47)	(0.62)	(24)
Weighted average common shares outstanding (000s)			
Basic	38,066	37,422	2
Diluted	84,675	83,814	1
As at	March 31	December 31	Change
	2022	2021	
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>		<i>Revised</i>	
Working capital, end of period	130,246	121,934	7
Total assets, end of period	862,519	822,368	5
Long-term debt, end of period	397,060	388,479	2
Total equity, end of period	302,195	328,840	(8)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 13 and 14 for further information.

⁽²⁾ During the first quarter of 2022, management committed to a plan to sell its Russian division, resulting in the associated assets and liabilities being presented as held for sale. Results from operations held for sale have not been included in the table above.

FIRST QUARTER 2022 OVERVIEW

In the first quarter of 2022, the Company:

- generated revenue of \$294.5 million, an increase of 38 percent from the first quarter in 2021 resulting primarily from improved pricing in North America and higher activity in the United States and Argentina;
- reported adjusted EBITDA of \$20.8 million versus \$10.8 million in the first quarter of 2021;
- committed to a plan to sell its Russian division, resulting in such associated assets and liabilities being presented as held for sale in the interim consolidated financial statements;
- reported a net loss from continuing operations of \$18.0 million or \$0.47 per share diluted compared to a net loss of \$23.0 million or \$0.62 per share diluted during the first quarter in 2021;
- executed a secured bridge loan with G2S2 Capital Inc. (“Bridge Loan”), a company controlled by George Armoyan, in order to fund its short-term working capital requirements. As of March 31, 2022, the Company had drawn \$15.0 million on the loan and can request further draws up to an additional \$10.0 million, for maximum proceeds of \$25.0 million, at an interest rate of 8.0 percent. Subsequent to the end of the quarter, the maturity date of this loan was extended to June 28, 2022;
- reported period-end working capital of \$130.2 million versus \$121.9 million at December 31, 2021;
- incurred capital expenditures of \$12.1 million primarily to support the Company’s United States fracturing operations; and
- negotiated additional waivers and amendments to its revolving credit facilities in order to fund expected future working capital requirements in North America.

FINANCIAL OVERVIEW – CONTINUING OPERATIONS – THREE MONTHS ENDED MARCH 31, 2022 VERSUS 2021

CANADA

Three Months Ended March 31, <i>(C\$000s, except operational information)</i> <i>(unaudited)</i>	2022 <i>(\$)</i>	2021 <i>(\$)</i>	Change <i>(%)</i>
Revenue	107,634	85,583	26
Expenses			
Operating	91,953	68,743	34
SG&A	2,161	1,661	30
	94,114	70,404	34
Operating income ⁽¹⁾	13,520	15,179	(11)
Operating income (%)	12.6	17.7	(29)
Fracturing revenue per job (\$)	20,434	16,939	21
Number of fracturing jobs	4,703	4,569	3
Active pumping horsepower, end of period (000s)	227	202	12
Idle pumping horsepower, end of period (000s)	43	73	(41)
Total pumping horsepower, end of period (000s)	270	275	(2)
Coiled tubing revenue per job (\$)	29,412	23,062	28
Number of coiled tubing jobs	357	355	1
Active coiled tubing units, end of period (#)	8	7	14
Idle coiled tubing units, end of period (#)	4	6	(33)
Total coiled tubing units, end of period (#)	12	13	(8)

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 13 and 14 for further information.

REVENUE

Revenue from Calfrac’s Canadian operations during the first quarter of 2022 was \$107.6 million compared to \$85.6 million in the same period of 2021 primarily due to higher pricing as a result of inflationary costs being passed through to the customer. The number of fracturing jobs increased by 3 percent from the comparable period in 2021 as the Company’s four fracturing fleets were highly utilized during the quarter. Revenue per fracturing job was 21 percent higher than the comparable quarter primarily due to the recovery of inflation in its operating costs. The number of coiled tubing jobs was consistent with the first quarter in 2021. The 28 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 a greater proportion of milling work, which are typically larger jobs than other coiled tubing services.

OPERATING INCOME

Operating income in Canada during the first quarter of 2022 was \$13.5 million compared to \$15.2 million in the same period of 2021. The Canadian division’s operating income as a percentage of revenue was 13 percent compared to 18 percent in the first quarter of 2021 due to significant inflationary cost pressures during the first quarter that impacted the majority of the Company’s cost categories including fuel, sand, chemicals, trucking and personnel costs. In addition, the Company did not receive any benefit from the Canadian Emergency Wage Subsidy (“CEWS”) in the first quarter of 2022 while the comparable quarter included a benefit of \$1.4 million. The Company introduced price increases of approximately 10 percent during the quarter. However, the impact of these price increases were mainly realized in the second half of the quarter. SG&A expenses increased 30 percent year-over-year primarily due to the reinstatement of salary and benefit rollbacks and the elimination of the CEWS benefit in 2022.

UNITED STATES

Three Months Ended March 31,	2022	2021	Change
<i>(C\$000s, except operational and exchange rate information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	132,311	92,913	42
Expenses			
Operating	121,508	93,154	30
SG&A	2,908	2,771	5
	124,416	95,925	30
Operating income (loss) ⁽¹⁾	7,895	(3,012)	NM
Operating income (loss) (%)	6.0	(3.2)	NM
Fracturing revenue per job (\$)	44,286	26,239	69
Number of fracturing jobs	2,987	3,541	(16)
Active pumping horsepower, end of period (000s)	570	532	7
Idle pumping horsepower, end of period (000s)	303	338	(10)
Total pumping horsepower, end of period (000s)	873	870	—
Active coiled tubing units, end of period (#)	—	—	—
Idle coiled tubing units, end of period (#)	1	1	—
Total coiled tubing units, end of period (#)	1	1	—
Active cementing units, end of period (#)	—	—	—
Idle cementing units, end of period (#)	1	3	(67)
Total cementing units, end of period (#)	1	3	(67)
US\$/C\$ average exchange rate ⁽²⁾	1.2663	1.2660	—

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 13 and 14 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac’s United States operations increased to \$132.3 million during the first quarter of 2022 from \$92.9 million in the comparable quarter of 2021. The 42 percent increase in revenue can be attributed to a combination of a 69 percent increase in revenue per job period-over-period offset partially by a 16 percent decrease in the number of fracturing jobs completed. The higher revenue per job was the result of significantly higher gross pricing for its services as the Company passed through higher input costs to its customers, combined with the impact of job mix. The overall reduction in job count was mainly due to the slow commencement of a significant customer’s pumping schedule in North Dakota to begin the quarter. As a result, the Company began the quarter with a total of four active fleets in the United States and exited the quarter with eight of its nine active fleets fully utilized across its three operating districts. Activity in Colorado increased relative to the comparable quarter in 2021 while activity was relatively consistent in the remaining areas where the Company operates.

OPERATING INCOME (LOSS)

The Company’s operations in the United States generated operating income of \$7.9 million during the first quarter of 2022 compared to an operating loss of \$3.0 million in the same period in 2021. This increase in operating income was largely driven by better utilization in the second half of the quarter and improved pricing. As stated, activity during the quarter started very slowly and supported utilization for only four of the Company’s nine marketed fleets in January. However, the Company was able to offset the slow start with high utilization of eight fleets during the second half of the quarter. The Company also continued to increase pricing in all of its operating regions in order to offset the significant inflationary cost pressures experienced across most operating cost drivers. The average rig count in the United States increased from approximately 390 rigs in the first quarter of 2021 to over 600 rigs in the same period in 2022. In response, the pressure pumping market continued to tighten which allowed the Company to achieve net pricing improvements in the range of 10 percent relative to the comparable quarter in 2021. SG&A expenses increased by 5 percent primarily due to the reinstatement of previously reduced salaries and benefits during the quarter.

ARGENTINA

Three Months Ended March 31,	2022	2021	Change
<i>(C\$000s, except operational and exchange rate information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	54,579	35,458	54
Expenses			
Operating	47,066	29,730	58
SG&A	2,044	1,814	13
	49,110	31,544	56
Operating income ⁽¹⁾	5,469	3,914	40
Operating income (%)	10.0	11.0	(9)
Fracturing revenue per job (\$)	56,907	54,288	5
Number of fracturing jobs	532	403	32
Active pumping horsepower, end of period (000s)	139	123	13
Idle pumping horsepower, end of period (000s)	—	—	—
Total pumping horsepower, end of period (000s)	139	123	13
Coiled tubing revenue per job (\$)	22,433	18,781	19
Number of coiled tubing jobs	393	236	67
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 (\$)	81,047	50,665	60
Number of cementing jobs	122	93	31
Active cementing units, end of period (#)	10	10	—
Idle cementing units, end of period (#)	2	3	(33)
Total cementing units, end of period (#)	12	13	(8)
US\$/C\$ average exchange rate ⁽²⁾	1.2663	1.2660	—

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 13 and 14 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Calfrac’s Argentinean operations generated revenue of \$54.6 million during the first quarter of 2022 compared to \$35.5 million in the comparable quarter in 2021. Activity in the first quarter of 2022 improved year-over-year across all service lines with the vast majority of the improvement occurring in the Neuquén region. Activity in the Vaca Muerta shale play continued to increase while activity in southern Argentina remained relatively consistent with the comparable quarter in 2021. Overall fracturing activity increased by 32 percent compared to the first quarter in 2021 along with 5 percent higher revenue per job. Revenue from the Company’s coiled tubing and cementing service lines continued to improve relative to the comparable period in 2021. The number of coiled tubing jobs increased by 67 percent as customer activity picked up in Neuquén and in southern Argentina while revenue per job improved by 19 percent primarily due to job mix. Activity in the Company’s cementing operations increased by 31 percent and revenue per job increased by 60 percent due to changes in job mix as a greater number of pre-fracturing projects, which are typically larger job sizes, were completed in the first quarter of 2022.

OPERATING INCOME

The Company’s operations in Argentina generated operating income of \$5.5 million during the first quarter of 2022 compared to operating income of \$3.9 million in the comparable quarter of 2021. Utilization of the Company’s equipment improved across all service lines compared to the same period in 2021. The Company’s operating margins as a percentage of revenue decreased from 11.0 percent to 10.0 percent due to inflationary salary increases that are paid in pesos that were not offset by the devaluation in the official peso exchange rate. The Company also incurred \$0.3 million of severance costs during the first quarter of 2022.

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 presented as held for sale. As at March 31, 2022, the carrying value of these assets was \$58.8 million and the carrying value of the liabilities was \$13.9 million. Results from operations held for sale have not been included in the preceding tables.

For additional information related to Calfrac's assets held for sale, see note 3 of the interim consolidated financial statements for the three months ended March 31, 2022.

Revenue from Calfrac's discontinued Russian operations decreased by 20 percent during the first quarter of 2022 to \$22.1 million from \$27.6 million in the corresponding period of 2021. Fracturing revenue decreased due to changes in job mix combined with an 11 percent depreciation in the Russian rouble. Coiled tubing revenue also decreased as activity was concentrated on port openings rather than cleanouts during the quarter, which resulted in fewer jobs completed at a lower revenue per job.

The Company's Russian division had an operating loss of \$0.6 million during the first quarter of 2022 compared to operating income of \$1.5 million in the comparable quarter in 2021. The lower operating margin performance was primarily due to lower than expected fracturing equipment utilization as operations were impacted by the start of the war with Ukraine. In addition, the Company halted plans to reactivate an additional fracturing and coiled tubing fleet in the quarter. Coiled tubing activity was comprised of lower margin work during the quarter, which had a negative impact on overall margins as a percentage of revenue. The Company incurred \$0.2 million of severance costs during the first quarter in 2022.

CORPORATE

Three Months Ended March 31, (C\$000s) (unaudited)	2022 (\$)	2021 (\$)	Change (%)
Expenses			
Operating	344	355	(3)
SG&A	5,511	4,262	29
	5,855	4,617	27
Operating loss ⁽¹⁾	(5,855)	(4,617)	27
% of Revenue from Continuing Operations	2.0	2.2	(9)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 13 and 14 for further information.

OPERATING LOSS

Corporate expenses for the first quarter of 2022 were \$5.9 million compared to \$4.6 million in the first quarter of 2021. The higher SG&A expense was due to an increase in stock-based compensation expense of \$1.2 million in the first quarter in 2022 compared to the same period in 2021, primarily due to the issuance of new equity-based awards under the omnibus incentive plan during the second quarter in 2021.

DEPRECIATION

For the three months ended March 31, 2022, depreciation expense of \$30.2 million was relatively consistent with the corresponding quarter in 2021. The slight decrease in first-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 of \$3.8 million during the first quarter of 2022 versus a loss of \$2.6 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 first 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 \$9.8 million for the first quarter of 2022 was \$0.7 million higher than the comparable period in 2021. The increase in interest expense was primarily due to higher borrowings under the Company's revolving credit facilities combined with interest on draws made under the Bridge Loan.

INCOME TAXES

The Company recorded an income tax recovery of \$5.6 million during the first quarter of 2022 compared to a tax recovery of \$8.4 million in the comparable period of 2021. A deferred tax recovery of \$5.6 million was recorded due to losses incurred in the United States. All other divisions are in a net deferred tax asset position and the deferred tax assets continue to not be recognized for accounting purposes.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended Mar. 31,	
	2022	2021
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>		
Cash provided by (used in):		
Operating activities	15,753	(19,862)
Financing activities	22,052	15,981
Investing activities	(15,497)	(10,506)
Effect of exchange rate changes on cash and cash equivalents	(7,020)	(1,478)
Increase (decrease) in cash and cash equivalents	15,288	(15,865)

OPERATING ACTIVITIES

The Company's consolidated cash provided by operating activities for the three months ended March 31, 2022 was \$15.8 million versus cash used of \$19.9 million in the comparable period in 2021. The increase in cash from operations was primarily due to an inflow of cash from working capital during the period. In the first quarter in 2022, \$9.2 million of cash was provided by reductions in working capital versus requiring \$20.8 million of cash in the same period in 2021. At March 31, 2022, Calfrac's working capital from continuing operations was \$130.2 million compared to \$121.9 million at December 31, 2021.

FINANCING ACTIVITIES

Net cash provided by financing activities for the three months ended March 31, 2022 was \$22.1 million compared to net cash provided of \$16.0 million in the same period in 2021. During the quarter, the Company borrowed \$8.4 million on a net basis under its credit facilities, received \$15.0 million of bridge loan financing, paid lease principal payments of \$2.1 million and received proceeds of \$0.7 million from the exercise of a portion of the Company's outstanding warrants.

During the first quarter of 2021, the Company recorded the rescission of \$1.0 million of its 1.5 lien senior secured 10% payment-in-kind convertible notes ("1.5 Lien Notes"). For accounting purposes, the \$1.0 million principal amount was recorded on a proportional basis as a reduction of the liability and equity portion of the 1.5 Lien Notes. 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. In addition, a total of \$0.9 million of 1.5 Lien Notes have been converted into equity since issuance.

On June 30, 2021, the Company amended its revolving credit facility agreement, a copy of which is available on SEDAR, to reduce its total facility capacity from \$290.0 million to \$225.0 million and extended the maturity date to July 1, 2023. On November 25, 2021, the Company further amended its revolving credit facility agreement to increase its total facility capacity to \$250.0 million.

During the first quarter of 2022, the Company negotiated additional waivers and amendments to its revolving credit facilities in order to fund expected future working capital requirements in North America. The waivers and amendments included the following:

- i. The Company's Funded Debt to Adjusted EBITDA covenant was increased to 3.75x for the quarter ended March 31, 2022;

- ii. The minimum \$15.0 million liquidity requirement was temporarily waived through March 15, 2022 and reinstated through the term of an extended Covenant Relief Period. The extended Covenant Relief Period terminates on June 30, 2022 to the extent Calfrac has provided a compliance certificate to its lenders certifying compliance with all applicable financial covenants at such quarter end;
- iii. G2S2 Capital Inc. (“G2S2”) was added as a lender to permit the incurrence of the Bridge Loan under the credit agreement, with such debt being excluded from the definitions of Funded Debt, Total Debt and Current Liabilities for the purposes of financial covenant calculations; and
- iv. The eligible portion of the net book value of property, plant and equipment (PP&E) for the purposes of the borrowing base calculation was increased from 25 percent to 35 percent, subject to a maximum contribution of \$150.0 million.

Additionally, the Company executed a Bridge Loan, in order to fund its short-term working capital requirements. As of March 31, 2022, the Company had drawn \$15.0 million on the loan and can request further draws up to an additional \$10.0 million, for maximum proceeds of \$25.0 million, at an interest rate of 8.00 percent. Subsequent to the end of the quarter, the maturity date of this loan was extended to June 28, 2022. The Bridge Loan is secured by the existing security interests securing the obligations under the credit agreement, provided that in the event of an enforcement of such security interests, G2S2’s right to any realization proceeds is subordinate to the prior repayment in full of all of the other lenders. G2S2 has no voting rights as a lender under the credit agreement for any purpose.

The Company’s revolving credit facilities consist of an operating facility of \$45.0 million and a syndicated facility of \$205.0 million. The Company’s credit facilities mature on July 1, 2023, and 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 LIBOR-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 during the Covenant Relief Period or if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company’s net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00 and also during the Covenant Relief Period, certain restrictions apply including the following, among others: (a) acquisitions are subject to consent of the lenders; (b) distributions are restricted other than those relating to the Company’s equity compensation plans; (c) no increase in the rate of dividends are permitted; and (d) additional permitted debt is restricted to \$5.0 million, subject to certain exceptions. As at March 31, 2022, the Company’s net Total Debt to Adjusted EBITDA ratio exceeded the 5.00:1.00 threshold and the Company was also subject to the Covenant Relief Period restrictions.

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 March 31, 2022, the Company had used \$0.9 million of its credit facilities for letters of credit and had \$200.0 million of borrowings under its credit facilities. As described above, the Company’s credit facilities are subject to a monthly borrowing base, which at March 31, 2022 was \$243.8 million. Under the terms of the Company’s amended credit facility agreement, Calfrac must maintain a minimum liquidity amount of \$15.0 million during the Covenant Relief Period.

The Company’s credit facilities contain certain financial covenants. As per the amended credit facility agreement, the Company’s Funded Debt to Adjusted EBITDA covenant is 3.75x for the quarter ended March 31, 2022 and 3.00x for 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 March 31, 2022.

As at March 31,	Covenant	Actual
	2022	2022
Working capital ratio not to fall below	1.15x	2.16x
Funded Debt to Adjusted EBITDA not to exceed ⁽¹⁾⁽²⁾	3.75x	3.26x
Funded Debt to Capitalization not to exceed ⁽¹⁾⁽³⁾	0.30x	0.28x

⁽¹⁾ Funded Debt is defined as Total Debt excluding all outstanding 10.875% second lien secured notes ("Second Lien Notes"), 1.5 Lien Notes, the Bridge Loan 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, non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring.

⁽³⁾ Capitalization is Total Debt plus equity.

The credit facility agreement provides that proceeds from equity offerings may be applied, as an equity cure, in the calculation of Adjusted EBITDA towards the Funded Debt to Adjusted EBITDA covenant for any of the quarters ending prior to and including June 30, 2023, subject to certain conditions including:

- i. the Company is only permitted to use the proceeds of a common share issuance to increase Adjusted EBITDA a maximum of two times;
- ii. the Company cannot use the proceeds of a common share issuance to increase Adjusted EBITDA in consecutive quarter ends;
- iii. the maximum proceeds of each common share issuance permitted to be attributed to Adjusted EBITDA cannot exceed the greater of 50 percent of Adjusted EBITDA on a trailing four-quarter basis and \$25.0 million; and
- iv. if proceeds are not used immediately as an equity cure they must be held in a segregated bank account pending an election to use them for such purpose, and if they are removed from such account but not used as an equity cure they will no longer be eligible for such use.

To utilize an equity cure, the Company must provide notice of any such election to the lending syndicate at any time prior to the filing of its quarterly financial statements for the applicable quarter on SEDAR. Amounts used as an equity cure prior to June 30, 2023 will increase Adjusted EBITDA over the relevant twelve-month rolling period and may also serve to reduce Funded Debt unless used for other purposes.

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. Also, during the Covenant Relief Period, there is an obligation to reduce advances under the credit facilities using proceeds of any disposition of property or assets that exceed \$10.0 million.

The indentures governing the 1.5 Lien Notes and Second Lien Notes (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 to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US\$20.0 million in the Indentures. As at March 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. The 1.5 Lien Notes indenture includes additional restrictions on certain investments, including certain investments in subsidiary entities, however the indenture includes several exceptions to this prohibition, including a general basket of US\$10.0 million and baskets related to prepayments and certain capital commitments which aggregate over US\$12.0 million. The 1.5 Lien Notes indenture also contains a restriction that any indebtedness incurred in excess of \$290.0 million under the credit facilities basket shall be junior in priority to the 1.5 Lien Notes.

As at March 31, 2022, the Company's Fixed Charge Coverage Ratio of 1.49:1 was below the required 2:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the Indentures, and the baskets highlighted in the preceding paragraph provide sufficient flexibility, subject to the additional restrictions under the credit facility agreement, for the Company to incur anticipated additional indebtedness and make anticipated restricted payments which are expected to be required to conduct its operations.

INVESTING ACTIVITIES

Calfrac's consolidated net cash used in investing activities was \$15.5 million for the three months ended March 31, 2022 versus \$10.5 million in the comparable period in 2021. Cash outflows relating to capital expenditures were \$16.1 million for the quarter ended March 31, 2022 compared to \$10.9 million in 2021. Calfrac's Board of Directors have approved a 2022 capital budget of approximately \$97.0 million, which is comprised primarily of maintenance capital, and is subject to fluctuations based on operating activity.

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 three months ended March 31, 2022 was a loss of \$7.0 million versus a loss of \$1.5 million in the comparable period in 2021. These losses relate to movements of cash and cash equivalents held by the Company in a foreign currency during the period.

With its working capital position, available credit facilities, remaining availability under the Bridge Loan, 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 2022 and beyond.

At March 31, 2022, the Company had a cash position of \$11.8 million, which excludes cash held in Russia.

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 April 29, 2022, the Company had issued and outstanding 38,445,406 common shares, 5,469,453 common share purchase warrants and 3,300,000 options to purchase common shares.

SUMMARY OF QUARTERLY RESULTS - CONTINUING OPERATIONS

Three Months Ended	Jun. 30,	Sep. 30,	Dec. 31,	Mar. 31,	Jun. 30,	Sep. 30,	Dec. 31,	Mar. 31,
	2020	2020	2020	2021	2021	2021	2021	2022
<i>(C\$000s, except per share and operating data)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>								
Financial								
Revenue	67,486	99,246	153,773	213,954	173,769	262,865	229,661	294,524
Operating income (loss) ⁽¹⁾	(10,059)	1,977	11,149	11,464	755	29,647	7,465	21,029
Per share – basic ⁽²⁾	(3.47)	0.68	1.37	0.31	0.02	0.79	0.20	0.55
Per share – diluted ⁽²⁾	(3.47)	0.68	0.19	0.14	0.01	0.36	0.09	0.25
Adjusted EBITDA ⁽¹⁾	(8,504)	2,852	9,554	10,821	(1,080)	29,756	7,961	20,831
Per share – basic ⁽²⁾	(2.93)	0.98	1.17	0.29	(0.03)	0.79	0.21	0.55
Per share – diluted ⁽²⁾	(2.93)	0.98	0.17	0.13	(0.01)	0.36	0.09	0.25
Net loss from continuing operations	(253,632)	(52,832)	121,616	(23,029)	(35,516)	(7,055)	(29,132)	(18,030)
Per share – basic ⁽²⁾	(87.46)	(18.18)	14.91	(0.62)	(0.95)	(0.19)	(0.77)	(0.47)
Per share – diluted ⁽²⁾	(87.46)	(18.18)	2.11	(0.62)	(0.95)	(0.19)	(0.77)	(0.47)
Capital expenditures	5,776	2,608	6,053	10,503	17,166	24,070	14,868	12,145
Working capital (end of period)	126,731	95,344	117,841	129,942	105,085	130,213	121,934	130,246
Total equity (end of period)	(34,195)	(81,033)	410,234	384,562	350,631	357,830	328,840	302,195

Operating (end of period)

Active pumping horsepower (000s)	715	775	837	856	873	899	942	936
Idle pumping horsepower (000s)	560	493	432	413	393	383	337	346
Total pumping horsepower (000s)	1,275	1,268	1,268	1,268	1,266	1,282	1,279	1,282
Active coiled tubing units (#)	13	12	13	12	12	12	13	13
Idle coiled tubing units (#)	7	8	7	8	8	8	7	6
Total coiled tubing units (#)	20	20	20	20	20	20	20	19
Active cementing units (#)	13	12	12	10	10	10	10	10
Idle cementing units (#)	3	4	4	6	6	6	5	4
Total cementing units (#)	16	16	16	16	16	16	15	14

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 13 and 14 for further information.

⁽²⁾ Comparative amounts were adjusted to reflect the Company’s fifty-to-one common share consolidation that occurred on December 18, 2020

⁽³⁾ All comparative amounts exclude the impact from the Company’s Russia operations, which have been classified as held for sale.

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 - Seasonality” in the 2021 Annual Report).

FOREIGN EXCHANGE FLUCTUATIONS

The Company’s consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in the exchange rates for United States and Argentinean currency (refer to “Business Risks - Fluctuations in Foreign Exchange Rates” in the 2021 Annual Report).

BUSINESS UPDATE AND OUTLOOK

As crude oil and natural gas prices remain at multi-year highs, demand for Calfrac's services has improved as customers prioritize quality execution in selecting service providers. In North America, the Company built momentum throughout the first quarter, and looks to improve upon its strong finish through the remainder of 2022. Calfrac's diverse operational footprint positions it to take advantage of the world's increased reliance on North American onshore oil and gas production. The Company is excited to leverage its culture and people to seize upon this current cycle of improving market fundamentals and increase financial returns by providing superior services to its customers.

CANADA

Calfrac's Canadian division generated momentum through the quarter and ended the first quarter operating at full capacity for its active equipment. While seasonal break-up is affecting April's activity, the Company expects utilization for its four large fracturing fleets and four coiled tubing units to increase towards the end of the quarter, setting up for a strong second half in 2022. The Company expects its diverse customer base will allow it to take advantage of the undersupplied services market and increase net pricing to the benefit of Calfrac's shareholders. Even though costs are inflating at a more subdued rate than experienced in the first quarter in 2022, the Company continues to pass-through input cost increases to its customers. Although the pressure pumping sector has achieved recent net price improvement, Calfrac believes that industry pricing is still below the necessary level for sustainable capital investment.

UNITED STATES

The Company's United States operations leveraged improving activity and pricing to exit the first quarter with its strongest fleet profitability in recent years. The first quarter's momentum is expected to continue for the remainder of the year as Calfrac showcases its reputation as a desirable service provider through its nine sold out fracturing fleets, which are anticipated to drive robust year-over-year increases in operating cash flow. The Company is well-positioned to capitalize on what is anticipated to be a multi-year activity expansion through its operational excellence, and a customer base that values a viable services sector. As the pressure pumping market in the United States continues to tighten, Calfrac will carefully evaluate any opportunities to increase its operating scale to ensure that the anticipated returns will exceed its internal financial thresholds.

ARGENTINA

Calfrac's operations in Argentina have experienced strong equipment utilization in the Vaca Muerta shale play and southern Argentina. The Company has recently renewed a contract with an existing customer, beginning in July 2022, for two years for a dedicated fracturing fleet and coiled tubing unit that incorporates improved market pricing. The Company expects its positive momentum to deliver an increase in financial performance as the year progresses in 2022.

CORPORATE

Calfrac remains focused on optimizing its operating efficiencies as well as prudent capital allocation in order to drive an increase in operating cash flow which will be dedicated to debt repayment. The Company will consider additional fleet reactivations or growth investments only if the financial returns exceed its internal financial benchmarks and properly account for macroeconomic, industry and operation-specific risk factors.

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 in order to provide shareholders and potential investors with additional information regarding the Company's financial results, liquidity and ability to generate funds to finance its operations. These measures may not be comparable to similar measures presented by other entities, and are explained below.

Operating income (loss) is defined as net income (loss) before depreciation, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, impairment of inventory, impairment of property, plant and equipment, interest, and income taxes. Management believes that operating income is a useful supplemental measure as it provides an indication of the financial results generated by Calfrac's business segments prior to consideration of how these segments are financed or taxed. In addition, management believes this measure allows investors to more accurately compare the Company's performance with its peers by providing an indication of its financial results prior to consideration of the age or size of its asset base, or the investment and accounting policies associated with its assets. Operating income (loss) for the period was calculated as follows:

Three Months Ended March 31,	2022	2021
(C\$000s)	(\$)	(\$)
(unaudited)		Revised
Net loss from continuing operations	(18,030)	(23,029)
Add back (deduct):		
Depreciation	29,954	31,569
Foreign exchange losses	3,837	2,590
Loss (gain) on disposal of property, plant and equipment	1,038	(387)
Interest	9,816	9,103
Income taxes	(5,586)	(8,382)
Operating income from continuing operations	21,029	11,464

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

Three Months Ended March 31,	2022	2021
(C\$000s)		
(unaudited)		Revised
Net loss from continuing operations	(18,030)	(23,029)
Add back (deduct):		
Depreciation	29,954	31,569
Unrealized foreign exchange losses	1,904	1,692
Loss (gain) on disposal of property, plant and equipment	1,038	(387)
Restructuring charges	701	255
Stock-based compensation	1,034	—
Interest	9,816	9,103
Income taxes	(5,586)	(8,382)
Adjusted EBITDA ⁽¹⁾	20,831	10,821

⁽¹⁾ For bank covenant purposes, EBITDA includes \$0.8 million loss from discontinued operations for the three months ended March 31, 2022 (three months ended March 31, 2021 – \$1.1 million income) and the deduction of an additional \$2.4 million of lease payments for the three months ended March 31, 2022 (three months ended March 31, 2021 – \$2.1 million) that would have been recorded as operating expenses prior to the adoption of IFRS 16.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Calfrac has various contractual lease commitments related to vehicles, equipment and facilities as well as purchase obligations for products, services and property, plant and equipment as disclosed in the Company's 2021 annual consolidated financial statements.

GREEK LITIGATION

As described in note 16 to the interim 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, which was amended in February 2022, alleges the Company failed to satisfy certain volume commitments and associated shortfall payment obligations under a sand supply agreement and the vendor is seeking at least US\$10.2 million in damages together with interest and unspecified other relief. The Company has

filed an answer to the complaint (as amended) and a counter-claim. The case is still in the early stages, but the Company intends to pursue its counter-claim and vigorously defend against the vendor's allegations.

Given the stage of the proceedings and the existence of available defenses, the direction and financial consequences of the claims in the complaint cannot be determined at this time. While management does not believe that this claim will have a material adverse effect on the business or financial condition of the Company, no assurance can be given as to the outcome of the proceedings.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the three months ended March 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.

Judgment is also used in the determination of the functional currency of each subsidiary and in the determination of cash-generating units.

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 \$0.6 million at March 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, long-term debt and lease obligations.

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 March 31, 2022 was \$139.5 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.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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 asset is recognized at the date of derecognition.

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.

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 co-ordinated 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.

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 4 to the 2021 annual 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 reviewed all CGUs for impairment as at March 31, 2022 and based on its review, there was no impairment or reversal of impairment of assets or CGUs.

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 in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, effective March 31, 2022.

Management has determined that no impairment or reversal of impairment in the net assets of Russia is required as at March 31, 2022. Management will revisit the fair value of the net assets upon the close of the transaction.

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. The realizability of deferred income tax assets is an estimate and requires judgments to be made by management. 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 factors as well as the Company's interpretation of relevant tax legislation and regulations.

GOVERNMENT SUBSIDIES

The Company adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy and Canadian Emergency Rent Subsidy programs. Government subsidies are recognized when there is reasonable assurance that the Company will comply with the relevant conditions and that subsidy will be received. Government subsidies related to period expenses are recorded as a reduction of related expenses. These programs ended in late 2021 and did not provide any benefit in the first quarter in 2022, while in the comparable three month period in 2021, the Company recognized \$1.5 million as a reduction of salaries and wages expense and \$0.1 million as a reduction of rent expense.

STOCK-BASED COMPENSATION

The fair value of stock options are 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 such compensation program.

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

Ronald P. Mathison, the Chairman of the Company, and entities controlled by George S. Armoyan, interim Chief Executive Officer and a member of the Board of Directors, hold 19 percent and 45 percent, respectively, of the Company's 1.5 Lien Notes.

In connection with the 1.5 Lien Notes offering, the Company issued 1,125,703 common shares to certain investors that backstopped the issuance of the 1.5 Lien Notes. Certain entities controlled by George S. Armoyan received 734,413 shares for their participation in backstopping the 1.5 Lien Notes, of which 38,023 shares were sold during the first quarter of 2021.

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 three months ended March 31, 2022 was \$0.2 million (three months ended March 31, 2021 – \$0.2 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

IAS 1 *Presentation of Financial Statements* has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment is effective for the years beginning on or after January 1, 2023.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* has been amended to clarify what costs an entity considers in assessing whether a contract is onerous. The amendment specifies that the cost of fulfilling a contract comprises of the incremental or allocated costs that relate directly to the fulfillment of the contract. Adoption of the amendment is in effect for annual periods beginning on or after January 1, 2022.

IAS 16 *Property, Plant and Equipment* has been amended to (i) prohibit an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly), (ii) clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset, and (iii) require certain related disclosures. These amendments are effective for periods beginning on or after January 1, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the interim period ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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, which are specifically incorporated by reference herein.

The Annual Information Form is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed 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.

The ongoing conflict between Russia and Ukraine has added a level of risk and uncertainty around the Company's operations in Russia. As a result of these changes in circumstances, the risk and uncertainty surrounding banking restrictions and the ability to repatriate funds to Canada from Russia, the Company's ownership and control over its Russian subsidiary, the physical security of property, plant and equipment, collectibility of accounts receivable, and overall business and operational risks are being monitored. For additional information related to Calfrac's assets held for sale, see note 3 of the interim consolidated financial statements for the three months ended March 31, 2022.

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 Company's debt, liquidity and financial position, and the Company's expectations and intentions with respect to the foregoing, expected operating strategies and targets, anticipated pricing for the Company's services, capital expenditure programs, future financial resources, anticipated equipment utilization levels, future oil and natural gas well activity in each of the Company's operating jurisdictions, the planned sale of the Company's Russia segment and its accounting treatment, the results of acquisitions and dispositions, the impact of environmental regulations, future costs or potential liabilities, projections of market prices and costs, supply and demand for oilfield services, expectations regarding the Company's ability to maintain its competitive position, anticipated benefits of the Company's competitive position, expectations regarding the Company's financing activities and restrictions, including with regard to its credit agreement and the Indentures, and its ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events (including exposure and positioning under existing and potential legal proceedings), expectations regarding trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth strategy and prospects, accounting policies, practices and standards of the Company and the impact of any changes on the Company and its financial statements, normal industry credit, interest rate, liquidity, and foreign exchange risk on cash flow, indicators of impairment, future taxable income and utilization of available tax losses, functional currency, related-party transactions, intentions and strategies with respect to legal proceedings, evaluation of disclosure controls and procedures and internal controls over financial reporting. 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 current and prospective customers' capital budgets and geographical areas of focus, the effect of environmental, social and governance factors on customer and investor preferences and capital deployment; the Company's existing contracts and the status of current negotiations with key customers and suppliers, the 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: volatility of industry conditions including the level of exploration, development and production for oil and natural gas in Canada, the US and Argentina and market prices for oil and natural gas impacting the demand for oilfield services; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; the availability of capital on satisfactory terms and managing restrictions resulting from compliance with or breach of debt covenants and risk of acceleration of indebtedness, including under the Company's credit facilities, Bridge Loan, the Indentures; failure to reach any additional

agreements with the Company's lenders; the impact of events of defaults in respect of other material contracts of the Company, including but not limited to, cross-defaults resulting in acceleration of amounts payable thereunder or the termination of such agreements; the Company's ability to continue to manage the effects of the COVID-19 pandemic on its operations; excess oilfield equipment levels; direct and indirect exposure to volatile credit markets, including credit rating risk; risks associated with foreign operations including but not limited to the sanctions and restrictive measures against Russia by Canada, US and other governments in response to Russia's invasion of Ukraine and counter-actions taken by Russia in response thereto ; the impacts of the Russia-Ukraine conflict on the supply and demand for oil and gas produced in Russia and globally; ability to employ and retain skilled and unskilled labour to meet the Company's needs; the Company's ability to address the energy transition and adapting equipment and technology based on government and customer requirements and preferences; dilution risks associated with the conversion of outstanding convertible securities and additional equity or debt financings; regional competition; operating restrictions and compliance costs associated with legislative and regulatory initiatives relating to hydraulic fracturing and the protection of workers and the environment; greenhouse gas regulation risks; fluctuations in foreign exchange rates; dependence on, and concentration of, major customers; liabilities and risks, including environmental liabilities and risks inherent in oil and natural gas operations; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; the Company's ability to expand operations; liabilities relating to legal and/or administrative proceedings including the decisions by securities regulators and/or the courts; changes in legislation and the regulatory environment; failure to maintain the Company's safety standards and record; activist shareholder risks; liabilities and risks associated with prior operations; ability to maintain continuous improvements in operating equipment and proprietary fluid chemistries; intellectual property risk; unauthorized access or breach of confidential information; third party credit risk; cybersecurity risks; loss of reputation in the marketplace; merger and acquisition activity amongst oil and natural gas exploration and production companies; retaining key employees; failure to realize anticipated benefits of acquisitions and dispositions; unfavorable tax assessments or changes in administrative tax practices; and failure to manage growth related risks. Further information about these and other risks and uncertainties may be found under "Business Risks" above.

Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. 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.



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2** **FIRST QUARTER**
CALFRAC WELL SERVICES LTD.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Three Months Ended March 31, 2022 and 2021 (Unaudited)

DO IT SAFELY • DO IT RIGHT • DO IT PROFITABLY

CONSOLIDATED BALANCE SHEETS

	Note	March 31, 2022	December 31, 2021
<i>(C\$000s) (unaudited)</i>			
		<i>(\$)</i>	<i>(\$)</i>
ASSETS			
Current assets			
Cash and cash equivalents		11,821	—
Accounts receivable		205,378	189,835
Income taxes recoverable		2,168	2,859
Inventories		79,027	101,840
Prepaid expenses and deposits		8,392	12,999
		306,786	307,533
Assets classified as held for sale	3	58,752	—
		365,538	307,533
Non-current assets			
Property, plant and equipment		534,871	563,423
Right-of-use assets	8	20,862	22,005
		555,733	585,428
Total assets		921,271	892,961
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdraft		—	1,351
Accounts payable and accrued liabilities		153,572	127,441
Bridge loan	4	15,000	—
Current portion of lease obligations	8	7,968	8,004
		176,540	136,796
Liabilities directly associated with assets classified as held for sale	3	13,929	—
		190,469	136,796
Non-current liabilities			
Long-term debt	5	397,060	388,479
Lease obligations	8	11,199	12,560
Deferred income tax liabilities		20,348	26,286
		428,607	427,325
Total liabilities		619,076	564,121
Capital stock	6	804,446	801,178
Conversion rights on convertible notes	5	4,717	4,764
Contributed surplus		69,292	68,258
Warrants	7	38,311	40,282
Loan receivable for purchase of common shares		(2,500)	(2,500)
Accumulated deficit		(613,759)	(592,221)
Accumulated other comprehensive income		1,688	9,079
Total equity		302,195	328,840
Total liabilities and equity		921,271	892,961

Contingencies (note 16)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

		Three Months Ended March 31,	
	Note	2022	2021
<i>(C\$000s, except per share data) (unaudited)</i>			
		<i>(5)</i>	<i>(5)</i>
	3		<i>Revised</i>
Revenue	13	294,524	213,954
Cost of sales	14	290,824	223,551
Gross profit (loss)		3,700	(9,597)
Expenses			
Selling, general and administrative		12,625	10,508
Foreign exchange losses		3,837	2,590
Loss (gain) on disposal of property, plant and equipment		1,038	(387)
Interest		9,816	9,103
		27,316	21,814
Loss before income tax		(23,616)	(31,411)
Income tax expense (recovery)			
Current		44	28
Deferred		(5,630)	(8,410)
		(5,586)	(8,382)
Net loss from continuing operations		(18,030)	(23,029)
Net (loss) income from discontinued operations	3	(3,508)	611
Net loss for the period		(21,538)	(22,418)
(Loss) earnings per share – basic	6		
Continuing operations		(0.47)	(0.62)
Discontinued operations		(0.09)	0.02
		(0.56)	(0.60)
(Loss) earnings per share – diluted	6		
Continuing operations		(0.47)	(0.62)
Discontinued operations		(0.09)	0.01
		(0.56)	(0.60)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended March 31,	
	2022	2021
<i>(C\$000s) (unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>
Net loss for the period	(21,538)	(22,418)
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit or loss:		
Change in foreign currency translation adjustment	(7,391)	(3,238)
Comprehensive loss	(28,929)	(25,656)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital (\$)	Conversion Rights on Convertible Notes	Contributed Surplus (\$)	Warrants (\$)	Loan Receivable for Purchase of Common Shares (\$)	Accumulated Other Comprehensive Income (Loss) (\$)	Accumulated Deficit (\$)	Total Equity (\$)
<i>(C\$000s) (unaudited)</i>									
Balance – January 1, 2022		801,178	4,764	68,258	40,282	(2,500)	9,079	(592,221)	328,840
Net loss		—	—	—	—	—	—	(21,538)	(21,538)
Other comprehensive income (loss):									
Cumulative translation adjustment		—	—	—	—	—	(7,391)	—	(7,391)
Comprehensive loss		—	—	—	—	—	(7,391)	(21,538)	(28,929)
Stock options:									
Stock-based compensation recognized		—	—	1,034	—	—	—	—	1,034
Conversion of 1.5 Lien Notes into shares	5	593	(47)	—	—	—	—	—	546
Warrants:									
Proceeds from issuance of shares	7	2,675	—	—	(1,971)	—	—	—	704
Balance – March 31, 2022		804,446	4,717	69,292	38,311	(2,500)	1,688	(613,759)	302,195
Balance – January 1, 2021		800,184	4,873	65,986	40,797	(2,500)	10,303	(509,409)	410,234
Net loss		—	—	—	—	—	—	(22,418)	(22,418)
Other comprehensive income (loss):									
Cumulative translation adjustment		—	—	—	—	—	(3,238)	—	(3,238)
Comprehensive loss		—	—	—	—	—	(3,238)	(22,418)	(25,656)
Rescission of equity portion of 1.5 Lien Notes		—	(85)	—	—	—	—	—	(85)
Warrants:									
Proceeds from issuance of shares	6	260	—	—	(192)	—	—	—	68
Balance – March 31, 2021		800,444	4,788	65,986	40,605	(2,500)	7,065	(531,827)	384,561

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended March 31,	
	Note	2022	2021
<i>(C\$000s) (unaudited)</i>			
		<i>(5)</i>	<i>(5)</i>
CASH FLOWS PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net loss for the period		(21,538)	(22,418)
Adjusted for the following:			
Depreciation		30,153	31,624
Stock-based compensation		1,034	—
Unrealized foreign exchange losses		4,173	2,086
Loss (gain) on disposal of property, plant and equipment		1,037	(387)
Interest		9,816	9,101
Interest paid		(12,463)	(10,636)
Deferred income taxes		(5,630)	(8,410)
Changes in items of working capital	10	9,171	(20,822)
Cash flows provided by (used in) operating activities		15,753	(19,862)
FINANCING ACTIVITIES			
Bridge loan proceeds		15,000	—
Issuance of long-term debt, net of debt issuance costs	5	8,431	18,770
Long-term debt repayments	5	—	(1,050)
Lease obligation principal repayments		(2,083)	(1,807)
Proceeds on issuance of common shares from the exercising of warrants		704	68
Cash flows provided by financing activities		22,052	15,981
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(16,104)	(10,874)
Proceeds on disposal of property, plant and equipment		303	187
Proceeds on disposal of right-of-use assets		304	181
Cash flows used in investing activities		(15,497)	(10,506)
Effect of exchange rate changes on cash and cash equivalents		(7,020)	(1,478)
Increase (decrease) in cash and cash equivalents		15,288	(15,865)
(Bank overdraft) cash and cash equivalents, beginning of period		(1,351)	29,830
Cash and cash equivalents, end of period		13,937	13,965
Cash flows of discontinued operations	3		

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 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, including hydraulic fracturing, coiled tubing, cementing and other well completion services to the oil and natural gas industries in Canada, the United States, Russia and Argentina.

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent 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). They should be read in conjunction with the annual financial statements for the year ended December 31, 2021. Unless otherwise noted, the Company has consistently applied the same accounting policies throughout all periods presented, as if these policies were always in effect.

These financial statements were approved for issuance by the Board of Directors on May 2, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements.

(a) Income Taxes

For 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.

(b) 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 co-ordinated 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.

3. 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 in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, effective March 31, 2022.

Management has determined that no impairment or reversal of impairment in the net assets of Russia is required as at March 31, 2022. Management will revisit the fair value of the net assets upon the close of the transaction.

(a) Financial Information

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

	Three Months Ended March 31,	
	2022	2021
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Revenue	22,096	27,621
Expenses	25,604	26,953
(Loss) income before income tax	(3,508)	668
Income tax expense	—	57
Net (loss) income from discontinued operations	(3,508)	611

	Three Months Ended March 31,	
	2022	2021
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Net cash provided by operating activities	2,881	1,280
Net cash provided by (used in) financing activities	—	—
Net cash used in investing activities	—	(1,083)
Effect of exchange rate changes on cash and cash equivalents	199	183
Increase in cash and cash equivalents from discontinued operations	3,080	380

The financial performance and cash flow information of the Russia operating division for the years ended December 31, 2021 and 2020 are:

	Years Ended December 31,	
	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Revenue	122,146	100,407
Expenses	108,894	123,480
Income (loss) before income tax	13,252	(23,073)
Income tax expense	1,333	5,756
Net income (loss) from discontinued operations	11,919	(28,829)

	Years Ended December 31,	
	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Net cash provided by operating activities	6,457	5,781
Net cash provided by (used in) financing activities	—	—
Net cash used in investing activities	(4,648)	(1,201)
Effect of exchange rate changes on cash and cash equivalents	156	5,090
Increase in cash and cash equivalents from discontinued operations	1,965	9,670

(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 March 31, 2022:

<i>(C\$000s)</i>	<i>(\$)</i>
Assets classified as held for sale	
Cash and cash equivalents	2,116
Accounts receivable	31,779
Income taxes recoverable	992
Inventories	18,628
Prepaid expenses and deposits	1,502
Property, plant and equipment	3,735
	58,752
Liabilities directly associated with assets classified as held for sale	
Accounts payable and accrued liabilities	13,929
	13,929

The cumulative foreign exchange gains recognized in other comprehensive income in relation to the discontinued operations as at March 31, 2022 was \$689.

4. BRIDGE LOAN

The Company executed a secured bridge loan (“Bridge Loan”) with G2S2 Capital Inc. (“G2S2”), a company controlled by George S. Armoyan, interim Chief Executive Officer and a member of the Board of Directors, in order to fund its short-term working capital requirements. As at March 31, 2022, the Company had drawn \$15,000 on the loan and can request further draws up to an additional \$10,000, for maximum proceeds of \$25,000, at an interest rate of 8.00 percent. Subsequent to the end of the quarter, the maturity date of the Bridge Loan was extended to June 28, 2022 with the same terms. The Bridge Loan is secured by the existing security interests securing the obligations under the credit agreement, provided that in the event of an enforcement of such security interests, G2S2’s right to any realization proceeds is subordinate to the prior repayment in full of all of the other lenders. G2S2 has no voting rights as a lender under the credit agreement for any purpose.

5. LONG-TERM DEBT

	March 31, 2022	December 31, 2021
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
\$250,000 extendible revolving term loan facility, secured by the Canadian and U.S. assets of the Company on a first priority basis	200,000	190,000
\$58,081 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	55,222	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	149,952	152,136
Less: unamortized debt issuance costs	(8,114)	(9,042)
	397,060	388,479

The fair value of the Second Lien Notes (as defined below), as measured based on the closing market price at March 31, 2022 was \$139,539 (December 31, 2021 – \$139,640). 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.

(a) 1.5 Lien Notes

On December 18, 2020, the Company issued \$60,000 of 1.5 lien senior secured 10% 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 three months ended March 31, 2022, \$577 principal amount of the 1.5 Lien Notes was converted into 433,014 common shares. 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 \$547 and \$47, 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) Second Lien Notes

On February 24, 2020, the Company completed an exchange offer of US\$120,000 of new 10.875% second lien secured notes (“Second Lien Notes”) due March 15, 2026 to holders of its 8.50% senior unsecured notes due 2026 (“Unsecured Notes”). The exchange was completed at an average exchange price of US\$550 per each US\$1,000 of Unsecured Notes resulting in US\$218,182 being exchanged for US\$120,000 of Second Lien Notes, resulting in a non-cash gain on exchange of debt of \$130,444 that was recorded in 2020.

(c) Revolving Credit Facility

On June 30, 2021, the Company amended its revolving credit facility agreement to reduce its total facility capacity from \$290,000 to \$225,000 and extended the maturity date to July 1, 2023. On November 25, 2021, the Company further amended its revolving credit facility agreement to increase its total facility capacity to \$250,000.

During the first quarter of 2022, the Company negotiated additional waivers and amendments to its revolving credit facilities. The waivers and amendments included the following:

- i. The Company's Funded Debt to Adjusted EBITDA covenant was increased to 3.75x for the quarter ended March 31, 2022;
- ii. The minimum \$15,000 liquidity requirement was temporarily waived through March 15, 2022 and reinstated through the term of an extended Covenant Relief Period. The extended Covenant Relief Period terminates on June 30, 2022 to the extent Calfrac has provided a compliance certificate to its lenders certifying compliance with all applicable financial covenants at such quarter end;
- iii. G2S2 was added as a lender to permit the incurrence of the Bridge Loan under the credit agreement, with such debt being excluded from the definitions of Funded Debt, Total Debt and Current Liabilities for the purposes of financial covenant calculations; and
- iv. The eligible portion of the net book value of property, plant and equipment (PP&E) for the purposes of the borrowing base calculation was increased from 25 percent to 35 percent, subject to a maximum contribution of \$150,000.

The facilities consist of an operating facility of \$45,000 and a syndicated facility of \$205,000. The Company's credit facilities mature on July 1, 2023, and 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 LIBOR-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 during the Covenant Relief Period or if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00 and also during the Covenant Relief Period, certain restrictions apply including the following: (a) acquisitions are subject to consent of the lenders; (b) distributions are restricted other than those relating to the Company's equity compensation plans; (c) no increase in the rate of dividends are permitted; and (d) additional permitted debt is restricted to \$5,000. As at March 31, 2022, the Company's net Total Debt to Adjusted EBITDA ratio exceeded the 5.00:1.00 threshold and the Company was also subject to the Covenant Relief Period restrictions.

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 three months ended March 31, 2022 was \$9,817 (three months ended March 31, 2021 – \$9,212).

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

	2022
<i>(C\$000s)</i>	<i>(\$)</i>
Balance, January 1	388,479
Issuance of long-term debt, net of debt issuance costs	8,431
Long-term debt repayments	—
Conversion of 1.5 Lien Notes into shares	(547)
Amortization of compound financial instrument discount	383
Amortization of debt issuance costs and debt discount	2,454
Foreign exchange adjustments	(2,140)
Balance, March 31	397,060

At March 31, 2022, the Company had utilized \$914 of its loan facility for letters of credit, had \$200,000 outstanding under its revolving term loan facility, leaving \$49,086 in available credit. The Company's credit facilities are subject to a monthly borrowing base, which at March 31, 2022 was \$243,822. Under the terms of the amended credit facility agreement, the Company must maintain a minimum liquidity amount of \$15,000 during the Covenant Relief Period. See note 11 for further details on the covenants in respect of the Company's long-term debt.

6. CAPITAL STOCK

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

	Three Months Ended		Year Ended	
	March 31, 2022		December 31, 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	281,399	2,675	73,460	698
Conversion of 1.5 Lien Notes into shares (note 5)	433,014	593	219,136	296
Cancellation of fractional shares upon 50:1 share consolidation	—	—	(114)	—
Balance, end of period	38,415,385	804,446	37,700,972	801,178

	Three Months Ended March 31,	
	2022	2021
	(#)	(#)
Weighted average number of common shares outstanding		
Basic	38,066,406	37,421,792
Diluted	84,674,872	83,813,876

The difference between basic and diluted shares is attributable to: warrants issued as disclosed in note 7, the dilutive effect of the conversion of the 1.5 Lien Notes as disclosed in note 5, and the dilutive effect of stock options issued by the Company as disclosed in note 7.

7. SHARE-BASED PAYMENTS

(a) Stock Options

Three Months Ended March 31,	2022		2021	
Continuity of Stock Options	Options	Average Exercise Price	Options	Average Exercise Price
	(#)	(\$)	(#)	(\$)
Balance, January 1	3,300,000	3.54	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Terminated and cancelled	—	—	—	—
Expired	—	—	—	—
Balance, March 31	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 \$3.54 with a weighted average remaining life of 4.19 years. When stock options are exercised, the proceeds together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

There were no stock options granted during the three months ended March 31, 2022 and 2021.

(b) Share Units

	Three Months Ended March 31,	
	2022	2021
Continuity of Deferred Share Units		
	(#)	(#)
Balance, January 1	107,400	2,400
Exercised	(1,600)	—
Balance, March 31	105,800	2,400

	Three Months Ended March 31,	
	2022	2021
	(\$)	(\$)
Stock options	1,034	—
Deferred share units	135	19
Total stock-based compensation expense	1,169	19

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 March 31, 2022, the liability pertaining to deferred share units was \$396 (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. The Company applied the following Black-Scholes model inputs:

Expected life (years)	3.00
Share price at grant date (\$)	9.00
Exercise price (\$)	2.50
Expected volatility (%)	73.90
Risk-free interest rate (%)	1.27
Expected dividends (\$)	—

As at March 31, 2022, 281,399 warrants were exercised for total proceeds of \$704.

Three Months Ended March 31,	2022		2021	
	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	(281,399)	2.50	(27,372)	2.50
Cancelled	—	—	(117)	2.50
Balance, March 31	5,469,457	2.50	5,796,944	2.50

8. 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 recognized right-of-use assets relate to the following types of assets:

	March 31,	December 31,
	2022	2021
(C\$000s)	(\$)	(\$)
Field equipment	12,786	13,599
Buildings	8,076	8,406
	20,862	22,005

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

	2022
(C\$000s)	(\$)
Balance, January 1	20,564
Additions	2,107
Disposals/retirements	(1,277)
Principal portion of payments	(2,083)
Foreign exchange adjustments	(144)
Balance, March 31	19,167

9. FINANCIAL INSTRUMENTS

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

(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 March 31, 2022 was \$139,539 and \$149,952, 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 5.

(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 March 31, 2022, the Company had a loss allowance provision for accounts receivable of \$634 (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 using the lifetime expected credit loss model, a loan loss allowance of \$69 was recorded during the three months ended March 31, 2022. The expected credit loss rates are based on actual credit loss experience over the past several years for each operating segment.

The loss allowance provision for trade accounts receivable as at March 31, 2022 reconciles to the opening loss allowance provision as follows:

	2022
<i>(C\$000s)</i>	<i>(\$)</i>
At January 1, 2022	569
Increase in loan loss allowance recognized in statement of operations	69
Specific receivables deemed as uncollectible and written off	—
Foreign exchange adjustments	(4)
At March 31, 2022	634

(c) 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 11 for further details on the Company's capital structure.

(d) Country Risk

The ongoing conflict between Russia and Ukraine has added a level of risk and uncertainty around the Company's operations in Russia. As a result of these changes in circumstances, the risk and uncertainty surrounding banking restrictions and the ability to repatriate funds to Canada from Russia, the Company's ownership and control over its Russian subsidiary, the physical security of property, plant and equipment, collectibility of accounts receivable, and overall business and operational risks are being monitored. 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 3.

10. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended March 31,	
	2022	2021
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Accounts receivable	(47,322)	(45,185)
Inventory	4,186	(3,939)
Prepaid expenses and deposits	3,105	3,135
Accounts payable and accrued liabilities	49,503	25,348
Income taxes recoverable	(301)	(181)
	9,171	(20,822)

Purchase of property, plant and equipment is comprised of:

	Three Months Ended March 31,	
	2022	2021
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Property, plant and equipment additions	(12,145)	(11,586)
Change in liabilities related to the purchase of property, plant and equipment	(3,959)	712
	(16,104)	(10,874)

11. 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 operating income. Operating income for this purpose is calculated on a 12-month trailing basis and is defined as follows:

For the Twelve Months Ended	March 31,	December 31,
	2022	2021
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Net loss from continuing operations	(89,735)	(94,734)
Adjusted for the following:		
Depreciation	125,816	127,431
Foreign exchange losses	5,906	4,659
Loss on disposal of property, plant and equipment	1,830	405
Impairment of other assets	705	705
Interest	38,452	37,739
Income taxes	(24,079)	(26,875)
Operating income from continuing operations	58,895	49,330

Net debt for this purpose is calculated as follows:

	March 31,	December 31,
	2022	2021
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Long-term debt, net of debt issuance costs and debt discount	397,060	388,479
Bridge loan	15,000	—
Lease obligations	19,167	20,564
(Deduct) add: (cash and cash equivalents) bank overdraft	(11,821)	1,351
Net debt	419,406	410,394

The ratio of net debt to operating income does not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies.

At March 31, 2022, the net debt to operating income ratio was 7.12:1 (December 31, 2021 – 8.32:1) calculated on a 12-month trailing basis as follows:

	March 31, 2022	December 31, 2021
For the Twelve Months Ended	2022	2021
<i>(C\$000s, except ratio)</i>	<i>(\$)</i>	<i>(\$)</i>
Net debt	419,406	410,394
Operating income	58,895	49,330
Net debt to operating income ratio	7.12	8.32

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 most recently amended credit facility agreement as disclosed in note 5, the Company's Funded Debt to Adjusted EBITDA covenant was 3.75x for the quarter ended March 31, 2022 and is 3.00x for 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 March 31, 2022.

	Covenant	Actual
As at March 31,	2022	2022
Working capital ratio not to fall below	1.15x	2.16x
Funded Debt to Adjusted EBITDA not to exceed ⁽¹⁾⁽²⁾	3.75x	3.26x
Funded Debt to Capitalization not to exceed ⁽¹⁾⁽³⁾	0.30x	0.28x

⁽¹⁾ Funded Debt is defined as Total Debt excluding all outstanding Second Lien Notes, 1.5 Lien Notes, the Bridge Loan, 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, non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring.

⁽³⁾ Capitalization is Total Debt plus equity.

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, unrealized 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 March 31,	
	2022	2021
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Net loss from continuing operations	(18,030)	(23,029)
Add back (deduct):		
Depreciation	29,954	31,569
Unrealized foreign exchange losses	1,904	1,692
Loss (gain) on disposal of property, plant and equipment	1,038	(387)
Restructuring charges	701	255
Stock-based compensation	1,034	—
Interest	9,816	9,103
Income taxes	(5,586)	(8,382)
Adjusted EBITDA ⁽¹⁾	20,831	10,821

⁽¹⁾ For bank covenant purposes, EBITDA includes \$820 loss from discontinued operations for the three months ended March 31, 2022 (three months ended March 31, 2021 – \$1,115 income) and the deduction of an additional \$2,386 of lease payments for the three months ended March 31, 2022 (three months ended March 31, 2021 – \$2,095) that would have been recorded as operating expenses prior to the adoption of IFRS 16.

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 March 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 basket equal to the greater of 4 percent of consolidated tangible assets and US\$60,000. The 1.5 Lien Notes indenture includes additional restrictions on certain investments including certain investments in subsidiary entities, however the indenture includes several exceptions to this prohibition, including a general basket of US\$10,000 and baskets related to prepayments and certain capital build commitments which aggregate over US\$12,000. The 1.5 Lien Notes indenture also contains a restriction that any indebtedness incurred in excess of \$290,000 under the credit facilities basket shall be junior in priority to the 1.5 Lien Notes.

As at March 31, 2022, the Company's Fixed Charge Coverage Ratio of 1.49:1 was below the required 2:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the Indentures, and the baskets highlighted in the preceding paragraphs provide sufficient flexibility, subject to the additional restrictions under the credit facility agreement, for the Company to incur additional indebtedness and make anticipated restricted payments which are expected to be required to conduct its operations.

The credit facility agreement provides that proceeds from equity offerings may be applied, as an equity cure, in the calculation of Adjusted EBITDA towards the Funded Debt to Adjusted EBITDA covenant for any of the quarters ending prior to and including June 30, 2023, subject to certain conditions including:

- i. the Company is only permitted to use the proceeds of a common share issuance to increase Adjusted EBITDA a maximum of two times;
- ii. the Company cannot use the proceeds of a common share issuance to increase Adjusted EBITDA in consecutive quarter ends;

- iii. the maximum proceeds of each common share issuance permitted to be attributed to Adjusted EBITDA cannot exceed the greater of 50 percent of Adjusted EBITDA on a rolling four-quarter basis and \$25,000; and
- iv. if proceeds are not used immediately as an equity cure they must be held in a segregated bank account pending an election to use them for such purpose, and if they are removed from such account but not used as an equity cure they will no longer be eligible for such use.

To utilize an equity cure, the Company must provide notice of any such election to the lending syndicate at any time prior to the filing of its quarterly financial statements for the applicable quarter on SEDAR. Amounts used as an equity cure prior to June 30, 2023 will increase Adjusted EBITDA over the relevant twelve-month rolling period and may also serve to reduce Funded Debt unless used for other purposes.

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 to the extent 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. Also, during the Covenant Relief Period, there is an obligation to reduce advances under the credit facilities using proceeds of any disposition of property or assets that exceed \$10,000.

12. RELATED-PARTY TRANSACTIONS

Ronald P. Mathison, the Chairman of the Company, and entities controlled by George S. Armoyan, interim Chief Executive Officer and a member of the Board of Directors, hold 19 percent and 45 percent, respectively, of the Company's 1.5 Lien Notes.

In connection with the 1.5 Lien Notes offering, the Company issued 1,125,703 common shares to certain investors that backstopped the issuance of the 1.5 Lien Notes. Certain entities controlled by George S. Armoyan received 734,413 shares for their participation in backstopping the 1.5 Lien Notes, of which 38,023 shares were sold during the first quarter of 2021.

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 three months ended March 31, 2022 was \$239 (three months ended March 31, 2021 – \$239), 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.

13. 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:

	Canada	United States	Argentina	Continuing Operations	Russia	Consolidated
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Three Months Ended March 31, 2022						
Fracturing	96,103	132,283	30,274	258,660	20,565	279,225
Coiled tubing	10,500	—	8,816	19,316	1,531	20,847
Cementing	—	—	9,888	9,888	—	9,888
Product sales	1,031	28	—	1,059	—	1,059
Subcontractor	—	—	5,601	5,601	—	5,601
	107,634	132,311	54,579	294,524	22,096	316,620

Three Months Ended March 31, 2021						
Fracturing	77,393	92,913	21,878	192,184	25,125	217,309
Coiled tubing	8,187	—	4,432	12,619	2,496	15,115
Cementing	—	—	4,712	4,712	—	4,712
Product sales	3	—	—	3	—	3
Subcontractor	—	—	4,436	4,436	—	4,436
	85,583	92,913	35,458	213,954	27,621	241,575

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.

14. 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.

	Three Months Ended March 31,	
	2022	2021
(C\$000s)	(\$)	(\$)
Product costs	90,519	65,155
Personnel costs	73,209	50,679
Depreciation on property, plant and equipment	28,148	29,922
Depreciation on right-of-use assets	1,806	1,647
Other operating costs	97,142	76,148
Cost of sales from continuing operations	290,824	223,551

During the three months ended March 31, 2021, the Company qualified for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs and recognized \$1,500 as a reduction of salaries and wages expense and \$55 as a reduction in rent expense, respectively. Both programs ended in 2021.

15. EMPLOYEE BENEFITS EXPENSE

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

	Three Months Ended March 31,	
	2022	2021
(C\$000s)	(\$)	(\$)
Salaries and short-term employee benefits	78,803	56,925
Post-employment benefits (group retirement savings plan)	1,421	—
Share-based payments	1,169	19
Termination benefits	999	428
	82,392	57,372

16. 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 \$9,484 (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 against three of the appeal judgments, and will have 30 days to file a petition for cassation following the service of the remaining judgment 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 \$3,050 (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.

The maximum aggregate interest and penalties payable under the claims noted above, as well as three other immaterial claims against NAPC totaling \$800 (578 euros), amounted to \$28,493 (20,568 euros) as at March 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, which was amended in February 2022, alleges the Company failed to satisfy certain volume commitments and associated shortfall payment obligations under a sand supply agreement and the vendor is seeking at least US\$10.2 million in damages together with interest and unspecified other relief. The Company has filed an answer to the complaint (as amended) and a counter-claim. The case is still in the early stages, but the Company intends to pursue its counter-claim and vigorously defend against the vendor's allegations.

Given the stage of the proceedings and the existence of available defenses, the direction and financial consequences of the claims in the complaint cannot be determined at this time. While management does not believe that this claim will have a material adverse effect on the business or financial condition of the Company, no assurance can be given as to the outcome of the proceedings.

17. SEGMENTED INFORMATION

The Company's activities are conducted in four geographical segments: Canada, the United States, Russia 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 operating income, as defined below.

	Canada	United States	Argentina	Corporate	Continuing Operations	Russia	Consolidated
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Three Months Ended March 31, 2022							
Revenue	107,634	132,311	54,579	—	294,524	22,096	316,620
Operating income (loss) ⁽¹⁾	13,520	7,895	5,469	(5,855)	21,029	(598)	20,431
Segmented assets	229,941	515,672	116,906	—	862,519	58,752	921,271
Capital expenditures	3,091	7,865	1,189	—	12,145	—	12,145

Three Months Ended March 31, 2021							
Revenue	85,583	92,913	35,458	—	213,954	27,621	241,575
Operating income (loss) ⁽¹⁾	15,179	(3,012)	3,914	(4,617)	11,464	1,476	12,940
Segmented assets	239,469	533,225	82,552	—	855,246	61,478	916,724
Capital expenditures	1,093	8,043	1,367	—	10,503	1,083	11,586

⁽¹⁾ Operating income (loss) is defined as net income (loss) before depreciation, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, impairment of inventory, impairment of property, plant and equipment, interest, and income taxes.

	Three Months Ended March 31,	
(C\$000s)	2022	2021
	(\$)	(\$)
Net loss from continuing operations	(18,030)	(23,029)
Add back (deduct):		
Depreciation	29,954	31,569
Foreign exchange losses	3,837	2,590
Loss (gain) on disposal of property, plant and equipment	1,038	(387)
Interest	9,816	9,103
Income taxes	(5,586)	(8,382)
Operating income from continuing operations	21,029	11,464

Operating income does not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies.

18. SEASONALITY OF OPERATIONS

Certain of the Company's Canadian and United States businesses are seasonal in nature. The lowest activity levels in these areas are typically experienced during the second quarter of the year when road weight restrictions are in place and access to well sites in Canada and North Dakota is reduced.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ronald P. Mathison
*Chairman
 President & Chief Executive Officer
 Matco Investments Ltd.*

Douglas R. Ramsay ⁽²⁾⁽³⁾
*Vice Chairman
 Calfrac Well Services Ltd.*

Gregory S. Fletcher ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
*Lead Director
 President Sierra Energy Inc.*

George S. Armoyan
*Interim Chief Executive Officer
 President & CEO
 Clarke Inc.*

Anuroop Duggal ⁽¹⁾⁽²⁾⁽³⁾
*Private Investor / Adjunct Professor
 Columbia Business School*

Lorne A. Gartner ⁽¹⁾⁽²⁾⁽³⁾
Independent Businessman

Lindsay R. Link
*President & Chief Operating Officer
 Calfrac Well Services Ltd.*

- (1) Member of the Audit Committee
 (2) Member of the Compensation Committee,
 Governance and Nominating Committee
 (3) Member of the Health, Safety, Environment
 and Quality Committee
 (4) Lead Director

OFFICERS

George S. Armoyan
Interim Chief Executive Officer

Lindsay R. Link
President & Chief Operating Officer

Michael D. Olinek
Chief Financial Officer

Marco A. Aranguren
Director General, Argentina Division

Gordon T. Milgate
President, Canadian Division

Robert L. Sutherland
President, Russian Division

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

Chris K. Gall
Vice President, Global Supply Chain

Edward L. Oke
Vice President, Human Resources

Gary J. Rokosh
Vice President, Business Development, Canadian Division

Mark D. Rosen
Vice President, Operations, United States Division

Fred L. Toney
Vice President, Executive Sales, United States Division

Jeffrey I. Ellis
General Counsel and Corporate Secretary

HEAD OFFICE

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 Phone: 403-266-6000
 Toll Free: 1-866-770-3722
 Fax: 403-266-7381
 info@calfrac.com
 www.calfrac.com

AUDITORS

PricewaterhouseCoopers LLP
 Calgary, Alberta

BANKERS

HSBC Bank Canada
 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*

FACILITIES & OPERATING BASES

CANADA

ALBERTA

*Calgary - Corporate Head Office
 Calgary - Technology Centre
 Edson
 Grande Prairie
 Medicine Hat
 Red Deer*

BRITISH COLUMBIA

Dawson Creek

SASKATCHEWAN

Kindersley

UNITED STATES

ARKANSAS

Beebe

COLORADO

*Denver - Regional Office
 Grand Junction*

NORTH DAKOTA

Williston

PENNSYLVANIA

Smithfield

TEXAS

Houston - Regional Office

WYOMING

Gillette

RUSSIA

*Moscow - Regional Office
 Khanty-Mansiysk*

ARGENTINA

*Buenos Aires - Regional Office
 Comodoro Rivadavia
 Añelo
 Las Heras
 Neuquén*