2022

THIRD QUARTER

CALFRAC WELL SERVICES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of November 1, 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 and nine months ended September 30, 2022 and 2021. It should be read in conjunction with the unaudited consolidated financial statements for the three and nine months ended September 30, 2022, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2021.

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

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 September 30, 2022, were as follows:

Segment	Active	Idle	Total	Crewed Fleets
	(000's hhp)	*(000's hhp)*	*(000's hhp)*	*(#)*
United States	601	270	871	9
Canada	270	—	270	4
Argentina	139	—	139	6
Total	1,010	270	1,280	19

- The Company's United States segment provides fracturing services to energy companies operating in the Bakken shale play located in North Dakota as well as the broader Rockies region, which includes the Uinta Basin in Utah and the Powder River Basin in Wyoming. Calfrac also provides fracturing services to natural gas-focused customers operating in the Marcellus and Utica shale plays in Pennsylvania, Ohio and West Virginia. At September 30, 2022, Calfrac's United States operations had nine fracturing fleets utilizing combined active horsepower of approximately 601,000 of which 20 percent was dual-fuel capable. At the end of the third quarter, the United States segment had idled approximately 270,000 horsepower 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 September 30, 2022, Calfrac's Canadian operations had four fracturing spreads comprised of approximately 270,000 active and total horsepower, of which 70 percent was dual-fuel capable, and seven active coiled tubing units. At the end of the third quarter, the Canadian segment had idled five 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 utilizing 139,000 active and total horsepower, 11 active cementing units and five active coiled tubing units in its Argentinean segment at September 30, 2022. The Company also had one idle cementing unit and one idle coiled tubing unit in Argentina.

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

HIGHLIGHTS – CONTINUING OPERATIONS

	Three months ended Sep. 30,			Nine months ended Sep. 30,		
	2022	2021	Change	**2022**	2021	Change
(C$000s, except per share amounts)	***($)***	*($)*	*(%)*	***($)***	*($)*	*(%)*
(unaudited)		*Revised*			*Revised*	
Revenue	**438,338**	262,865	67	**1,051,373**	650,588	62
Adjusted EBITDA[1]	**91,322**	29,758	207	**151,405**	39,500	283
Consolidated cash flows provided by (used in) operating activities	**13,753**	(17,935)	NM	**38,694**	(18,969)	NM
Capital expenditures	**24,745**	24,133	3	**52,130**	51,707	1
Net income (loss)	**45,352**	(7,054)	NM	**20,546**	(65,599)	NM
Per share – basic	**1.15**	(0.19)	NM	**0.53**	(1.75)	NM
Per share – diluted	**0.60**	(0.19)	NM	**0.31**	(1.75)	NM

As at	**September 30, 2022**	December 31, 2021	Change
(C$000s) *(unaudited)*	***($)***	*($)* *Revised*	*(%)*
Cash and cash equivalents	**11,879**	—	NM
Working capital, end of period	**207,974**	121,934	71
Total assets, end of period	**985,900**	822,368	20
Long-term debt, end of period	**412,030**	388,479	6
Total consolidated equity, end of period	**358,866**	328,840	9

[1] Refer to "Non-GAAP Measures" on page 16 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 classified as held for sale and presented as discontinued operations. Results from discontinued operations have not been included in the table above, unless otherwise noted.

THIRD QUARTER OVERVIEW

In the third quarter of 2022, the Company:

- generated revenue of $438.3 million, an increase of 67 percent from the third quarter in 2021, resulting primarily from improved fracturing activity in North America and improved pricing in all of the Company's operating divisions;
- reported Adjusted EBITDA of $91.3 million versus $29.8 million in the comparable period in 2021, mainly as a result of significantly improved performance in North America;
- generated consolidated cash flow from operating activities of $13.8 million, which included $13.2 million of interest paid and cash used for working capital of $57.9 million;
- reported net income of $45.4 million or $0.60 per share diluted compared to a net loss of $7.1 million or $0.19 per share diluted in the third quarter in 2021;
- amended and restated its credit agreement, which included an extension of the maturity date to July 1, 2024;
- incurred capital expenditures of $24.7 million, focused on maintenance activities to primarily support the Company's fracturing operations, including $4.5 million of reactivation costs in the United States; and
- reported period-end working capital of $208.0 million and a cash balance of $11.9 million.

In the nine months ended September 30, 2022, the Company:

- generated revenue of $1.1 billion, an increase of 62 percent from the first nine months in 2021, resulting from higher activity and pricing in all operating divisions, most notably in the United States;
- reported Adjusted EBITDA of $151.4 million versus $39.5 million in the comparable period in 2021, mainly as a result of higher pricing and utilization of equipment in North America;
- generated consolidated cash flow from operating activities of $38.7 million, which included $27.7 million of interest paid and cash used for working capital of $77.7 million;
- reduced its Funded Debt and Total Debt leverage to levels that terminated the covenant relief period under its revolving credit facility agreement;
- repaid and cancelled its $25.0 million secured bridge loan from G2S2 Capital Inc., of which the Company had drawn $15.0 million prior to repayment;
- reported net income of $20.5 million or $0.31 per share diluted, compared to a net loss of $65.6 million or $1.75 per share diluted in the first nine months in 2021;
- filed a short-form base shelf prospectus that allows Calfrac to issue up to $500.0 million of equity or debt securities over a 25-month period commencing May 19, 2022; and
- incurred capital expenditures of $52.1 million focused on maintenance and sustaining activities to primarily support the Company's United States fracturing operations.

Subsequent to September 30, 2022, $8.6 million of 1.5 Lien Notes were converted into common shares. Following this conversion, the remaining principal amount outstanding was $47.4 million.

THIRD QUARTER COMPARISON VERSUS FINANCIAL UPDATE

Three Months Ended September 30, 2022,	Low	High	
(unaudited)	Estimate	Estimate	Actual
(C$000s, except per share amounts)	***($)***	*($)*	***($)***
Revenue	400,000	430,000	**438,338**
Adjusted EBITDA[(1)]	75,000	85,000	**91,322**
Adjusted EBITDA (%)	19	20	**21**
Total Debt to Adjusted EBITDA ratio	2.75x	2.75x	**2.54x**

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

On September 13, 2022, the Company provided a financial update for the third quarter of 2022 for its continuing operations in the United States, Canada and Argentina. Management expected its third-quarter revenue from continuing operations to range between $400.0 million and $430.0 million, Adjusted EBITDA from continuing operations to range between $75.0 million and $85.0 million, and Adjusted EBITDA margin from continuing operations to range between 19 percent and 20 percent. Actual results for the third quarter exceeded the upper end of its revenue and Adjusted EBITDA guidance by $8.3 million and $6.3 million, respectively, primarily due to better than expected operating and financial performance in North America during September. The actual Adjusted EBITDA percentage was 21 percent, which also exceeded the expected range of 19 to 20 percent. The Company's Total Debt to Adjusted EBITDA ratio at September 30, 2022 was 2.54:1.00 while the financial update indicated that this ratio would decrease to below 2.75:1.00.

FINANCIAL OVERVIEW – CONTINUING OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2022 VERSUS 2021

UNITED STATES

Three Months Ended September 30,	**2022**	2021	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**237,075**	138,339	71
Adjusted EBITDA[1]	**54,866**	13,812	297
Adjusted EBITDA (%)	**23.1**	10.0	131
Fracturing revenue per job ($)	**56,038**	33,308	68
Number of fracturing jobs	**4,228**	4,156	2
Active pumping horsepower, end of period (000s)	**601**	576	4
Idle pumping horsepower, end of period (000s)	**270**	297	(9)
Total pumping horsepower, end of period (000s)	**871**	873	—
US$/C$ average exchange rate[2]	**1.3056**	1.2600	4

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

REVENUE

Revenue from Calfrac's United States operations increased significantly to $237.1 million during the third quarter of 2022 from $138.3 million in the comparable quarter of 2021. The 71 percent increase in revenue can be attributed to a combination of a 68 percent increase in revenue per job period-over-period combined with a 2 percent increase in the number of fracturing jobs completed. The higher revenue per job was the result of improved pricing for its services as the Company passed through higher input costs to its customers while also achieving net pricing gains, combined with the impact of job mix. The slight increase in job count was mainly due to the Company operating all nine of its marketed fleets for the entire quarter with consistent utilization. Activity in the Rockies region increased relative to the comparable quarter in 2021 while activity in North Dakota and Pennsylvania was relatively consistent with the comparable quarter in 2021.

ADJUSTED EBITDA

The Company's operations in the United States generated Adjusted EBITDA of $54.8 million during the third quarter of 2022 compared to $13.8 million in the same period in 2021. This increase in Adjusted EBITDA was largely driven by strong net pricing gains and a dedicated focus on cost control which supported significant margin expansion relative to the comparable quarter in 2021. The Company was able to achieve an Adjusted EBITDA margin of 23 percent compared to 10 percent in the comparable quarter in 2021 through strong pricing and utilization for its nine active fracturing fleets across its three operating districts.

CANADA

Three Months Ended September 30,	**2022**	2021	Change
(C$000s, except operational information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**137,082**	76,574	79
Adjusted EBITDA[(1)]	**36,697**	14,968	145
Adjusted EBITDA (%)	**26.8**	19.5	37
Fracturing revenue per job ($)	**32,570**	23,823	37
Number of fracturing jobs	**3,864**	2,949	31
Active pumping horsepower, end of period (000s)	**270**	202	34
Idle pumping horsepower, end of period (000s)	**—**	70	(100)
Total pumping horsepower, end of period (000s)	**270**	272	(1)
Coiled tubing revenue per job ($)	**32,774**	18,611	76
Number of coiled tubing jobs	**344**	324	6
Active coiled tubing units, end of period (#)	**7**	7	—
Idle coiled tubing units, end of period (#)	**5**	6	(17)
Total coiled tubing units, end of period (#)	**12**	13	(8)

(1) Refer to “Non-GAAP Measures” on page 16 for further information.

REVENUE

Revenue from Calfrac’s Canadian operations during the third quarter of 2022 was $137.1 million compared to $76.6 million in the same period of 2021 primarily due to higher pricing and activity. The number of fracturing jobs increased by 31 percent from the comparable period in 2021 due to improved utilization of its four active fleets. Revenue per fracturing job was 37 percent higher than the comparable quarter due to a combination of pricing increases and the impact of job mix during the quarter. The number of coiled tubing jobs increased by 6 percent versus the third quarter in 2021. The 76 percent increase in the coiled tubing revenue per job as compared to the same quarter in 2021 was due to a combination of higher pricing and the type of work completed during the quarter.

ADJUSTED EBITDA

Adjusted EBITDA in Canada during the third quarter of 2022 was $36.7 million compared to $15.0 million in the same period of 2021. The Canadian division’s Adjusted EBITDA as a percentage of revenue improved to 27 percent compared to 20 percent in the third quarter of 2021 as a result of higher utilization and pricing for its four active fleets. The Company introduced price increases during the first and second quarters to address significant input cost inflation that was in effect for the entire third quarter in 2022. The improvement in financial performance was significant and did not include any benefit from the Canadian Emergency Wage Subsidy program in the third quarter of 2022, while the comparable quarter included a benefit of $2.4 million.

ARGENTINA

Three Months Ended September 30,	**2022**	2021	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**64,181**	47,952	34
Adjusted EBITDA[1]	**8,720**	6,589	32
Adjusted EBITDA (%)	**13.6**	13.7	(1)
Fracturing revenue per job ($)	**84,843**	54,820	55
Number of fracturing jobs	**471**	534	(12)
Active pumping horsepower, end of period (000s)	**140**	121	16
Idle pumping horsepower, end of period (000s)	**—**	16	—
Total pumping horsepower, end of period (000s)	**140**	137	2
Coiled tubing revenue per job ($)	**40,378**	26,944	50
Number of coiled tubing jobs	**198**	273	(27)
Active coiled tubing units, end of period (#)	**5**	5	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	6	—
Cementing revenue per job ($)	**69,572**	52,203	33
Number of cementing jobs	**157**	113	39
Active cementing units, end of period (#)	**11**	10	10
Idle cementing units, end of period (#)	**1**	3	(67)
Total cementing units, end of period (#)	**12**	13	(8)
US$/C$ average exchange rate[2]	**1.3056**	1.2600	4

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

REVENUE

Calfrac's Argentinean operations generated revenue of $64.2 million during the third quarter of 2022 compared to $48.0 million in the comparable quarter in 2021 primarily due to higher fracturing and cementing revenue. Fracturing revenue increased due to a combination of higher pricing, as the Company entered into a new contract at the beginning of the third quarter at pricing levels that covered higher costs caused by inflationary pressures during the quarter, and the completion of larger jobs on average. This was partially offset by the completion of 12 percent fewer jobs than the comparable period in 2021. Activity in the Company's cementing operations increased by 39 percent and revenue per job increased by 33 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 third quarter of 2022. The number of coiled tubing jobs decreased by 27 percent due to reduced customer activity in Neuquén while revenue per job improved by 50 percent primarily due to job mix and higher pricing due to inflation.

ADJUSTED EBITDA

The Company's operations in Argentina achieved Adjusted EBITDA of $8.7 million during the third quarter of 2022 compared to $6.6 million in the comparable quarter of 2021, while the Company's EBITDA margins as a percentage of revenue remained consistent at approximately 14 percent. The Company entered into a new contract at the beginning of the third quarter with pricing adjusted for inflation, which allowed it to maintain consistent EBITDA margins relative to the comparable period in 2021.

CORPORATE

Three Months Ended September 30,	**2022**	2021	Change
(C$000s) *(unaudited)*	***($)***	*($)*	*(%)*
Adjusted EBITDA[1]	**(8,961)**	(5,611)	60
% of Revenue from Continuing Operations	**(2.0)**	(2.1)	(5)

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

ADJUSTED EBITDA

Adjusted EBITDA for the third quarter of 2022 was negative $9.0 million compared to negative $5.6 million in the third quarter of 2021. Corporate expenses included the impact of reinstated compensation programs during the third quarter in 2022, offset partially by a $0.8 million reduction in stock-based compensation expense due to fewer stock options outstanding during the quarter, combined with cost savings associated with a lower corporate headcount. Adjusted EBITDA for the third quarter of 2022 was affected by a $3.0 million foreign exchange gain as the Canadian dollar weakened against the U.S. dollar during the quarter. The Company’s corporate costs included $0.6 million of severance during the third quarter in 2022, which were added back for the purposes of calculating Adjusted EBITDA.

DEPRECIATION

For the three months ended September 30, 2022, depreciation expense of $29.4 million was $3.7 million lower than the corresponding quarter in 2021. The decrease in third-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 gain from continuing operations of $7.1 million during the third quarter of 2022 versus a gain of $2.0 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 gain during the third quarter was mainly due to the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar weakened relative to the U.S. dollar, offset partially by net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during this period.

INTEREST

The Company’s net interest expense of $10.8 million for the third quarter of 2022 was $1.1 million higher than the comparable period in 2021. The increase in interest expense was primarily due to higher borrowings and interest rates under the Company’s revolving credit facilities combined with a higher recorded interest expense on the Company’s U.S. dollar denominated second lien notes as the U.S. dollar appreciated during the third quarter of 2022.

INCOME TAXES

The Company recorded an income tax expense of $7.0 million during the third quarter of 2022 compared to a tax recovery of $4.2 million in the comparable period of 2021. The Company had a current tax expense of $1.6 million and a deferred tax expense of $5.4 million. The current tax expense consisted of $2.1 million resulting from a Mexico tax audit related to the Company’s historical operations in that country, $0.7 million related to Argentina, offset partially by a $0.3 million recovery in the United States and reversal of previously accrued income tax of $0.8 million. The deferred tax expense is entirely related to the Company’s United States operations as all other divisions are in a net deferred tax asset position and the deferred tax assets continue to not be recognized for accounting purposes.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the first quarter, management committed to a plan to sell its Russian division, resulting in the associated assets and liabilities being classified as held for sale and presented as discontinued operations. In conjunction with the ongoing sale process and in light of the additional Canadian sanctions and restrictions that were issued in relation to the Russian oil and gas industry, the Company adjusted the Russian division’s current and long-term assets to their expected recoverable amount. 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 and nine months ended September 30, 2022.

Revenue from Calfrac's discontinued Russian operations during the third quarter of 2022 of $32.7 million was consistent with the comparable quarter and resulted in Adjusted EBITDA of $5.5 million during the third quarter of 2022 compared to $5.8 million in the comparable quarter in 2021. The Company also incurred $1.2 million of severance costs for discontinued operations during the third quarter of 2022 which were added back for the purposes of calculating Adjusted EBITDA.

SUMMARY OF QUARTERLY RESULTS – CONTINUING OPERATIONS

Three Months Ended	Dec. 31, 2020	Mar. 31, 2021	Jun. 30, 2021	Sep. 30, 2021	Dec. 31, 2021	Mar. 31, 2022	Jun. 31, 2022	**Sep. 30, 2022**
(C$000s, except per share and operating data) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
Financial								
Revenue	153,773	213,954	173,769	262,865	229,661	294,524	318,511	**438,338**
Adjusted EBITDA(1)	9,554	10,821	(1,080)	29,758	7,961	20,831	39,252	**91,322**
Net income (loss)	121,616	(23,029)	(35,516)	(7,055)	(29,132)	(18,030)	(6,776)	**45,352**
Per share – basic(2)	14.91	(0.62)	(0.95)	(0.19)	(0.77)	(0.47)	(0.18)	**1.15**
Per share – diluted(2)	2.22	(0.62)	(0.95)	(0.19)	(0.77)	(0.47)	(0.18)	**0.60**
Capital expenditures	6,053	10,503	17,166	24,133	14,868	12,145	15,241	**24,745**
Working capital (end of period)	117,841	129,942	105,085	130,213	121,934	130,246	144,456	**207,974**
Total equity (end of period)	410,234	384,562	350,631	357,830	328,840	302,195	292,515	**358,866**
Operating (end of period)								
Active pumping horsepower (000s)	837	856	873	899	942	936	934	**1,010**
Idle pumping horsepower (000s)	432	413	393	383	337	346	344	**270**
Total pumping horsepower (000s)	1,268	1,268	1,266	1,282	1,279	1,282	1,278	**1,280**
Active coiled tubing units (#)	13	12	12	12	13	13	13	**12**
Idle coiled tubing units (#)	7	8	8	8	7	6	6	**7**
Total coiled tubing units (#)	20	20	20	20	20	19	19	**19**
Active cementing units (#)	12	10	10	10	10	10	10	**11**
Idle cementing units (#)	4	6	6	6	5	4	2	**1**
Total cementing units (#)	16	16	16	16	15	14	12	**12**

(1) Refer to "Non-GAAP Measures" on page 16 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 and presented as discontinued operations.

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 financial statements are reported in Canadian dollars. Accordingly, the quarterly results from Calfrac's continuing operations are directly affected by fluctuations in the United States and Argentinean foreign currency exchange rates (refer to "Business Risks - Fluctuations in Foreign Exchange Rates" in the 2021 Annual Report).

FINANCIAL OVERVIEW – CONTINUING OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2022 VERSUS 2021

UNITED STATES

Nine Months Ended September 30,	**2022**	2021	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**563,216**	317,940	77
Adjusted EBITDA[1]	**98,660**	8,316	NM
Adjusted EBITDA (%)	**17.5**	2.6	NM
Fracturing revenue per job ($)	**49,650**	29,387	69
Number of fracturing jobs	**11,340**	10,820	5
Active pumping horsepower, end of period (000s)	**601**	576	4
Idle pumping horsepower, end of period (000s)	**270**	297	(9)
Total pumping horsepower, end of period (000s)	**871**	873	—
US$/C$ average exchange rate[2]	**1.2830**	1.2514	3

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

REVENUE

Revenue from Calfrac’s United States operations increased to $563.2 million in the first nine months in 2022 from $317.9 million in the same period in 2021 primarily due to higher pricing and a 5 percent increase in the number of completed fracturing jobs. A total of four active fleets were operating in the United States at the beginning of the year but increased to eight fleets exiting the first quarter with a ninth fracturing crew commencing operations in May. The higher fracturing revenue per job was reflective of improved pricing as the Company passed on higher input costs to its clients and was able to attain net pricing increases during the second and third quarters.

ADJUSTED EBITDA

The Company’s United States division generated Adjusted EBITDA of $98.7 million in the first nine months of 2022 compared to $8.3 million in the same period of 2021 primarily due to a larger number of operating fleets, a higher number of operating days per fleet and improved pricing, offset partially by a slow start to the year and adverse weather in April 2022.

CANADA

Nine Months Ended September 30,	**2022**	2021	Change
(C$000s, except operational information)	*($)*	*($)*	*(%)*
(unaudited)			
Revenue	**315,805**	212,924	48
Adjusted EBITDA[1]	**57,079**	33,991	68
Adjusted EBITDA (%)	**18.1**	16.0	13
Fracturing revenue per job ($)	**26,440**	21,156	25
Number of fracturing jobs	**10,685**	9,139	17
Active pumping horsepower, end of period (000s)	**270**	202	34
Idle pumping horsepower, end of period (000s)	**—**	70	(100)
Total pumping horsepower, end of period (000s)	**270**	272	(1)
Coiled tubing revenue per job ($)	**31,285**	20,152	55
Number of coiled tubing jobs	**1,027**	957	7
Active coiled tubing units, end of period (#)	**7**	7	—
Idle coiled tubing units, end of period (#)	**5**	6	(17)
Total coiled tubing units, end of period (#)	**12**	13	(8)

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

REVENUE

Revenue from Calfrac's Canadian operations during the first nine months in 2022 was $315.8 million, an increase from $212.9 million in the comparable period in 2021, primarily due to improved pricing and increased activity. Revenue per fracturing job was 25 percent higher than the comparable period in 2021 as price increases were implemented during the period to recover the significant inflation in operating costs. The number of fracturing jobs increased by 17 percent as the Company's four fracturing fleets were highly utilized in the first quarter prior to the onset of spring break-up conditions and improved significantly beginning in the month of June. This positive momentum in activity was maintained throughout the third quarter. The number of coiled tubing jobs increased by 7 percent from the comparable period in 2021 due to higher activity while revenue per job increased by 55 percent due to improved pricing and changes in job mix.

ADJUSTED EBITDA

The Company's Canadian division generated Adjusted EBITDA of $57.1 million compared to $34.0 million in the comparable period in 2021. The improvement in Adjusted EBITDA was the result of higher pricing and activity relative to the comparable period in 2021. The Company introduced price increases during the first quarter that were in effect for the entire second and third quarters, which combined with higher utilization of its four crewed fleets, resulted in a 68 percent improvement in Adjusted EBITDA.

ARGENTINA

Nine Months Ended September 30,	**2022**	2021	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**172,352**	119,724	44
Adjusted EBITDA(1)	**16,409**	15,923	3
Adjusted EBITDA (%)	**9.5**	13.3	(29)
Fracturing revenue per job ($)	**70,133**	55,336	27
Number of fracturing jobs	**1,415**	1,332	6
Active pumping horsepower, end of period (000s)	**140**	121	16
Idle pumping horsepower, end of period (000s)	**—**	16	—
Total pumping horsepower, end of period (000s)	**140**	137	2
Coiled tubing revenue per job ($)	**28,831**	23,253	24
Number of coiled tubing jobs	**945**	715	32
Active coiled tubing units, end of period (#)	**5**	5	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	6	—
Cementing revenue per job ($)	**75,168**	50,279	50
Number of cementing jobs	**414**	322	29
Active cementing units, end of period (#)	**11**	10	10
Idle cementing units, end of period (#)	**1**	3	(67)
Total cementing units, end of period (#)	**12**	13	(8)
US$/C$ average exchange rate(2)	**1.2830**	1.2514	3

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

REVENUE

Calfrac's Argentinean operations generated revenue of $172.4 million during the first nine months of 2022 compared to $119.7 million in the comparable period in 2021. Activity in the first nine months of 2022 improved from the comparable period in 2021 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 was relatively consistent for the first half of 2022 but improved significantly in the third quarter. Overall fracturing activity increased by 6 percent compared to the first nine months in 2021 along with 27 percent higher revenue per job resulting primarily from inflation. Revenue from the Company's coiled tubing and cementing service lines continued to improve relative to the same period in 2021. The number of coiled tubing jobs increased by 32 percent as activity increased in Neuquén and southern Argentina while revenue per job was 24 percent higher primarily due to job mix and inflation. Activity in the Company's cementing operations increased by 29 percent and revenue per job increased by 50 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 half of 2022.

ADJUSTED EBITDA

The Company's operations in Argentina generated Adjusted EBITDA of $16.4 million during the first nine months of 2022 compared to $15.9 million in the comparable period 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 13 percent to 10 percent primarily due to inflationary salary increases for one major contract that were paid in pesos but not fully offset by the devaluation in the official peso exchange rate during the first half of 2022. However, the Company was able to implement pricing increases to offset these cost pressures beginning in the third quarter. The Company also incurred $0.6 million of severance costs during the first nine months of 2022 that were added back in the calculation of Adjusted EBITDA.

CORPORATE

Nine Months Ended September 30,	**2022**	2021	Change
(C$000s) *(unaudited)*	***($)***	*($)*	*(%)*
Adjusted EBITDA[(1)]	**(20,743)**	(18,731)	11
% of Revenue from Continuing Operations	**(2.0)**	(2.9)	(31)

[(1)] Refer to “Non-GAAP Measures” on page 16 for further information.

ADJUSTED EBITDA

Corporate Adjusted EBITDA during the first nine months of 2022 was negative $20.7 million versus negative $18.7 million in the comparable period in 2021. The increase in corporate costs was primarily due to the impact of reinstated compensation programs and a $1.1 million increase in stock-based compensation expenses, combined with no benefit from Canadian COVID-19 government subsidy programs which were $1.2 million in the same period of 2021. These items were partially offset by lower professional fees in 2022, combined with cost savings associated with a lower corporate headcount.

DEPRECIATION

Depreciation expense decreased by $6.3 million from $96.0 million in the first nine months in 2021 to $89.7 million in the comparable period of 2022 primarily due to the mix and timing of major component capital expenditures.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange gain of $6.7 million in the first nine months in 2022 versus a loss of $3.4 million in the comparable period in 2021. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada and net monetary assets or liabilities that were held in pesos in Argentina. The Company’s foreign exchange gain in the first nine months in 2022 was largely attributable to the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar weakened relative to the U.S. dollar, offset partially by net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during this period.

INTEREST

The Company’s interest expense of $31.5 million in the first nine months in 2022 was $3.5 million higher than the comparable period in 2021. The increase in interest expense was primarily due to higher borrowings and interest rates under the Company’s revolving credit facilities combined with a higher recorded interest expense on the Company’s U.S. dollar denominated second lien notes as the U.S. dollar was relatively stronger during the nine month period in 2022.

INCOME TAXES

The Company recorded an income tax expense of $3.2 million in the first nine months in 2022 compared to a $20.5 million tax recovery in the comparable period in 2021. The Company had current tax expense of $2.6 million, which was comprised of $2.1 million resulting from a Mexico tax audit related to the Company’s historical operations in that country and $0.7 million related to Argentina. The deferred tax expense of approximately $0.5 million was recorded due to the liability position in the United States. All other divisions are in a net deferred tax asset position which are not recognized for accounting purposes.

DISCONTINUED OPERATIONS

Revenue from Calfrac’s discontinued Russian operations decreased by 7 percent during the first nine months of 2022 to $87.8 million from $94.1 million in the corresponding nine-month period of 2021. Fracturing revenue decreased due to changes in job mix while coiled tubing revenue decreased slightly due to lower activity.

The Company’s Russian division had Adjusted EBITDA of $10.9 million during the first nine months of 2022 versus $12.4 million in the comparable period in 2021. The lower operating performance was primarily due to lower coiled tubing utilization combined with lower revenue per fracturing job as fewer multi-stage fracturing jobs were completed period-over-period. The Company incurred $1.4 million of severance costs during the first nine months in 2022, which were added back for the purposes of calculating Adjusted EBITDA.

LIQUIDITY AND CAPITAL RESOURCES – CONSOLIDATED

	Three Months Ended Sep. 30,		Nine Months Ended Sep. 30,	
	2022	2021	**2022**	2021
(C$000s) *(unaudited)*	***($)***	*($)*	***($)***	*($)*
Cash provided by (used in):				
Operating activities	**13,753**	(17,935)	**38,694**	(18,969)
Financing activities	**(3,882)**	21,588	**79**	39,273
Investing activities	**(16,881)**	(20,989)	**(42,304)**	(45,040)
Effect of exchange rate changes on cash and cash equivalents	**7,388**	2,714	**27,811**	949
Increase (decrease) in cash and cash equivalents	**378**	(14,622)	**24,280**	(23,787)

OPERATING ACTIVITIES

The Company's cash provided by operating activities for the three months ended September 30, 2022 was $13.8 million versus cash used in operating activities of $17.9 million during the comparable period in 2021. The increase in cash provided by operations was primarily due to improved operating results in all continuing operating divisions, offset by $57.9 million used to fund the Company's working capital requirements during the third quarter as compared to working capital using $40.3 million of cash during the same period in 2021. At September 30, 2022, Calfrac's working capital was $208.0 million, compared to $121.9 million at December 31, 2021.

FINANCING ACTIVITIES

Net cash used in financing activities for the three months ended September 30, 2022 was $3.9 million compared to net cash provided of $21.6 million in the third quarter in 2021. During the quarter, the Company made $2.2 million in net credit facility payments, paid lease principal payments of $2.3 million, and received proceeds of $0.6 million from the exercise of a portion of the Company's outstanding warrants and stock options.

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

During the first quarter of 2021, the Company recorded the rescission of $1.0 million of its 1.5 lien senior secured 10 percent 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 $11.5 million of 1.5 Lien Notes have been converted into equity since issuance up to the date of this MD&A.

The Company's revolving credit facilities consist of an operating facility of $45.0 million and a syndicated facility of $205.0 million. On September 29, 2022, the Company amended and restated its credit agreement, which included an extension of the maturity date to July 1, 2024. The credit agreement can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.00 percent to prime plus 3.50 percent. For SOFR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.00 percent to 4.50 percent above the respective base rates. The Company incurs interest at the high end of the ranges outlined above if its net Total Debt to EBITDA ratio is above 4.00:1.00. As at September 30, 2022, the Company's net Total Debt to EBITDA ratio for bank covenant purposes was 2.52:1.00.

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

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

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

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

At September 30, 2022, the Company had used $1.0 million of its credit facilities for letters of credit and had $200.0 million of borrowings under its credit facilities, leaving $49.0 million in available liquidity. As described above, the Company's credit facilities are subject to a monthly borrowing base, which at September 30, 2022 was above the maximum availability of $250.0 million under its credit facilities.

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 3.00x for the quarter ended September 30, 2022 and each quarter end thereafter. As shown in the table below, the Company was in compliance with its financial covenants associated with its credit facilities as at September 30, 2022.

	Covenant	**Actual**
As at September 30,	2022	**2022**
Working capital ratio not to fall below	1.15x	**2.15x**
Funded Debt to Adjusted EBITDA not to exceed[1][2]	3.00x	**1.17x**
Funded Debt to Capitalization not to exceed[1][3]	0.30x	**0.25x**

[1] Funded Debt is defined as Total Debt excluding all outstanding 10.875% second lien secured notes ("Second Lien Notes"), 1.5 Lien Notes, and lease obligations. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit. For the purposes of the Total Debt to Adjusted EBITDA ratio, the Funded Debt to Capitalization Ratio and the Funded Debt to Adjusted EBITDA ratio, the amount of Total Debt or Funded Debt, as applicable, is reduced by the amount of cash on hand with lenders (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 Company's credit facilities also require majority lender consent for dispositions of property or assets in Canada and the United States if the aggregate market value exceeds $20.0 million in a calendar year, subject to certain exceptions. There are no restrictions pertaining to dispositions of property or assets outside of Canada and the United States, except that if advances under the credit facilities exceed $50.0 million at the time of any such dispositions, Calfrac must use the resulting proceeds to reduce the advances to less than $50.0 million before using the balance for other purposes.

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

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

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

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

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

These limitations on restricted payments are tempered by the existence of a number of exceptions in the Indentures to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20.0 million. As at September 30, 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 September 30, 2022, the Company's Fixed Charge Coverage Ratio of 3.87:1 was above the required 2:1 ratio.

INVESTING ACTIVITIES

Calfrac's consolidated net cash used in investing activities was $16.9 million for the three months ended September 30, 2022 versus $21.0 million in the comparable period in 2021. Cash outflows relating to capital expenditures were $18.5 million for the quarter ended September 30, 2022 compared to $21.5 million in the third quarter in 2021. Calfrac's Board of Directors have approved a 2022 capital budget of approximately $97.0 million of which $52.1 million has been incurred during the first nine months in 2022. The Company's fourth-quarter capital expenditures are expected to be comprised of maintenance items, combined with additional expenditures related to fleet reactivations and the commencement of Tier IV dual-fuel upgrades in the United States.

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 September 30, 2022 was a gain of $7.4 million versus a gain of $2.7 million in the third quarter in 2021. The gain was primarily related to the impact this movement had on cash, working capital and monetary liabilities held by the Company's foreign subsidiary during the period.

With its working capital position, available credit facilities, access to capital markets and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2022 and beyond.

At September 30, 2022, the Company had a cash position of $11.9 million, which excludes all 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 October 31, 2022, the Company had issued and outstanding 46,797,751 common shares, 5,392,275 common share purchase warrants and 2,867,215 options to purchase common shares.

BUSINESS UPDATE AND OUTLOOK

The third quarter was the culmination of hard work and commitment to the Company's Brand Promise as the Calfrac team efficiently executed its customers' development programs to generate the Company's best quarterly Adjusted EBITDA margin in over a decade. The top priority of the Company's leadership has been to align the organization's strategy to focus on increasing cash flow while maintaining its strong safety and service quality performance, and these latest financial results demonstrate that these efforts are progressing according to plan. The Company looks to further that momentum in the fourth quarter as operators are continuing to maintain a steady pace of development in a tight oilfield services market. Calfrac is encouraged by the strong operating cash flow that its returns-focused strategy is producing and looks to build upon it throughout 2023.

CANADA

The Company's operations in Canada achieved strong utilization and increased pricing during the third quarter and generated significant year-over-year profitability growth. Calfrac anticipates consistent activity for its four large fracturing fleets and five coiled tubing units through the end of the year and into 2023. As visibility for next year improves, the Company expects to leverage steady pricing with robust demand to produce strong financial returns as operators prioritize safe and reliable service providers.

UNITED STATES

The Company's financial results for the United States division exemplified its operational strength with the best third quarter profitability on a fleet basis since 2014. Calfrac leveraged consistent utilization and improved pricing across its nine fracturing fleets to generate significant free cash flow. To meet the increasing demand for the Company's services as well as capitalize on the early phase of an anticipated multi-year margin expansion cycle, Calfrac began reactivating an additional fleet and initiating a strategic transition to Tier IV DGB equipment. The Company anticipates both investments to start paying dividends before year-end. Calfrac believes that its practical approach towards capital allocation will increase cash flow and generate sustainable returns for its stakeholders.

ARGENTINA

Calfrac's division in Argentina combined operational excellence with a renewed contract for a dedicated fracturing fleet in the Vaca Muerta shale play to generate significant year-over-year financial improvement during the third quarter. As the pressure pumping market tightens in Argentina, the Company expects the positive momentum experienced in the third quarter to continue throughout the remainder of the year and into 2023 enabling Calfrac to deliver strong financial returns.

RUSSIA

The Company continues to progress towards a sale of its Russian subsidiary and is seeking to complete this transaction as soon as possible while complying with all applicable laws and sanctions.

CORPORATE

Calfrac's focus is to leverage its safety-first culture and strong operational expertise in both North America and Argentina to provide premier service, increase profitability margins, sensibly allocate capital and generate strong free cash flow, which will be employed to strengthen the Company's balance sheet. Calfrac expects to carry the momentum from the third quarter throughout the remainder of 2022 and into next year, positioning itself to enhance the returns for its shareholders.

NON-GAAP MEASURES

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

Adjusted EBITDA is defined in the Company's credit agreement for covenant purposes as net income or loss for the period adjusted for interest, income taxes, depreciation and amortization, 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 Sep. 30,		**Nine Months Ended Sep. 30,**	
	2022	2021	**2022**	2021
(C$000s)			***($)***	*($)*
(unaudited)		*Revised*		*Revised*
Net income (loss) from continuing operations	**45,352**	(7,054)	**20,546**	(65,599)
Add back (deduct):				
Depreciation	**29,394**	33,098	**89,733**	95,991
Unrealized foreign exchange gains	**(10,073)**	(3,157)	**(13,086)**	(315)
(Gain) loss on disposal of property, plant and equipment	**(406)**	159	**4,382**	513
Litigation settlements in Canadian division	**8,258**	—	**11,258**	(700)
Restructuring charges	**597**	198	**1,563**	671
Stock-based compensation	**366**	1,079	**2,319**	1,356
Interest	**10,804**	9,677	**31,537**	28,077
Income taxes	**7,030**	(4,242)	**3,153**	(20,494)
Adjusted EBITDA from continuing operations [(1)]	**91,322**	29,758	**151,405**	39,500

[(1)] For bank covenant purposes, EBITDA includes $11.0 million income from discontinued operations for the nine months ended September 30, 2022 (nine months ended September 30, 2021 – $12.7 million) and the deduction of an additional $7.5 million of lease payments for the nine months ended September 30, 2022 (nine months ended September 30, 2021 – $6.5 million) that would have been recorded as operating expenses prior to the adoption of IFRS 16.

UPDATE ON CHAPTER 15 PROCEEDINGS

On July 26, 2022, Wilks Brothers, LLC ("Wilks Brothers") filed a request with the United States Court of Appeals for the Fifth Circuit ("Fifth Circuit") to reinstate its appeal to the Fifth Circuit ("Fifth Circuit Appeal") in respect of the enforcement order granted pursuant to Chapter 15 of the United States Bankruptcy Code in relation to the Company's Recapitalization Transaction completed on December 18, 2020 pursuant to a Plan of Arrangement under the Canada Business Corporations Act. On January 27, 2022, following the parties' January 25, 2022 Joint Motion to Stay Further Appellate Proceedings Pending Settlement Discussions, the Fifth Circuit had entered an order dismissing the Fifth Circuit Appeal without prejudice to either party seeking to reinstate the appeal within 180 days. The Fifth Circuit reinstated the proceedings on August 2, 2022, and the Company filed its brief on the merits and a motion to dismiss the appeal as equitably moot on October 3, 2022. In addition, an amendment and waiver to the second lien indenture that waived any purported defaults under such indenture arising from Calfrac's Plan of Arrangement, including the issuance of the 1.5 Lien Notes, went into effect on October 22, 2022. The Company is in the process of seeking dismissal of the Fifth Circuit Appeal on this additional ground. The Company believes it is well-positioned to have the appeal dismissed or to prevail on the merits of the appeal. See the Company's most recent Annual Information Form, which is available on SEDAR, for more information on the Fifth Circuit Appeal and the Company's Recapitalization Transaction.

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 alleged the Company failed to satisfy certain volume commitments and associated shortfall payment obligations under a sand supply agreement and the vendor was seeking at least US$10.2 million in damages together with interest and unspecified other relief. The Company filed an answer to the complaint (as amended) and a counter-claim.

Subsequent to the quarter, the Company and the vendor resolved the dispute and the case was dismissed.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the three and nine months ended September 30, 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 $0.5 million at September 30, 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 September 30, 2022 was $149.6 million (December 31, 2021 – $139.6 million). The carrying value of the revolving term loan facility approximates its fair value as the interest rate is not significantly different from current interest rates for similar loans. As at September 30, 2022, there have been no trades in the 1.5 Lien Notes of which the Company is aware to provide an alternative fair value reference; however, the conversion price is significantly higher than the exercise price which indicates that the fair value of the 1.5 Lien Notes would be significantly higher than its carrying amount.

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 September 30, 2022 and based on its review, there was no impairment or reversal of impairment of assets or CGUs related to its continuing operations.

During the first quarter of 2022, management committed to a plan to sell its Russian division. The associated assets and liabilities were consequently presented as held for sale in these financial statements, effective March 31, 2022, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

In conjunction with the ongoing sale process and in light of the additional Canadian sanctions and restrictions that were issued in relation to the Russian oil and gas industry during the second quarter, the Company recorded an impairment of $42.8 million at June 30, 2022 to write-down the Russian division's current and long-term assets to their expected recoverable amount. At September 30, 2022, the Company further adjusted the Russian division's current and long-term assets to reflect their revised expected recoverable amount. Management will revisit the fair value of the net assets upon the close of the transaction.

	Three Months Ended Sep. 30,		**Nine Months Ended Sep. 30,**	
	2022	2021	**2022**	2021
(C$000s)	***($)***	*($)*	***($)***	*($)*
Impairment of property, plant and equipment	**—**	—	**5,634**	—
Impairment of inventory	**1,201**	—	**28,749**	—
(Recovery) impairment of other assets	**(2,312)**	—	**7,336**	—
	(1,111)	—	**41,719**	—

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 nine months in 2022, while in the comparable nine month period in 2021, the Company recognized $6.3 million as a reduction of salaries and wages expense and $0.6 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, a member of the Board of Directors, hold approximately 20 percent and 42 percent, respectively, of the Company's 1.5 Lien Notes at September 30, 2022. Subsequent to September 30, 2022, Ronald P. Mathison and George S. Armoyan held approximately 24 percent and 49 percent, respectively, of the Company's outstanding 1.5 Lien Notes.

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 nine months ended September 30, 2022 was $0.7 million (nine months ended September 30, 2021 – $0.7 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 September 30, 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 and additional restrictions around the operations of the Company's Russian subsidiary. As a result of these changes in circumstances, the risks, restrictions, and uncertainties surrounding banking and limitations on 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 in Russia, collectability of accounts receivable, the regulatory approvals to complete a sale transaction and overall business and operational risks are being monitored and addressed as circumstances evolve. For additional information related to Calfrac's assets held for sale, see note 3 of the interim consolidated financial statements for the three and nine months ended September 30, 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 activity, demand, utilization and outlook for the Company's operating divisions; the supply and demand fundamentals of the pressure pumping industry; expected operating and financial strategies and targets; anticipated pricing for the Company's services; projections of market prices and costs; anticipated equipment demand and utilization levels; commodity prices; the planned sale of the Company's Russia division, including its accounting treatment and on-going risks, uncertainties and restrictions around the business and operations of the Company's Russian subsidiary; capital expenditure programs; the Company's debt, liquidity and financial position; future financial resources and performance; future oil and natural gas well activity in the Company's operating jurisdictions; future costs or potential liabilities; the Company's service quality, operational execution and competitive position; expectations regarding the Company's financing activities and restrictions, including with regard to its revolving credit facility agreement and the Indentures; treatment under government regulatory regimes; anticipated outcomes of specific events (including exposure and positioning under existing legal proceedings); expectations regarding trends in, and the growth prospects of, the global oil and natural gas industry; and accounting policies, practices, standards and judgements of the Company and the impact on the Company and its financial statements. 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 effect of the military conflict in the Ukraine and related Canadian, U.S. and international sanctions and restrictions involving Russia and counter-sanctions and restrictions by Russia on the Company's ownership and planned sale of the Russian division and the broader markets for the Company's services, 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 continued effectiveness of cost reduction measures instituted by the Company and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include but are not limited to: volatility of industry conditions including the level of exploration, development and production for oil and natural gas in Canada, the U.S. 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; oilfield equipment utilization levels; risks associated with foreign operations, including risks relating to unsettled political conditions, war, including the ongoing Russia and Ukraine conflict and any expansion of that conflict, foreign exchange rates and controls, international trade and regulatory controls and sanctions, and doing business with national oil companies; failure to receive any applicable regulatory approvals, including in respect of the sale of the Company's Russian division, the impacts of the Russia-Ukraine conflict on the supply and demand for oil and gas produced in Russia and globally; failure to manage growth related risks; the Company's ability to continue to manage the effects of the COVID-19 pandemic on its operations; 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 and 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; direct and indirect exposure to volatile credit markets, including credit rating risk; 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; and unfavorable tax assessments or changes in administrative tax practices. 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.