



2023 ANNUAL REPORT

CALFRAC WELL SERVICES



DO IT SAFELY • DO IT RIGHT • DO IT PROFITABLY

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CALFRAC WELL SERVICES LTD.

ANNUAL GENERAL MEETING

May 7, 2024

3:30 pm

Devonian Room

Calgary Petroleum Club

319 - 5th Avenue SW

Calgary, Alberta

CEO'S MESSAGE

To Our Valued Stakeholders:

2023 was a transformational year for Calfrac as we made considerable progress on our three key strategic priorities by remaining committed to the Company's brand promise to "Do it Safely, Do it Right, Do it Profitably". The significant efforts of the Company's 2,400+ employees over the past year resulted in many important achievements that underscore the positive culture change that has occurred at Calfrac, and provides significant momentum for the year ahead.

SAFETY IS FIRST AT CALFRAC

Safety is of paramount importance at Calfrac which is why our brand promise begins with "Do it Safely". Safety is the cornerstone of our Company's culture and is guided by our robust 16-element safety management procedure designed to continually mitigate or remove risk exposures. To ensure that everyone understands the vital role that safety plays at Calfrac, each employee is onboarded with extensive training of our processes before stepping onto location, and we remain committed to reinforcing the significance of job safety through daily pre-shift meetings. Our safety foundation is enhanced by a phone app that allows all field employees to electronically report any potential safety issues on a real-time basis. I am proud to report that the amount of employees who used the app increased tremendously during the past year which contributed to a decrease in the Company's Total Recordable Injury Frequency rate from 1.19 in 2022 to 1.05 in 2023, despite deploying two additional large fracturing fleets in North America.

MAXIMIZE NET INCOME AND FREE CASH FLOW TO STRENGTHEN THE BALANCE SHEET

We leveraged that strong safety performance to generate revenue and net income from continuing operations during 2023 of approximately \$1.9 billion and \$198.0 million, respectively. This level of net income was the highest in the Company's history and was partially aided by a \$41.6 million property, plant and equipment impairment reversal in Canada due to the significant improvement in the business outlook for that country. In conjunction with this strong operating and financial performance, the Company generated significant free cash flow due to our relentless focus on prioritizing margins over market share as well as receiving proceeds of approximately \$21.5 million from the divestment of surplus equipment in North America and \$12.3 million from the exercise of warrants and stock options.

We were able to make great strides towards strengthening our balance sheet during 2023 by prioritizing debt repayment, while at the same time, increasing year-end working capital by 29% to \$236.4 million. A majority of our free cash flow in 2023 was dedicated to the repayment of \$75.0 million on the Company's revolving credit facilities as well as the remaining \$2.5 million of 1.5 Lien Notes, which reduced Calfrac's total long-term debt by 24% to \$250.8 million, the lowest level since 2009. As a result, we exited the year with a net debt to Adjusted EBITDA from continuing operations ratio of 0.74x. We also gained further financial certainty by extending the maturity of our revolving credit facilities from July 1, 2024 to at least six months prior to the maturity of Calfrac's Second Lien Notes on March 15, 2026. Overall, I believe that we are now very well-positioned for the future from a balance sheet perspective and we remain committed to further decreasing our long-term debt in 2024.

IMPROVE ASSET QUALITY

In 2023, we commenced with a multi-year fracturing fleet modernization program that focused our North American capital investments on the transition to Tier IV Dynamic Gas Blending ("DGB") technology in order to meet increasing customer demand for next generation, lower emission dual-fuel equipment. The equivalent of two Tier IV DGB fleets were deployed during the fourth quarter and demonstrated very strong operating performance. The Company plans to continue the equipment modernization program into 2024 as market conditions dictate. Another initiative that we undertook during 2023 was to upgrade the Company's field operating data and telecommunication systems in North America to improve data quality and our performance in the field.

LOOKING FORWARD

Calfrac is poised to build upon the past year and we expect to continue leveraging our brand promise and operational expertise to make further progress on our key strategic priorities. We are excited about the future prospects for Calfrac and believe that the planned fracturing fleet investments coupled with further debt reduction will move the company forward to realizing our vision of becoming a best-in-class oilfield service company.

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

A handwritten signature in black ink, appearing to read "Pat Powell". The signature is fluid and cursive, with the first name "Pat" and last name "Powell" clearly distinguishable.

Pat Powell
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of March 13, 2024 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 and years ended December 31, 2023 and 2022. It should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2023, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2022.

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 North America and Argentina, including hydraulic fracturing, coiled tubing, cementing and other well stimulation services.

The Company's reportable business segments during the three months ended December 31, 2023, were as follows:

Segment	Active (000's hhp)	Idle (000's hhp)	Total (000's hhp)	Crewed Fleets (#)
North America	1,034	72	1,106	15
Argentina	139	—	139	7
Total	1,173	72	1,245	22

- The Company's North America segment provides fracturing services to oil and natural gas companies operating in the Williston Basin located in North Dakota as well as the broader Rockies region, which includes the Piceance Basin in Colorado, the Uinta Basin in Utah and the Powder River Basin in Wyoming. Calfrac also provides fracturing services in the United States to natural gas-focused customers operating in the Appalachia Basin in Pennsylvania, Ohio and West Virginia. The Company provides fracturing and coiled tubing services in Canada to a diverse group of oil and natural gas exploration and production companies operating in the Western Canadian Sedimentary Basin, primarily in Alberta and northeast British Columbia. At December 31, 2023, Calfrac's North America segment had 15 fracturing fleets utilizing combined active horsepower of approximately 1.0 million of which approximately 35 percent was dual-fuel capable. At the end of the fourth quarter, the North America segment had approximately 72,000 of idled horsepower.
- The Argentinean segment provides fracturing, coiled tubing and cementing services to oil and natural gas companies operating in the Neuquén, Las Heras, and Comodoro Rivadavia regions. The Company had one large and six conventional fracturing spreads utilizing approximately 139,000 active and total horsepower, 10 active cementing units and five active coiled tubing units in its Argentinean segment at December 31, 2023. The Company also had one idle cementing unit in Argentina.
- At December 31, 2023, Calfrac's continuing operations had 22 fracturing fleets utilizing combined active horsepower of approximately 1.2 million. The Company had the equivalent of two Tier IV dynamic gas blending ("DGB") fleets operating in North America at the end of the fourth quarter.
- The Company remains committed to its plan to sell its Russia segment, and the associated assets and liabilities continue to be classified as held for sale and presented as discontinued operations in the annual consolidated financial statements.

HIGHLIGHTS – CONTINUING OPERATIONS

Years Ended December 31,	2023	2022	Change
<i>(C\$000s, except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	1,864,281	1,499,220	24
Adjusted EBITDA ⁽¹⁾⁽²⁾⁽³⁾	325,456	233,741	39
Consolidated cash flows provided by operating activities	281,634	107,532	162
Capital expenditures ⁽³⁾	165,414	87,940	88
Net income	197,569	35,303	460
Per share – basic	2.43	0.83	193
Per share – diluted	2.24	0.47	377
Cash and cash equivalents	34,140	8,498	302
Working capital, end of year	236,392	183,580	29
Total assets, end of year	1,126,197	995,753	13
Long-term debt, end of year	250,777	329,186	(24)
Net debt ⁽⁴⁾	241,065	346,414	(30)
Total consolidated equity, end of year	615,903	422,972	46

⁽¹⁾ Adjusted EBITDA reflects a change in definition effective October 1, 2022, and excludes all foreign exchange gains and losses.

⁽²⁾ Refer to “Non-GAAP Measures” on page 16 for further information.

⁽³⁾ Effective January 1, 2023, the Company recorded expenditures related to fluid end components as an operating expense rather than as a capital expenditure. This change in accounting estimate was recorded on a prospective basis.

⁽⁴⁾ Refer to note 14 of the consolidated annual financial statements for further information.

2023 OVERVIEW

In 2023, the Company:

- began reporting the financial and operating performance for the United States and Canada under a single North America division as part of its strategy to streamline its operations and reporting structure;
- generated revenue of \$1.9 billion, an increase of 24 percent from 2022 resulting primarily from higher activity in North America and Argentina;
- reported Adjusted EBITDA of \$325.5 million versus \$233.7 million in 2022, mainly due to significantly improved utilization of its fracturing fleets in North America and Argentina;
- generated consolidated cash flow from operating activities of \$281.6 million, which included \$21.1 million of interest paid and cash used for working capital of \$35.2 million;
- reported net income from continuing operations of \$197.6 million or \$2.24 per share diluted, which included an impairment recovery of \$41.6 million related to an improved business outlook in Canada and a foreign exchange loss of \$22.4 million that was primarily related to the significant devaluation of the Argentinean peso in December 2023, compared to net income of \$35.3 million or \$0.47 per share diluted in 2022;
- amended and restated its \$250.0 million credit facilities, which included an extension of the maturity date to the earlier of July 1, 2026 or six months prior to the maturity of the Company’s Second Lien Notes on March 15, 2026;
- reduced its net debt by \$105.3 million from the start of the year, bringing the amount drawn on the revolving credit facilities to \$95.0 million at year end. This exceeded the full-year net debt reduction guidance range of \$70.0 million to \$80.0 million;
- incurred capital expenditures of \$165.4 million, which included approximately \$97.8 million related to its Tier IV fleet modernization program; and
- reported year-end working capital of \$236.4 million, including a cash balance of \$34.1 million.

FINANCIAL OVERVIEW – CONTINUING OPERATIONS

YEARS ENDED DECEMBER 31, 2023 VERSUS 2022

NORTH AMERICA

Years Ended December 31,	2023	2022	Change
<i>(C\$000s, except operational and exchange rate information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>		<i>Revised ⁽¹⁾</i>	
Revenue	1,522,348	1,248,147	22
Adjusted EBITDA ⁽²⁾	282,863	224,434	26
Adjusted EBITDA (%)	18.6	18.0	3
Fracturing revenue per job (\$)	42,329	42,071	1
Number of fracturing jobs	34,815	28,557	22
Active pumping horsepower, end of year (000s)	1,034	973	6
Idle pumping horsepower, end of year (000s)	72	117	(38)
Total pumping horsepower, end of year (000s)	1,106	1,090	1
Active coiled tubing units, end of year (#)	6	6	—
Idle coiled tubing units, end of year (#)	1	4	(75)
Total coiled tubing units, end of year (#)	7	10	(30)
US\$/C\$ average exchange rate ⁽³⁾	1.3497	1.3011	4

⁽¹⁾ Prior period amounts revised due to changes in segment reporting.

⁽²⁾ Refer to "Non-GAAP Measures" on page 16 for further information.

⁽³⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac's North American operations increased significantly to \$1.5 billion during 2023 from \$1.2 billion in 2022. The 22 percent increase in revenue was primarily due to higher customer activity and a larger operating scale as the Company operated 15 fracturing fleets during the year with more consistent utilization compared to 13 fleets in 2022. Pricing during 2023 was relatively consistent with the second half of 2022, but was partially offset by job mix as a greater amount of customer-supplied product resulted in a similar year-over-year fracturing revenue per job. Coiled tubing revenue increased by 7 percent as compared to 2022 mainly due to higher utilization for its six crewed units.

ADJUSTED EBITDA

The Company's operations in North America generated Adjusted EBITDA of \$282.9 million during 2023 compared to \$224.4 million in 2022. This increase in Adjusted EBITDA was largely driven by higher fracturing and coiled tubing utilization. In 2023, Calfrac's Adjusted EBITDA included \$37.7 million of maintenance expense related to fluid ends versus \$27.7 million of capital expenditures that were recorded in the comparable period in 2022. The Company's North American operations generated an Adjusted EBITDA percentage of 19 percent compared to 16 percent in 2022, after adjusting for the change in fluid end accounting treatment.

ARGENTINA

Years Ended December 31,	2023	2022	Change
(C\$000s, except operational and exchange rate information) (unaudited)	(\$)	(\$)	(%)
Revenue	341,933	251,073	36
Adjusted EBITDA ⁽¹⁾	63,569	30,979	105
Adjusted EBITDA (%)	18.6	12.3	51
Fracturing revenue per job (\$)	80,989	74,181	9
Number of fracturing jobs	2,481	1,973	26
Active pumping horsepower, end of year (000s)	139	139	—
Idle pumping horsepower, end of year (000s)	—	—	—
Total pumping horsepower, end of year (000s)	139	139	—
Active coiled tubing units, end of year (#)	5	5	—
Idle coiled tubing units, end of year (#)	—	1	(100)
Total coiled tubing units, end of year (#)	5	6	(17)
Active cementing units, end of year (#)	10	11	(9)
Idle cementing units, end of year (#)	1	1	—
Total cementing units, end of year (#)	11	12	(8)
US\$/C\$ average exchange rate ⁽²⁾	1.3497	1.3011	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 \$341.9 million during 2023 compared to \$251.1 million in 2022. Activity in the Vaca Muerta shale play continued to increase while activity in southern Argentina also achieved significant growth compared to 2022. Overall fracturing activity increased by 26 percent compared to 2022 while revenue per job was 9 percent higher primarily due to overall inflation in operating costs and better pricing that was realized during the second half of 2022 combined with a stronger U.S. dollar. Higher coiled tubing and cementing revenue also contributed to the overall increase in revenue. The number of coiled tubing jobs increased by 32 percent as activity increased in Neuquén and southern Argentina while revenue per job was consistent with the prior year. Cementing activity increased by 7 percent and revenue per job increased by 9 percent due to changes in job mix as a greater number of pre-fracturing projects, which are typically larger job sizes, were completed during 2023.

ADJUSTED EBITDA

The Company’s operations in Argentina generated Adjusted EBITDA of \$63.6 million or 19 percent of revenue in 2023 versus \$31.0 million or 12 percent of revenue in 2022 primarily due to higher utilization and pricing across all service lines and, to a lesser extent, the impact of the peso devaluation that occurred in the fourth quarter of 2023. Adjusted EBITDA in 2023 included \$5.8 million of maintenance expense related to fluid end components that would have been recorded as capital expenditures in 2022.

CORPORATE

Years Ended December 31,	2023	2022	Change
(C\$000s)	(\$)	(\$)	(%)
(unaudited)			
Adjusted EBITDA ⁽¹⁾	(20,976)	(21,672)	(3)
% of revenue from continuing operations	(1.1)	(1.4)	(21)

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

ADJUSTED EBITDA

Corporate expenses from continuing operations were \$21.0 million during 2023 versus \$21.7 million in 2022. The slight decrease in corporate expenses was primarily due to lower insurance costs during 2023.

DEPRECIATION

Depreciation expense from continuing operations decreased by \$5.4 million from \$122.0 million in 2022 to \$116.6 million in 2023 primarily due to the mix and timing of major component capital expenditures, including the impact of the change in estimate relating to fluid end components, which were no longer treated as a capital expenditure in 2023.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss from continuing operations of \$22.4 million in 2023 versus a gain of \$3.0 million in 2022. 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 loss in 2023 was largely attributable to the revaluation of net monetary assets that were held in pesos in Argentina as the peso devalued significantly against the U.S. dollar during the year.

INTEREST

The Company's interest expense from continuing operations of \$29.7 million in 2023 was \$16.9 million lower than in 2022. The decrease in interest expense was primarily due to a reduction in the number of 1.5 Lien Notes outstanding following the Company's early conversion incentive program that was completed during the fourth quarter in 2022. The Company maintained lower average borrowings on its revolving credit facility during 2023 which also contributed to the reduction in reported interest expense. The Company's interest expense was net of \$5.0 million of interest income generated in Argentina (2022 - \$2.2 million).

INCOME TAXES

The Company recorded an income tax expense from continuing operations of \$4.1 million in 2023 compared to a recovery of \$11.0 million in 2022. The Company had current tax expense of \$6.2 million which was primarily comprised of \$4.1 million related to the United States and \$1.9 million in Argentina. The deferred tax recovery of approximately \$2.2 million consists of \$14.0 million in Canada, partially offset by a deferred tax expense of \$11.8 million in the United States. The Company reinstated a portion of its Canadian deferred tax assets during the period as they are expected to be utilized in the future.

REVERSAL OF IMPAIRMENT

The Company completed a comparison of the recoverable and carrying value amounts for its Canadian cash-generating unit during the third quarter of 2023 due to improved financial performance over the past year coupled with a strong business outlook, which supported the reversal of the remaining impairment loss from 2020 of \$41.6 million.

LIQUIDITY AND CAPITAL RESOURCES – CONSOLIDATED

	Years Ended Dec. 31,	
	2023	2022
(C\$000s)	(\$)	(\$)
(unaudited)		
Cash provided by (used in):		
Operating activities	281,634	107,532
Financing activities	(84,132)	(33,533)
Investing activities	(144,770)	(74,325)
Effect of exchange rate changes on cash and cash equivalents	(25,935)	20,070
Increase in cash and cash equivalents ⁽¹⁾	26,797	19,744

⁽¹⁾ All amounts in the table above include the results from the Company's Russia operations.

OPERATING ACTIVITIES

The Company's cash provided by operating activities for the year ended December 31, 2023 was \$281.6 million versus \$107.5 million during the comparable period in 2022. The increase in cash provided by operations was primarily due to improved operating results in all areas where the Company operates, while the Company used \$35.2 million to fund the Company's working capital during 2023 compared to \$75.0 million during 2022.

FINANCING ACTIVITIES

Net cash used by financing activities for the year ended December 31, 2023 was \$84.1 million compared to \$33.5 million in 2022. During the year, the Company had net repayments of \$75.0 million on its credit facility and repaid the remaining \$2.5 million principal amount of its 1.5 Lien Notes, incurred \$7.8 million of debt issuance costs related to bankers' acceptance borrowings, paid lease principal payments of \$11.2 million, and received proceeds of \$12.3 million from the exercise of a portion of the Company's outstanding warrants and stock options.

On September 28, 2023, the Company amended its revolving credit facility agreement, a copy of which is available on SEDAR+. The principal amendments to the \$250.0 million credit facilities included, among others, the following items:

- a. extended the maturity date from July 1, 2024 to the earlier of: (a) July 1, 2026 or (b) six months prior to the maturity of the Company's Second Lien Notes on March 15, 2026;
- b. increased the syndicated facility to \$215.0 million from \$205.0 million and decreased the operating facility to \$35.0 million from \$45.0 million;
- c. removed the borrowing base requirement as well as the Funded Debt to Capitalization and Current Ratio covenants; and
- d. introduced an Interest Coverage Ratio covenant of greater than 2.75:1:00 and a Total Debt to EBITDA Ratio covenant of less than 4.00:1:00, which along with a Funded Debt to EBITDA Ratio covenant of 3.00:1:00, based on EBITDA from continuing operations, comprises the amended financial covenant package.

The credit agreement can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.25 percent to prime plus 3.00 percent. For SOFR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.25 percent to 4.00 percent above the respective base rates.

At December 31, 2023, the Company had used \$3.4 million of its credit facilities for letters of credit and had \$95.0 million of borrowings under its credit facilities, leaving \$151.6 million in available liquidity. The Company was in compliance with its financial covenants associated with its credit facilities at December 31, 2023. Based on currently available information, the Company anticipates maintaining compliance with covenants during the next twelve months.

During 2022, the Company reduced the principal amount of its 1.5 Lien Notes by \$56.1 million. This reduction was achieved, in part, through a 1.5 Lien Notes early conversion incentive program that was completed during the fourth quarter which

resulted in the conversion of \$44.8 million of 1.5 Lien Notes, the issuance of 33.6 million common shares and a reduction of future interest payments otherwise payable by \$2.3 million. An additional \$11.3 million of 1.5 Lien Notes were converted into equity in 2022 outside of the early conversion program. On December 18, 2023, the remaining \$2.5 million principal amount of its 1.5 Lien Notes were repaid along with its corresponding interest. The Company made all interest payments on the 1.5 Lien Notes in cash rather than utilizing the payment-in-kind option.

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

INVESTING ACTIVITIES

Calfrac's consolidated net cash used in investing activities was \$144.8 million during the year ended December 31, 2023 versus \$74.3 million in 2022. Capital expenditures from continuing operations were \$165.4 million for the year ended December 31, 2023 versus \$87.9 million in 2022. Calfrac's Board of Directors approved a 2024 total capital budget of approximately \$210.0 million in December 2023, which was an increase of \$45.0 million from the previous year, primarily to continue its fracturing fleet modernization program in North America and dedicate \$40.0 million to support its Argentinean operations while implementing new company-wide field-based technologies. On March 13, 2024, the Board of Directors approved a deferral of up to \$50.0 million of capital allocated to its North American fleet modernization program to align with current market conditions.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the year ended December 31, 2023 was a loss of \$25.9 million versus a gain of \$20.1 million in 2022. The loss was primarily related to the the significant devaluation of the Argentinean peso and the impact this movement had on cash, working capital and monetary liabilities held by the Company in that currency 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 2024 and beyond.

At December 31, 2023, the Company had a cash position of \$34.1 million of which approximately 50 percent was held in Argentina. The Company faces certain restrictions on the amount of cash that can be repatriated out of Argentina. However, these restrictions are not expected to have a material impact on the Company's liquidity position. The Company invests excess cash held in Argentina in various short-term investments to protect against inflation and the devaluation of the peso. The Company's cash balance excludes all cash held in Russia. The Company is not expecting to repatriate any material cash amounts from Russia other than through any proceeds received through a sale of its Russian business.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares and performance share units under the Company's shareholder-approved omnibus incentive plan. The number of shares reserved for issuance under the plan is equal to 10 percent of the Company's issued and outstanding common shares. As at March 13, 2024, the Company had issued and outstanding 85,716,129 common shares, 1,218,384 performance share units, 2,842,895 performance share options, and 3,251,654 options to purchase common shares.

SUMMARY OF QUARTERLY RESULTS – CONTINUING OPERATIONS

Three Months Ended	Mar. 31, 2022	Jun. 30, 2022	Sep. 30, 2022	Dec. 31, 2022	Mar. 31, 2023	Jun. 30, 2023	Sep. 30, 2023	Dec. 31, 2023
<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>	<i>Revised ⁽¹⁾</i>	<i>Revised ⁽¹⁾</i>	<i>Revised ⁽¹⁾</i>					
Financial								
Revenue	294,524	318,511	438,338	447,847	493,323	466,463	483,093	421,402
Adjusted EBITDA ⁽¹⁾⁽²⁾⁽³⁾	22,763	40,734	94,289	75,954	83,794	87,785	91,286	62,591
Net income (loss)	(18,030)	(6,776)	45,352	14,757	36,313	50,531	97,523	13,202
Per share – basic	(0.47)	(0.18)	1.15	0.27	0.45	0.62	1.20	0.16
Per share – diluted	(0.47)	(0.18)	1.10	0.17	0.41	0.58	1.09	0.15
Capital expenditures ⁽³⁾	12,145	15,240	24,745	35,810	34,474	30,718	50,825	49,397
Working capital (end of period)	130,246	144,456	207,974	183,580	232,370	282,850	283,680	236,392
Total equity (end of period)	302,195	292,515	358,866	422,972	458,826	502,928	596,141	615,903
Operating (end of period)								
Active pumping horsepower (000s)	936	934	1,010	1,112	1,155	1,159	1,174	1,173
Idle pumping horsepower (000s)	346	344	270	117	79	79	70	72
Total pumping horsepower (000s)	1,282	1,278	1,280	1,229	1,234	1,238	1,244	1,245
Active coiled tubing units (#)	13	13	12	11	11	11	11	11
Idle coiled tubing units (#)	6	6	7	5	5	2	2	1
Total coiled tubing units (#)	19	19	19	16	16	13	13	12
Active cementing units (#)	10	10	11	11	10	10	10	10
Idle cementing units (#)	4	2	1	1	1	1	1	1
Total cementing units (#)	14	12	12	12	11	11	11	11

⁽¹⁾ Adjusted EBITDA reflects a change in definition and excludes all foreign exchange gains and losses.

⁽²⁾ Refer to “Non-GAAP Measures” on page 16 for further information.

⁽³⁾ Effective January 1, 2023, recorded expenditures related to fluid end components as an operating expense rather than as a capital expenditure. This change in accounting estimate was recorded on a prospective basis.

VOLATILITY OF INDUSTRY CONDITIONS

The demand, pricing and terms for the Company's services largely depend upon the level of expenditures made by oil and gas companies on exploration, development and production activities in North America and Argentina. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively, high, demand for the Company's services is high. The converse is also true (refer to “Business Risks” below).

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 may be reduced in Canada and the broader Rockies region in the United States where the Company operates (refer to “Business Risks” below). Activity in the fourth quarter is typically impacted by customer budget exhaustion and seasonal holidays.

FOREIGN EXCHANGE FLUCTUATIONS

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

QUARTERLY CONSOLIDATED HIGHLIGHTS - CONTINUING OPERATIONS

Three Months Ended December 31,	2023	2022	Change
<i>(C\$000s, except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	421,402	447,847	(6)
Adjusted EBITDA ⁽¹⁾⁽²⁾	62,591	75,954	(18)
Consolidated cash flows provided by operating activities	121,284	68,838	76
Capital expenditures	49,397	35,810	38
Net income	13,202	14,757	(11)
Per share – basic	0.16	0.27	(41)
Per share – diluted	0.15	0.17	(12)
Cash and cash equivalents	34,140	8,498	302
Working capital, end of year	236,392	183,580	29
Total assets, end of year	1,126,197	995,753	13
Long-term debt, end of year	250,777	329,186	(24)
Net debt ⁽³⁾	241,065	346,414	(30)
Total consolidated equity, end of year	615,903	422,972	46

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

⁽²⁾ Effective January 1, 2023, the Company recorded expenditures related to fluid end components as an operating expense rather than as a capital expenditure. This change in accounting estimate was recorded on a prospective basis.

⁽³⁾ Refer to note 14 of the consolidated annual financial statements for further information.

FOURTH QUARTER 2023 OVERVIEW

In the fourth quarter of 2023, the Company:

- generated revenue of \$421.4 million, a decrease of 6 percent from the comparative quarter in 2022 primarily due to a larger proportion of jobs completed in North America where sand was supplied by the customer, which resulted in a 29 percent reduction in revenue per job compared with the same period in 2022;
- reported Adjusted EBITDA of \$62.6 million versus \$76.0 million in the fourth quarter of 2022 primarily due to the change in accounting estimate that was adopted for fluid ends at the beginning of 2023. In the fourth quarter of 2023, Calfrac incurred \$12.6 million of maintenance expense related to fluid end components during the quarter;
- deployed the equivalent of two new Tier IV Dynamic Gas Blending (“DGB”) fracturing fleets in North America;
- received cash proceeds of \$11.4 million during the quarter from the exercise of warrants;
- reduced its outstanding credit facility borrowings by \$55.0 million that resulted in a total draw amount of \$95.0 million at the end of the year;
- reduced its net debt to Adjusted EBITDA ratio to 0.74:1.00;
- reported net income of \$13.2 million or \$0.15 per share diluted compared to a net income of \$14.8 million or \$0.17 per share diluted in 2022;
- reported period-end working capital of \$236.4 million versus \$183.6 million at December 31, 2022; and
- incurred capital expenditures of \$49.4 million which included \$33.7 million related to the Tier IV fleet modernization program.

FINANCIAL OVERVIEW – CONTINUING OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2023 VERSUS 2022

NORTH AMERICA

Three Months Ended December 31,	2023	2022	Change
<i>(C\$000s, except operational and exchange rate information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>		<i>Revised ⁽¹⁾</i>	
Revenue	331,688	369,126	(10)
Adjusted EBITDA ⁽²⁾	48,070	68,839	(30)
Adjusted EBITDA (%)	14.5	18.6	(22)
Fracturing revenue per job (\$)	38,678	54,481	(29)
Number of fracturing jobs	8,343	6,532	28
Active pumping horsepower, end of year (000s)	1,034	973	6
Idle pumping horsepower, end of year (000s)	72	117	(38)
Total pumping horsepower, end of year (000s)	1,106	1,090	1
Active coiled tubing units, end of year (#)	6	6	—
Idle coiled tubing units, end of year (#)	1	4	(75)
Total coiled tubing units, end of year (#)	7	10	(30)
US\$/C\$ average exchange rate ⁽³⁾	1.3622	1.3578	—

⁽¹⁾ Prior period amounts revised due to changes in segment reporting.

⁽²⁾ Refer to "Non-GAAP Measures" on page 16 for further information.

⁽³⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac's North American operations decreased to \$331.7 million during the fourth quarter of 2023 from \$369.1 million in the comparable quarter of 2022. The lower revenue was primarily due to a larger proportion of jobs completed where sand was supplied by the customer, which resulted in a 29 percent reduction in revenue per job compared with the same period in 2022. The impact on revenue was partially offset by a 28 percent increase in the number of completed fracturing jobs. The increase in job count was mainly due to the Company operating 15 fracturing fleets during the quarter, including deploying the equivalent of two new Tier IV DGB fleets, compared to an average of 13.5 operating fleets in the respective quarter of 2022. Coiled tubing revenue decreased by 32 percent as compared to the fourth quarter in 2022 mainly due to lower utilization of Calfrac's six deep coiled tubing units.

ADJUSTED EBITDA

The Company's operations in North America generated Adjusted EBITDA of \$48.1 million or 14 percent of revenue during the fourth quarter of 2023 compared to \$68.8 million or 19 percent of revenue in the same period in 2022. This decrease was partially due to the change in accounting estimate that was adopted for fluid ends at the beginning of 2023. In the fourth quarter of 2023, Calfrac incurred \$11.4 million of maintenance expense related to fluid end components versus \$8.8 million of capital expenditures in the same quarter of 2022. Additionally, utilization during the fourth quarter of 2023 was impacted by a reduction in activity, mainly in Canada, as a result of customer budget exhaustion.

ARGENTINA

Three Months Ended December 31,	2023	2022	Change
<i>(C\$000s, except operational and exchange rate information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	89,714	78,721	14
Adjusted EBITDA ⁽¹⁾	19,946	14,616	36
Adjusted EBITDA (%)	22.2	18.6	19
Fracturing revenue per job (\$)	75,225	84,445	(11)
Number of fracturing jobs	697	558	25
Active pumping horsepower, end of year (000s)	139	139	—
Idle pumping horsepower, end of year (000s)	—	—	—
Total pumping horsepower, end of year (000s)	139	139	—
Active coiled tubing units, end of year (#)	5	5	—
Idle coiled tubing units, end of year (#)	—	1	(100)
Total coiled tubing units, end of year (#)	5	6	(17)
Active cementing units, end of year (#)	10	11	(9)
Idle cementing units, end of year (#)	1	1	—
Total cementing units, end of year (#)	11	12	(8)
US\$/C\$ average exchange rate ⁽²⁾	1.3622	1.3578	—

⁽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 \$89.7 million during the fourth quarter of 2023 versus \$78.7 million in the comparable quarter in 2022 primarily due to higher activity across all service lines. This increase in revenue was due to the strategic repositioning of certain fracturing and cementing equipment from southern Argentina into the Vaca Muerta shale play during the first half of 2023. Coiled tubing revenue also increased due to an increase in overall activity with both existing and new customers.

ADJUSTED EBITDA

The Company’s operations in Argentina generated Adjusted EBITDA of \$19.9 million during the fourth quarter of 2023 compared to \$14.6 million in the comparable quarter of 2022, while the Company’s Adjusted EBITDA margins also improved to 22 percent from 19 percent. This improvement in Adjusted EBITDA was primarily due to the higher revenue base and changes in the Company’s customer and geographic mix which resulted in higher profitability relative to the comparable period in 2022. The significant devaluation of the peso in December also contributed to the margin improvement during the quarter.

CORPORATE

Three Months Ended December 31,	2023	2022	Change
(C\$000s)	(\$)	(\$)	(%)
(unaudited)			
Adjusted EBITDA ⁽¹⁾	(5,425)	(7,501)	(28)
% of revenue from continuing operations	(1.3)	(1.7)	(24)

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

ADJUSTED EBITDA

Corporate expenses during the fourth quarter of 2023 were \$5.4 million or \$2.1 million lower than the fourth quarter of 2022 primarily due to lower professional fees combined with a recovery in cash stock-based compensation resulting from a lower share price during the quarter.

DEPRECIATION

For the three months ended December 31, 2023, depreciation expense from continuing operations of \$30.4 million was \$1.9 million lower than the corresponding quarter in 2022 primarily due to the mix and timing of major component capital expenditures.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss from continuing operations of \$14.5 million during the fourth quarter of 2023 versus a loss of \$3.7 million in the comparative three-month period of 2022. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in pesos in Argentina and net monetary assets or liabilities that were held in U.S. dollars in Canada. The foreign exchange loss during the fourth quarter was mainly due to net monetary assets that were held in pesos in Argentina as the peso devalued 131 percent against the U.S. dollar during this period, offset partially by the revaluation of net monetary assets that were held in U.S. dollars in Canada as the Canadian dollar weakened relative to the U.S. dollar.

INTEREST

The Company recorded a net interest expense from continuing operations of \$6.7 million for the fourth quarter of 2023 compared to \$15.0 million in the comparable period in 2022. The decrease in interest expense was primarily due to a reduction in the outstanding 1.5 Lien Notes following the Company's early conversion incentive program that was completed during the fourth quarter in 2022. This program resulted in a \$2.3 million early conversion incentive fee and the write-off of \$2.2 million of deferred finance costs associated with the converted 1.5 Lien Notes. The Company also had lower average revolving credit facility borrowings during the fourth quarter in 2023 which contributed to the reduction in interest expense despite slightly higher interest rates. The Company's interest expense during the fourth quarter of 2023 included \$1.3 million of interest income generated primarily in Argentina.

INCOME TAXES

The Company recorded an income tax recovery from continuing operations of \$5.6 million during the fourth quarter of 2023 versus a recovery of \$14.2 million in the comparable quarter of 2022. The Company had a current income tax recovery of \$7.5 million during the fourth quarter of 2023 which was primarily related to a significant devaluation of the peso in Argentina, offset partially by a current tax expense in the United States. The Company recorded a deferred tax expense of \$1.9 million, which was entirely related to the United States during the fourth quarter of 2023.

BUSINESS UPDATE AND OUTLOOK

Calfrac's operations during 2023 generated a new Company record for net income from continuing operations of \$197.6 million. The Company converted these strong results into significant free cash flow which it deployed towards reducing long-term debt to its lowest level since 2009, as well as improving the quality of its assets through the deployment of two new Tier IV Dynamic Gas Blending ("DGB") fracturing fleets into North America. This operating performance combined with substantial debt repayment resulted in a trailing twelve-month net debt to Adjusted EBITDA from continuing operations ratio of 0.74x, the lowest in recent years. In addition, Calfrac's commitment to safe and efficient operations decreased the Total Recordable Injury Frequency ("TRIF") rate for continuing operations from 1.19 in 2022 to 1.05 in 2023. This excellent result was accomplished despite adding two fracturing fleets to its operations in North America during the year. The Company expects to continue delivering on its brand promise of "Do it Safely, Do it Right, Do it Profitably" in the year ahead and generate strong, sustainable long-term returns for its shareholders.

NORTH AMERICA

Calfrac's North America division generated revenue of \$1.5 billion and Adjusted EBITDA of \$282.9 million in 2023, both of which were some of the best full-year financial results in its history. However, the Company is anticipating a significant year-over-year reduction in first-quarter activity and financial performance due to the impact of lower natural gas prices combined with a slower than expected start to the year as completion programs were deferred until later in the year. As a result, Calfrac idled two fracturing fleets in February and expects to operate an average of five crews in the United States for the first quarter. The Company expects customer demand for its services will improve from the first quarter and support its revised operating footprint for the remainder of the year. Calfrac's operations in Canada expects to continue deploying five large fracturing fleets and six coiled tubing units throughout 2024 and deliver consistent financial results with the prior year.

Calfrac believes that it will generate lower profitability in North America in 2024 due to the anticipated shortfall from the first quarter and its reduced operating scale. In order to maintain its long-term debt reduction targets, the Board of Directors approved a deferral of up to \$50.0 million of capital expenditures related to the Company's fleet modernization program.

ARGENTINA

Calfrac's Argentinean operations leveraged higher efficiencies across all three service lines to generate divisional records for revenue and Adjusted EBITDA of \$341.9 million and \$63.6 million, respectively, in 2023. The Company's position as a leader in this pressure pumping market was enhanced through the start-up of simul-frac operations in the fourth quarter as well as setting internal records for coiled tubing maximum depth achieved and highest cementing customer satisfaction. Calfrac anticipates that, absent any impacts from the devaluation in the Argentinean peso, the momentum from this year will be carried into 2024 driven by expected strong utilization across all service lines in the Vaca Muerta shale play and the conventional basins of southern Argentina.

RUSSIA

Calfrac remains committed to completing a sale of its Russian subsidiary as soon as possible while complying with all applicable laws and sanctions.

CORPORATE

Calfrac expects to continue its transformation throughout 2024 as it remains focused on delivering on the Company's brand promise to deliver further progress on its three strategic priorities:

- maximizing consolidated net income and free cash flow through a disciplined returns-focused pricing strategy and stringent cost management;
- investing in new technologies that enhance Calfrac's service deliverability in the field and drive incremental profitability into the future; and
- dedicating all free cash flow to reducing the Company's long-term debt and evaluating additional strategies to improve its capital structure.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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. In conjunction with the ongoing sale process and in light of the Canadian sanctions and restrictions that were issued in relation to the Russian oil and gas industry, the Company has adjusted the Russian division's current and long-term assets to reflect their revised expected recoverable amount as at December 31, 2023 (see note 4 of the audited consolidated financial statements). Management will continue to revisit the fair value of the net assets at each reporting period and upon the close of the transaction.

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

	Three Months Ended Dec. 31,			Year Ended Dec. 31,		
	2023	2022	Change	2023	2022	Change
<i>(C\$000s, except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>						
Revenue	31,419	29,425	7	133,947	117,257	14
Adjusted EBITDA	5,327	4,647	15	23,474	16,440	43
Adjusted EBITDA (%)	17.0	15.8	8	17.5	14.0	25

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

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 as net income or loss for the period less interest, taxes, depreciation and amortization, foreign exchange losses (gains), non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring. Adjusted EBITDA is presented because it 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 Dec. 31,		Years Ended Dec. 31,	
	2023	2022	2023	2022
(C\$000s)			(\$)	(\$)
(unaudited)				
Net income from continuing operations	13,202	14,757	197,569	35,303
Add back (deduct):				
Depreciation	30,435	32,294	116,641	122,027
Foreign exchange losses (gains) ⁽²⁾	14,494	3,732	22,378	(2,972)
(Gain) loss on disposal of property, plant and equipment	1,042	951	(4,625)	5,333
(Reversal of) impairment of property, plant and equipment	—	10,670	(41,563)	10,670
Impairment of inventory	—	8,477	—	8,477
Impairment of other assets	—	64	—	64
Litigation settlements	—	—	(6,805)	11,258
Restructuring charges	—	3,710	2,991	5,273
Stock-based compensation	2,307	457	5,117	2,776
Interest	6,671	15,018	29,694	46,555
Income taxes	(5,560)	(14,176)	4,059	(11,023)
Adjusted EBITDA from continuing operations ⁽¹⁾	62,591	75,954	325,456	233,741

⁽¹⁾ For bank covenant purposes, EBITDA includes the deduction of an additional \$12.5 million of lease payments for the year ended December 31, 2023 (year ended December 31, 2022 – \$10.4 million) that would have been recorded as operating expenses prior to the adoption of IFRS 16.

⁽²⁾ Adjusted EBITDA reflects a change in definition effective October 1, 2022, and excludes all foreign exchange gains and losses.

The definition and calculation of net debt at December 31, 2023 and the ratio of net debt to Adjusted EBITDA for the year ended December 31, 2023, is disclosed in note 14 to the Company's year-end consolidated financial statements. The Company monitors its capital structure and financing requirements using, amongst other parameters, the ratio of net debt to Adjusted EBITDA. The ratio of net debt to Adjusted EBITDA does not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

As at December 31, 2023	Payment Due by Period				
	Total	< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)
(unaudited)					
Leases - IFRS 16	26,750	11,977	13,466	1,307	—
Leases - non-IFRS 16	11,669	5,240	6,004	425	—
Purchase obligations	137,921	128,613	9,308	—	—
Total contractual obligations	176,340	145,830	28,778	1,732	—

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

GREEK LITIGATION

As described in note 20 to the annual consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. Management is of the view that it is improbable there will be a material financial impact to the Company as a result of these claims. Consequently, no provision was recorded in the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the year ended December 31, 2023 which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Calfrac's material 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 acquired or the environment in which the Company operates changes. The accounting policies and practices that involve the use of estimates that have a significant impact on the Company's financial results include the allowance for doubtful accounts, depreciation, the fair value of financial instruments, income taxes, and stock-based compensation.

Judgment is also used in the determination of cash-generating units (CGUs), impairment or reversal of impairment of non-financial assets, the functional currency of each subsidiary, and the classification of assets held for sale and discontinued operations, including continued control over the Russian subsidiary.

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 \$1.0 million at December 31, 2023, is adequate.

DEPRECIATION

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

FINANCIAL INSTRUMENTS

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the Second Lien Notes, as measured based on the closing market price at December 31, 2023 was \$144.0 million (December 31, 2022 – \$147.4 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.

CREDIT RISK

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices, including the use of credit limits and approvals, and by monitoring its customers' financial condition. At December 31, 2023, the Company had a loss allowance provision for accounts receivable of \$1.0 million (December 31, 2022 – \$0.5 million).

Payment terms with customers vary by country and contract. Standard payment terms, however, are 30 days from invoice date. The Company's aged trade and accrued accounts receivable at December 31, 2023 and 2022, excluding any impaired accounts, are as follows:

As at December 31,	2023	2022
(C\$000s)	(\$)	(\$)
(unaudited)		
Current	179,283	203,689
31 - 60 days	48,760	27,633
61 - 90 days	8,555	2,352
91+ days	1,544	2,120
Total	238,142	235,794

INTEREST RATE RISK

The Company is exposed to cash flow risk due to fluctuating interest payments required to service any floating-rate debt. The increase or decrease in annual interest expense for each 1 percentage point change in the interest rate on floating-rate debt at December 31, 2023 amounts to \$1.0 million (December 31, 2022 – \$1.7 million).

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

LIQUIDITY RISK

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

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

At December 31, 2023	Total	< 1 Year	1 - 3 Years	4 - 6 Years	7 - 9 Years	Thereafter
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
(unaudited)						
Accounts payable and accrued liabilities	176,817	176,817	—	—	—	—
Lease obligations ⁽¹⁾	26,750	11,977	13,466	1,307	—	—
Long-term debt ⁽¹⁾	305,341	24,749	280,592	—	—	—
Total	508,908	413,543	294,050	1,307	—	—
At December 31, 2022	Total	< 1 Year	1 - 3 Years	4 - 6 Years	7 - 9 Years	Thereafter
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
(unaudited)						
Accounts payable and accrued liabilities	171,603	171,603	—	—	—	—
Lease obligations ⁽¹⁾	24,943	10,693	12,592	1,658	—	—
Long-term debt ⁽¹⁾	409,358	30,686	378,672	—	—	—
Total	605,904	512,982	491,264	1,658	—	—

⁽¹⁾ Principal and interest

FOREIGN EXCHANGE RISK

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in currencies other than Canadian dollars. These currencies include the U.S. dollar and Argentinean peso. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases

of products and property, plant and equipment from vendors in the United States. In addition, the Company's Second Lien Notes and related interest expense are denominated in U.S. dollars.

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

At December 31, 2023	Impact to Net Income
<i>(C\$000s)</i>	<i>(\$)</i>
1% change in value of U.S. dollar	1,513
1% change in value of Argentinean peso	3

At December 31, 2022	Impact to Net Income
<i>(C\$000s)</i>	<i>(\$)</i>
1% change in value of U.S. dollar	1,560
1% change in value of Argentinean peso	105

IMPAIRMENT

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

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

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

As at December 31, 2023, the Company did not identify any changes in the indicators of impairment or any new indicators of impairment since the last impairment test that was carried out as at September 30, 2023. Therefore, no further assessment on impairment was performed as there have been no changes in circumstances that indicate that the carrying amount of property, plant and equipment exceeded its recoverable amount as at December 31, 2023. The impairment test that was conducted as at September 30, 2023 supported the reversal of the remaining property, plant and equipment impairment loss of \$41.6 million for the Company's Canadian cash-generating unit that was originally recorded in 2020, after taking into account normal depreciation that would have been recognized if no impairment had occurred.

The Company will continue to monitor and update its assumptions and estimates with respect to property, plant and equipment impairment on an ongoing basis.

In addition, the Company carried out a comprehensive review of its property, plant and equipment and identified assets that were permanently idle or obsolete, and therefore, no longer able to generate cash inflows. It was determined there was no impairment charge required to derecognize and write-off such assets for the year ended December 31, 2023 (year ended December 31, 2022 – \$10.7 million).

The impairment losses (reversal of impairment) by CGU are as follows:

Years Ended December 31,	2023	2022
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Canada	(41,563)	—
United States	—	10,670
	(41,563)	10,670

The Company reviews the carrying value of its inventory on an ongoing basis for obsolescence and to verify that the carrying value exceeds the net realizable amount. During the year ended December 31, 2023, the Company reviewed the carrying value of its inventories across all operating segments and determined there was no impairment to write-off obsolete inventory and write inventory down to its net realizable amount (year ended December 31, 2022 – \$8.5 million). The inventory impaired during 2022 was primarily related to spare parts.

Years Ended December 31,	2023	2022
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
United States	—	5,562
Canada	—	2,915
	—	8,477

INCOME TAXES

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

STOCK-BASED COMPENSATION

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

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

FUNCTIONAL CURRENCY

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

CASH-GENERATING UNITS

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

RELATED-PARTY TRANSACTIONS

Certain entities controlled by George S. Armoian hold US\$16.8 million of the Company's Second Lien Notes as at December 31, 2023 (December 31, 2022 – US\$16.4 million). The Company leases certain premises from a company controlled by Ronald P. Mathison. The rent charged for these premises during the year ended December 31, 2023 was \$1.0 million (year ended December 31, 2022 – \$1.0 million), as measured at the exchange amount, which is based on market rates at the time these lease arrangements were made.

CHANGES IN ACCOUNTING POLICIES

The Company adopted the following IAS 12 *Income Taxes* related amendments during the period in accordance with applicable transitional provisions:

- The amendment related to the recognition of deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, did not have a material impact on the Company's consolidated financial statements. The amendment is effective for periods beginning on or after January 1, 2023; and
- On May 23, 2023, the International Accounting Standards Board published *International Tax Reform — Pillar Two Model Rules*, in response to the rules published by the Organization for Economic Cooperation and Development (OECD) and introduced targeted disclosure requirements for affected entities. This amendment provides a temporary exception from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two Model. This amendment is effective immediately, however, the Company is continuing to assess the impact of this amendment as legislation is currently not effective or substantially enacted in the jurisdictions in which the Company operates.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has assessed the impact of the following amendment to the standards and interpretations applicable for future periods:

IAS 1 *Presentation of Financial Statements* has been amended to clarify how to classify debt and other liabilities as either current or non-current and how to determine that an entity has the right to defer settlement of a liability arising from a loan arrangement, which contains covenant(s), for at least twelve months after the reporting period. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2024. The Company does not expect this amendment to have a material impact on the consolidated financial statements at the adoption date.

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

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

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

In accordance with the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2023. Based on this evaluation, the CEO and CFO have concluded that the Company's DC&P and ICFR are effectively designed and operating as intended.

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

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth in the Company's most recently filed Annual Information Form under the heading "Risk Factors" which is available on the SEDAR+ website at www.sedarplus.ca. 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.

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 or forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking statements").

In particular, forward-looking statements in this MD&A include, but are not limited to, statements with respect to the expectations regarding trends in, and growth prospects of, the global oil and gas industry; activity, demand, utilization and outlook for the Company's operating divisions; the supply and demand fundamentals of the pressure pumping industry; input costs, margin and service pricing trends and strategies; operating and financing strategies, performance, priorities, metrics and estimates such as the Company's strategic priorities to maximize the cash flow, repay debts and invest in new technologies, including with respect to the Company's fleet modernization program and timing thereof; the Company's Russian division, including the planned sale of the Russian division, the ongoing risks, uncertainties and restrictions relating to its business and operations, the regulatory approvals to complete a sale transaction and the Company's compliance with applicable laws and sanctions; the Company's debt, liquidity and financial position; future financial resources and performance; future costs or potential liabilities; the Company's service quality; capital investment plans, including with respect to the Company's fleet modernization program and timing thereof; commodity prices and supply of raw materials, diesel fuel, and component parts; expectations regarding the Company's financing activities and restrictions, including with regard to its revolving credit facilities; the Company's growth prospects; operational execution and expectations regarding the Company's ability to maintain its competitive position; accounting policies, practices, standards and judgements of the Company; and treatment under government regulatory regimes.

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

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include but are not limited to: (A) industry risks, including but not limited to, global economic conditions and the level of exploration, development and production for oil and natural gas in North America and Argentina; excess equipment levels; impacts of conservation measures and technological advances on the demand for the Company's services; an intensely competitive oilfield services industry; and hazards inherent in the industry; (B) business operations risks, including but not limited to, fleet reinvestment risk, including the ability of the Company to finance the capital necessary for equipment upgrades to support its operational needs while meeting government and customer requirements and preferences; difficulty retaining, replacing or adding personnel; failure to continuously improve equipment, proprietary fluid chemistries and other products and services; seasonal volatility and climate change; reliance on equipment suppliers and fabricators; cybersecurity risks; a concentrated customer base; obsolete technology; failure to maintain safety standards and records; constrained demand for the Company's services due to merger and acquisition activity; improper access to confidential information or misappropriation of Company's intellectual property rights; failure to realize anticipated benefits of acquisitions and dispositions; loss of one or more key employees; and growth related risk on internal systems or employee base; (C) financial risks, including but not limited to, restrictions on the Company's access to capital, including the impacts of covenants under the Company's lending documents; direct and indirect exposure to volatile credit markets, including interest rate risk; fluctuations in currency exchange rates and increased inflation; price escalation and availability of raw materials, diesel fuel and component parts;

actual results which are materially different from management estimates and assumptions; insufficient internal controls; the Company's access to capital and common share price given a significant number of common shares are controlled by two directors of the Company; possible dilution of outstanding stock-based compensation, additional equity or debt securities; and changes in tax rates or reassessment risk by tax authorities; (D) geopolitical risks, including but not limited to, foreign operations exposure, including risks relating to unsettled political conditions, war, foreign exchange rates and controls; the sale of the discontinued operations in Russia may not occur or be delayed; and risk associated with non-compliance with applicable law; (E) legal and regulatory risks, including but not limited to, federal, provincial and state legislative and regulatory initiatives and laws; health, safety and environmental laws and regulations; and legal and administrative proceedings; and (F) environmental, social and governance risks, including but not limited to, failure to effectively and timely address the energy transition; the direct and indirect costs of various existing and proposed climate change regulations; various types of activism; and reputational risk or legal liability due to ESG commitments and disclosures. Further information about these and other risks and uncertainties may be found under the heading "Business Risks" above.

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

ADDITIONAL INFORMATION

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

MANAGEMENT'S LETTER

To the Shareholders of Calfrac Well Services Ltd.

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

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

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

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

The Audit Committee of the Board of Directors, which is comprised of three independent directors who are not employees of the Company, has discussed the consolidated financial statements, including the notes thereto, with management and the external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



Patrick G. Powell
Chief Executive Officer



Michael D. Olinek
Chief Financial Officer

March 13, 2024
Calgary, Alberta, Canada

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Calfrac Well Services Ltd.

OUR OPINION

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

What We Have Audited

The Company's consolidated financial statements comprise:

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

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Assessment of impairment indicators on property, plant and equipment (PP&E)</p> <p><i>Refer to note 2 – Summary of Material Accounting Policies and note 5 – Property, Plant and Equipment to the consolidated financial statements.</i></p> <p>The Company's total PP&E as at December 31, 2023 amounted to \$614.6 million. At each reporting period management assesses whether there are indicators of impairment or impairment reversals. If indicators of impairment exist, the recoverable amount of the assets or cash-generating unit (CGU) is estimated and an impairment loss is recognized for the amount by which the carrying value of the assets or CGU exceeds its recoverable amount. If indicators of impairment reversal exist, the Company estimates the recoverable amount of the assets or CGU to determine if the impairment loss previously recognized should be reversed. Management applies significant judgment in assessing whether indicators of impairment or impairment reversal exist. Internal and external factors, such as (i) a significant change in the market capitalization of the Company's share price; (ii) changes in conditions of PP&E, (iii) changes in oil and gas prices, (iv) changes in forecasted earnings of the CGUs and (v) changes in interest rates, are evaluated by management in determining whether there are any indicators of impairment or impairment reversal.</p> <p>We considered this a key audit matter due to (i) the significance of the PP&E balance, (ii) significant management judgment; and (iii) the significant audit effort and subjectivity in applying audit procedures to evaluate management's assessment as to whether there are indicators of impairment or impairment reversal.</p>	<p>Our approach to addressing this matter included the following procedures, among others:</p> <ul style="list-style-type: none"> • Evaluated the reasonableness of management's assessment of indicators of impairment or impairment reversal, which included the following procedures: <ul style="list-style-type: none"> • Assessed the reasonableness of internal and external factors such as: <ul style="list-style-type: none"> ▪ significant changes in the market capitalization of the Company's share price, which may indicate a change in value of the Company's PP&E; ▪ significant changes in the conditions of the PP&E, which may indicate a change in value of the PP&E; and ▪ changes in oil and gas prices, forecasted earnings of the CGUs and changes in interest rates by considering the current and past performance of the CGUs, external market data and evidence obtained in other areas of the audit, as applicable. • Assessed the completeness of external or internal factors that could be considered as indicators of impairment or impairment reversal of the Company's PP&E, by considering evidence obtained in other areas of the audit.

Impairment reversal assessment of PP&E for the Canadian CGU

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

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

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

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

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

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

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 13, 2024

CONSOLIDATED BALANCE SHEETS

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

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

Commitments (note 10); Contingencies (note 20)

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors,



Ronald P. Mathison, Director



Charles Pellerin, Director

CONSOLIDATED STATEMENTS OF OPERATIONS

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

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended Dec. 31,	
	Note	2023	2022
(C\$000s)		(\$)	(\$)
CASH FLOWS PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net income for the year		190,672	11,677
Adjusted for the following:			
Depreciation		116,641	122,226
Stock-based compensation		5,117	2,776
Unrealized foreign exchange losses (gains)		16,763	(16,334)
(Gain) loss on disposal of property, plant and equipment		(4,667)	5,329
Impairment (reversal of impairment) of property, plant and equipment	4, 5	(39,448)	16,676
Impairment of inventory	4	5,566	38,736
Impairment of other assets	4	20,057	4,484
Interest		29,409	46,511
Interest paid		(21,095)	(33,049)
Deferred income taxes		(2,187)	(16,466)
Changes in items of working capital	13	(35,194)	(75,034)
Cash flows provided by operating activities		281,634	107,532
FINANCING ACTIVITIES			
Bridge loan proceeds		—	15,000
Issuance of long-term debt, net of debt issuance costs	6	92,202	17,762
Bridge loan repayments		—	(15,000)
Long-term debt repayments	6	(177,453)	(45,000)
Lease obligation principal repayments	11	(11,217)	(9,166)
Proceeds on issuance of common shares from the exercise of warrants and stock options		12,336	2,871
Cash flows used in financing activities		(84,132)	(33,533)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(168,637)	(79,810)
Proceeds on disposal of property, plant and equipment		22,546	3,576
Proceeds on disposal of right-of-use assets		1,321	1,909
Cash flows used in investing activities		(144,770)	(74,325)
Effect of exchange rate changes on cash and cash equivalents		(25,935)	20,070
Increase in cash and cash equivalents		26,797	19,744
Cash and cash equivalents (bank overdraft), beginning of year		18,393	(1,351)
Cash and cash equivalents, end of year		45,190	18,393
Included in the cash and cash equivalents per the balance sheet		34,140	8,498
Included in the assets held for sale/discontinued operations	4	11,050	9,895

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(a) Basis of Measurement

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

(b) Principles of Consolidation

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

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

(c) Changes in Accounting Standards and Disclosures

The Company adopted the following IAS 12 *Income Taxes* related amendments during the period in accordance with applicable transitional provisions:

- The amendment related to the recognition of deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, did not have a material impact on the Company's consolidated financial statements. The amendment is effective for periods beginning on or after January 1, 2023; and
- On May 23, 2023, the International Accounting Standards Board published *International Tax Reform — Pillar Two Model Rules*, in response to the rules published by the Organization for Economic Cooperation and Development (OECD) and introduced targeted disclosure requirements for affected entities. This amendment provides a temporary exception from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two Model. This amendment is effective immediately, however, the Company is continuing to assess the impact of this amendment as legislation is currently not effective or substantially enacted in the jurisdictions in which the Company operates.

(d) Change in Accounting Estimate

Effective January 1, 2023, expenditures related to fluid ends will be recorded as an operating expense rather than as a capital expenditure. This change in accounting estimate was based on new information surrounding the useful life of this

component. This change was adopted prospectively and is not expected to have any material impact on the financial statements as the fluid end component was previously depreciated over a one-year useful life.

(e) Critical Accounting Estimates and Judgments

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

Judgment is also used in the determination of cash-generating units (CGUs), impairment or reversal of impairment of non-financial assets, the functional currency of each subsidiary, and the classification of assets held for sale and discontinued operations, including continued control over the Russian subsidiary.

i) Expected Credit Loss

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

ii) Depreciation

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

iii) Fair Value of Financial Instruments

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

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

iv) Income Taxes

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

See note 9 for further information on income taxes.

v) Share-Based Payments

The fair value of stock options, performance share units and warrants is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option or unit life, estimated forfeitures, estimated volatility of the Company's shares and anticipated dividends. The vesting conditions associated with the performance stock options and performance share units are non-market and are assessed at each reporting period to determine if the targets are probable or not probable of being met.

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

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

vi) Functional Currency

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

vii) Cash-Generating Units

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

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

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

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

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

(f) Foreign Currency Translation

i) Functional and Presentation Currency

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

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

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

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

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

ii) Transactions and Balances

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

(g) Financial Instruments

The impairment model under IFRS 9 *Financial Instruments* requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument.

i) Classification

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

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

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

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

The Company does not have any hedging arrangements.

ii) Measurement

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

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in profit or loss.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

See note 12 for further information on financial instruments.

iii) Derecognition

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

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

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

iv) Compound Financial Instruments

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

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

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

(h) Cash and Cash Equivalents

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

(i) Inventory

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

(j) Property, Plant and Equipment

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

amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of operations during the period in which they are incurred.

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

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

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

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

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

(k) Borrowing Costs

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

(l) Leases

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

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

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

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

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

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

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that asset to determine if the reversal of impairment loss is supported.

(n) Income Taxes

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

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

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

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

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

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

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

(o) Revenue Recognition

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

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

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

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

See note 16 for further information on revenue.

(p) Stock-Based Compensation Plans

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

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

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

(q) Business Combinations

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

Acquisition costs are expensed as incurred.

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

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

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

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

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

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

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

(s) Recently Issued Accounting Standards Not Yet Applied

The Company has assessed the impact of the following amendment to the standards and interpretations applicable for future periods:

IAS 1 *Presentation of Financial Statements* has been amended to clarify how to classify debt and other liabilities as either current or non-current and how to determine that an entity has the right to defer settlement of a liability arising from a loan arrangement, which contains covenant(s), for at least twelve months after the reporting period. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2024. The Company does not expect this amendment to have a material impact on the consolidated financial statements at the adoption date.

3. INVENTORIES

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

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

The Company reviews the carrying value of its inventory on an ongoing basis for obsolescence and to verify that the carrying value exceeds the net realizable amount. During the year ended December 31, 2023, the Company reviewed the carrying value of its inventories across all operating segments and determined there was no impairment to write-off obsolete inventory and write inventory down to its net realizable amount (year ended December 31, 2022 – \$8,477). The inventory impaired during 2022 was primarily related to spare parts.

Years Ended December 31,	2023	2022
(C\$000s)	(\$)	(\$)
United States	—	5,562
Canada	—	2,915
	—	8,477

4. ASSETS HELD FOR SALE

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

In conjunction with the ongoing sale process and in light of the Canadian sanctions and restrictions that were issued in relation to the Russian oil and gas industry, the Company has adjusted the Russian division's current and long-term assets to reflect their revised expected recoverable amount as at December 31, 2023. Management will continue to revisit the fair value of the net assets at each reporting period and upon the close of the transaction.

In addition to monitoring and addressing, as applicable, the evolving laws and sanctions from the governments of Canada, the U.S., and other western nations, the Company's efforts to divest of its Russian operations have been impacted by domestic laws and sanctions of the Russian Federation, including without limitation, that any sale or any other transfer or alienation of its Russian subsidiary must be approved by the President of the Russian Federation pursuant to applicable

decrees and rules setting out the requirements for exits of foreign investors from Russia (which are updated on a periodic basis). Within this dynamic context, the Company continues to make progress toward a sale of its Russian subsidiary and is seeking to complete this transaction as soon as possible while complying with all applicable laws and sanctions.

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

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

(a) Financial Information

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

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

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

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

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

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

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Property, plant and equipment are tested for impairment in accordance with the Company's accounting policy. The Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. As well, the Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset or cash-generating unit (CGU) other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that CGU to determine if the reversal of impairment loss is supported.

The Company's CGUs are determined to be at the country level, consisting of Canada, the United States, and Argentina.

As at December 31, 2023, the Company did not identify any changes in the indicators of impairment or any new indicators of impairment since the last impairment test that was carried out as at September 30, 2023. Therefore, no further assessment on impairment was performed as there have been no changes in circumstances that indicate that the carrying amount of property, plant and equipment exceeded its recoverable amount as at December 31, 2023.

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

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

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

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

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

The impairment test that was conducted as at September 30, 2023 supported the reversal of the remaining property, plant and equipment impairment loss of \$41,563 for the Company's Canadian cash-generating unit that was originally recorded in 2020, after taking into account normal depreciation that would have been recognized if no impairment had occurred.

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

Assumptions that are valid at the time of preparing the impairment test may change significantly when new information becomes available. The Company will continue to monitor and update its assumptions and estimates with respect to property, plant and equipment impairment on an ongoing basis.

In addition, the Company carried out a comprehensive review of its property, plant and equipment and identified assets that were permanently idle or obsolete, and therefore, no longer able to generate cash inflows. It was determined there was no impairment charge required to derecognize and write-off such assets for the year ended December 31, 2023 (year ended December 31, 2022 – \$10,670).

The impairment losses (reversal of impairment) by CGU are as follows:

Years Ended December 31,	2023	2022
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Canada	(41,563)	—
United States	—	10,670
	(41,563)	10,670

6. LONG-TERM DEBT

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

The carrying value of the revolving term loan facility approximates its fair value as the interest rate is not significantly different from current interest rates for similar loans. The fair value of the Second Lien Notes (as defined below), as measured based on the closing market price at December 31, 2023 was \$143,963 (December 31, 2022 – \$147,411).

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

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

(a) Revolving Credit Facility

On September 28, 2023, the Company amended its revolving credit facility agreement. The principal amendments to the \$250,000 credit facilities include, among others, the following items:

- extended the maturity date from July 1, 2024 to the earlier of: (a) July 1, 2026 or (b) six months prior to the maturity of the Company's Second Lien Notes on March 15, 2026;
- increased the syndicated facility to \$215,000 from \$205,000 and, conversely, decreased the operating facility to \$35,000 from \$45,000;
- removed the borrowing base requirement and the Funded Debt to Capitalization and Current Ratio covenants; and

- d. introduced an Interest Coverage Ratio covenant of greater than 2.75:1:00 and a Total Debt to EBITDA Ratio covenant of less than 4.00:1:00, which along with a Funded Debt to EBITDA Ratio covenant of 3.00:1:00, based on EBITDA from continuing operations, comprises the amended financial covenant package.

The credit agreement can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.25 percent to prime plus 3.00 percent. For SOFR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.25 percent to 4.00 percent above the respective base rates.

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

(b) 1.5 Lien Notes

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

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

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

(c) Second Lien Notes

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

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

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

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

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

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

7. CAPITAL STOCK

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

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

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

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

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

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

8. SHARE-BASED PAYMENTS

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

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

(a) Stock Options

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

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

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

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

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

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

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

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

(b) Share Units

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

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

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

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

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

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

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

(c) Warrants

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

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

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

9. INCOME TAXES

The components of income tax expense (recovery) are:

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

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

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

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

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

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

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

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

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

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

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

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

10. COMMITMENTS

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

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

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

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

<i>(C\$000s)</i>	<i>(\$)</i>
2024	128,613
2025	9,308
	137,921

11. LEASES

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

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

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

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

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

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

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

12. FINANCIAL INSTRUMENTS

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

(a) Fair Values of Financial Assets and Liabilities

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

The fair values of the remaining long-term debt approximate their carrying values, as described in note 6.

(b) Credit Risk

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers. At December 31, 2023, the Company had a loss allowance provision for accounts receivable of \$999 (December 31, 2022 – \$481).

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

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

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

Payment terms with customers vary by country and contract. Standard payment terms are 30 days from invoice date. The Company's aged trade and accrued accounts receivable at December 31, 2023 and 2022, excluding any impaired accounts, are as follows:

As at December 31, (C\$000s)	2023 (\$)	2022 (\$)
Current	179,283	203,689
31 – 60 days	48,760	27,633
61 – 90 days	8,555	2,352
91+ days	1,544	2,120
Total	238,142	235,794

(c) Interest Rate Risk

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

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

(d) Liquidity Risk

The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities, new secured or unsecured debt, and new share equity. The Company monitors its liquidity to ensure it has sufficient funds to complete planned capital and other expenditures. The Company mitigates liquidity risk by maintaining adequate banking and credit facilities and monitoring its forecast and actual cash flows. The Company may also adjust its capital spending to maintain liquidity. See note 14 for further details on the Company's capital structure.

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

At December 31, 2023 (C\$000s)	Total (\$)	<1 Year (\$)	1 – 3 Years (\$)	4 – 6 Years (\$)	7 – 9 Years (\$)	Thereafter (\$)
Accounts payable and accrued liabilities	176,817	176,817	—	—	—	—
Lease obligations ⁽¹⁾	26,750	11,977	13,466	1,307	—	—
Long-term debt ⁽¹⁾	305,341	24,749	280,592	—	—	—
	508,908	213,543	294,058	1,307	—	—

⁽¹⁾ Principal and interest of current and long-term portion

At December 31, 2022 (C\$000s)	Total (\$)	<1 Year (\$)	1 – 3 Years (\$)	4 – 6 Years (\$)	7 – 9 Years (\$)	Thereafter (\$)
Accounts payable and accrued liabilities	171,603	171,603	—	—	—	—
Lease obligations ⁽¹⁾	24,943	10,693	12,592	1,658	—	—
Long-term debt ⁽¹⁾	409,358	30,686	378,672	—	—	—
	605,904	212,982	391,264	1,658	—	—

⁽¹⁾ Principal and interest of current and long-term portion

(e) Foreign Exchange Risk

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in currencies other than Canadian dollars. These currencies include the U.S. dollar and Argentinean peso. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases

of products and property, plant and equipment from vendors in the United States. In addition, the Company's Second Lien Notes and related interest expense are denominated in U.S. dollars.

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

At December 31, 2023	Impact to Net Income
<i>(C\$000s)</i>	<i>(\$)</i>
1% change in value of U.S. dollar	1,513
1% change in value of Argentinean peso	3

At December 31, 2022	Impact to Net Income
<i>(C\$000s)</i>	<i>(\$)</i>
1% change in value of U.S. dollar	1,560
1% change in value of Argentinean peso	105

(f) Country Risk

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

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

(g) Cash Risk

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

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

Purchase of property, plant and equipment is comprised of:

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

14. CAPITAL STRUCTURE

The Company's capital structure is comprised of shareholders' equity and debt. The Company's objectives in managing capital are (i) to maintain flexibility so as to preserve its access to capital markets and its ability to meet its financial obligations, and (ii) to finance growth, including potential acquisitions.

The Company manages its capital structure and makes adjustments in light of changing market conditions and new opportunities, while remaining cognizant of the cyclical nature of the oilfield services sector. To maintain or adjust its capital structure, the Company may revise its capital spending, issue new shares or new debt or repay existing debt.

The Company monitors its capital structure and financing requirements using, amongst other parameters, the ratio of net debt to Adjusted EBITDA. Adjusted EBITDA for this purpose is calculated on a 12-month trailing basis and is defined as follows:

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

Net debt for this purpose is calculated as follows:

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

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

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

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

The Company is subject to certain financial covenants relating to leverage and the generation of cash flow in respect of its operating and revolving credit facilities. These covenants are monitored on a monthly basis. The Company was in compliance with its financial covenants associated with its credit facilities as at December 31, 2023.

15. RELATED-PARTY TRANSACTIONS

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

The Company leases certain premises from a company controlled by Ronald P. Mathison. The rent charged for these premises during the year ended December 31, 2023 was \$957 (year ended December 31, 2022 – \$957), as measured at the exchange amount, which is based on market rates at the time the lease arrangements were made and is under the normal course of business.

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

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

Beginning in 2023, the Company began reporting the financial and operating performance for the United States and Canada under a single North America division as part of its strategy to streamline its operational and reporting structure. Prior comparatives have been reclassified to conform with the current presentation.

17. PRESENTATION OF EXPENSES

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

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

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

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

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

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

18. EMPLOYEE BENEFITS EXPENSE

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

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

19. COMPENSATION OF KEY MANAGEMENT

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

Compensation awarded to key management comprised:

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

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

20. CONTINGENCIES

GREEK LITIGATION

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

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

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

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

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

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

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

Management is of the view that it is improbable there will be a material financial impact to the Company as a result of these claims. Consequently, no provision has been recorded in these consolidated financial statements.

21. SEGMENTED INFORMATION

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

Beginning in 2023, the Company began reporting the financial and operating performance for the United States and Canada under a single North America division as part of its strategy to streamline its operational and reporting structure. Prior comparatives have been reclassified to conform with the current presentation.

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

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

⁽¹⁾ Revenue generated in the United States for the years ended December 31, 2023 and 2022 was 51% and 54% of revenue from continuing operations, respectively.

⁽²⁾ Assets in the United States as at December 31, 2023 and 2022 was 55% and 60% assets from continuing operations, respectively.

Adjusted EBITDA is defined in the Company's credit facilities for covenant purposes as net income or loss for the period adjusted for interest, income taxes, depreciation and amortization, foreign exchange losses (gains), non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring. Adjusted EBITDA is presented because it is used in the calculation of the Company's bank covenants. Adjusted EBITDA for the period was calculated as follows:

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

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

HISTORICAL REVIEW - CONTINUING OPERATIONS

	2023	2022	2021	2020	2019
<i>(C\$000s, except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>		<i>Revised ⁽¹⁾</i>	<i>Revised ⁽¹⁾</i>	<i>Revised ⁽¹⁾</i>	<i>Revised ⁽¹⁾</i>
FINANCIAL RESULTS					
Revenue	1,864,281	1,499,220	880,249	605,029	1,515,148
Adjusted EBITDA ⁽²⁾	325,456	233,741	51,577	19,609	168,295
Net (loss) income	197,569	35,303	(94,731)	(295,407)	(143,389)
Per share - basic ⁽³⁾	2.43	0.83	(2.52)	(69.95)	(0.99)
Per share - diluted ⁽³⁾	2.24	0.47	(2.52)	(69.95)	(0.99)
Consolidated cash flows provided by (used in) operating activities	281,634	107,532	107,532	24,520	132,024
Capital expenditures	165,414	87,940	66,575	43,424	136,372
FINANCIAL POSITION, END OF PERIOD					
Current Assets	423,935	368,430	307,533	271,190	405,926
Total Assets	1,126,197	995,753	892,961	912,463	1,525,922
Working Capital	236,392	183,580	170,737	161,448	248,772
Long-Term Debt	250,777	329,186	388,479	324,633	976,693
Total Equity	615,903	422,972	328,840	410,234	368,623
COMMON SHARE DATA					
Common shares outstanding (000s), end of period ⁽²⁾	85,716	80,734	37,701	37,408	144,889
Weighted average (diluted)	88,277	84,621	86,678	54,234	145,475
OPERATING, END OF PERIOD					
Active pumping horsepower (000s)	1,173	1,112	943	836	1,204
Idle pumping horsepower (000s)	72	117	—	432	129
Total pumping horsepower (000s)	1,245	1,229	1,280	1,268	1,333
Active coiled tubing units (#)	11	11	13	13	17
Idle coiled tubing units (#)	1	5	7	7	5
Total coiled tubing units (#)	12	16	20	20	22
Active cementing units (#)	10	11	10	12	13
Idle cementing units (#)	1	1	5	4	6
Total cementing units (#)	11	12	15	16	19

⁽¹⁾ All comparative amounts exclude the impact from the Company's Russia operations, which have been classified as held for sale and presented as discontinued operations. In addition, Adjusted EBITDA reflects a change in definition and excludes all foreign exchange gains and losses.

⁽²⁾ Refer to "Non-GAAP Measures" on page 16 for further information.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ronald P. Mathison

Alberta, Canada

- Chairman

Douglas R. Ramsay

Alberta, Canada

- Vice Chairman
- Compensation, Governance and Nominating Committee
- Health, Safety and Environment Committee

George S. Armoyan

Nova Scotia, Canada

- Compensation, Governance and Nominating Committee

Holly A. Benson

Alberta, Canada

- Audit Committee

Anuroop Duggal

Ontario, Canada

- Audit Committee
- Compensation, Governance and Nominating Committee

Chetan R. Mehta

Maryland, United States

- Audit Committee
- Health, Safety and Environment Committee

Charles Pellerin

Quebec, Canada

- Audit Committee
- Compensation, Governance and Nominating Committee

Pat Powell

Alberta, Canada

- Health, Safety and Environment Committee

OFFICERS

Pat Powell

Chief Executive Officer

Michael D. Olinek

Chief Financial Officer

Marco A. Aranguren

Director General, Argentina Division

Gordon T. Milgate

President, Canadian Operations

Mark D. Rosen

President, United States Operations

Mark R. Ellingson

Vice President, Sales & Marketing, United States

Jon Koop

Vice President, Human Resources

Brent W. Merchant

Vice President, Sales & Marketing, Canada

Alif H. Noorani

Vice President, Finance

Jeffrey I. Ellis

General Counsel and Corporate Secretary

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BANKERS

HSBC Bank Canada

ATB Financial

The Toronto-Dominion Bank

Canadian Western Bank

LEGAL COUNSEL

Bennett Jones LLP

Calgary, Alberta

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange

Common Share Trading Symbol: CFW

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:

Odyssey Trust Company

Stock Exchange Tower, 1230 - 300 5th Avenue SW

Calgary, AB T2P 3C4

1-888-290-1175

clients@odysseytrust.com

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